



# ANNUAL REPORT 2013

Innovative Technologies  
Integrated Solutions  
Global Support



[imdexlimited.com](http://imdexlimited.com)



**Imdex Limited (Imdex)**

ABN 78 008 947 813

**Australian Securities Exchange (ASX)**

Listing Date 24 September 1987

ASX Code: IMD

**Registered Office**

8 Pitino Court

Osborne Park

Western Australia 6017

**Head Office**

8 Pitino Court

Osborne Park

Western Australia 6017

**Directors**

Mr Ross Kelly (Chairman)

Mr Bernie Ridgeway (Managing Director)

Mr Kevin Dundo (Non-Executive Director)

Mr Magnus Lemmel (Non-Executive Director)

Ms Betsy Donaghey (Non-Executive Director)

**Company Secretary**

Mr Paul Evans

**2013 Annual General Meeting**

Imdex's AGM will be held at

The Celtic Club, 48 Ord Street, West Perth,

Western Australia commencing at

11am on Thursday 17 October 2013.

For further information please contact Paul Evans

on 08 9445 4010 or visit the investor section of

Imdex's website at:

[www.imdexlimited.com](http://www.imdexlimited.com)



***“FY13 was a challenging year due largely to a cyclical slowdown in the global minerals industry. The challenges, although significant, are being addressed as the company continues to pursue its diversification strategy, strengthen its technologies, and expand its global presence.”***



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Throughout this document, unless otherwise stated, all monetary amounts are recorded in Australian currency.





## **Imdex Mission**

***“We deliver leading innovative technologies to the global minerals industry and niche oil and gas markets, focusing on integrated solutions that enhance our customers’ operations and deliver value for shareholders. We achieve this through our extensive industry knowledge and commitment to product development, ensuring innovative, simple to use and fit-for-purpose technologies.”***



### Company Profile

Imdex is a leading provider of drilling fluid products, advanced downhole instrumentation, data management solutions and geo-analytical services to exploration, development, production and mining services companies within the minerals and oil and gas sectors worldwide.

The company's strength is derived from its global operations, superior customer service and leading technologies.

Imdex supports a diverse range of customers at all stages of the mining cycle, from junior explorers to major producers across a wide range of commodities.

To provide optimal service to these customers, the company has operational centres in key mining regions of the world, including: Asia-Pacific, Africa, Europe and the Americas (for further details regarding global support refer to pages 12 and 13).

Imdex's substantial commitment to ongoing product development has enabled the company to achieve market leader status in its fields of operation. The company is continuously refining its integrated range of fluid products, unrivalled instrumentation and data management solutions to ensure customers have the most advanced operational technology available.

### The Imdex Way

**The Imdex Way sets out the key principles and expected behaviours that govern the company's decision making, business practices and employee reward programs.**

**Integrity** - Communicating openly and honestly. Avoiding activities or organisations that are unethical, harm people or the environment.

**Teamwork** - Working collaboratively, safely and with respect for diversity within Imdex's Group to achieve the best results for the company, customers and colleagues.

**Accountability** - Taking responsibility for and delivering on Imdex's commitments to the company, customers and colleagues.

**Being Dynamic** - Maintaining an efficient global company with the flexibility to provide localised customer solutions and the adaptability to react quickly to new opportunities and change.

**Innovation** - Leveraging Imdex's advanced technologies, research and development capabilities to deliver innovative, leading edge products and services that optimise customer operations.

**Continuous Improvement** - Pursuing Imdex's strategy of ongoing growth and reward for shareholders, customers and employees through continuous improvement of the company's products, services and work practices.

# Index Group at a glance

## Key data

### AS AT 30 JUNE 2012

Market capitalisation:

\$366 million

Shares on issue:

208 million

Share price at 30 June 2012:

\$1.76

Number of shareholders:

3,853

Number of employees:

543

Banking institutions:

HSBC and Westpac

Legal advisors:

QLegal

Auditors:

Deloitte Touche Tohmatsu

Share registry:

Computershare

### AS AT 30 JUNE 2013

Market capitalisation:

\$130.5 million

Shares on issue:

210.5 million

Share price at 30 June 2013:

\$0.62

Number of shareholders:

3,897

Number of employees:

604

Banking institutions:

HSBC and Westpac

Legal advisors:

Hopgoodganim (formerly QLegal)

Auditors:

Deloitte Touche Tohmatsu

Share registry:

Computershare



REFLEX ACT III

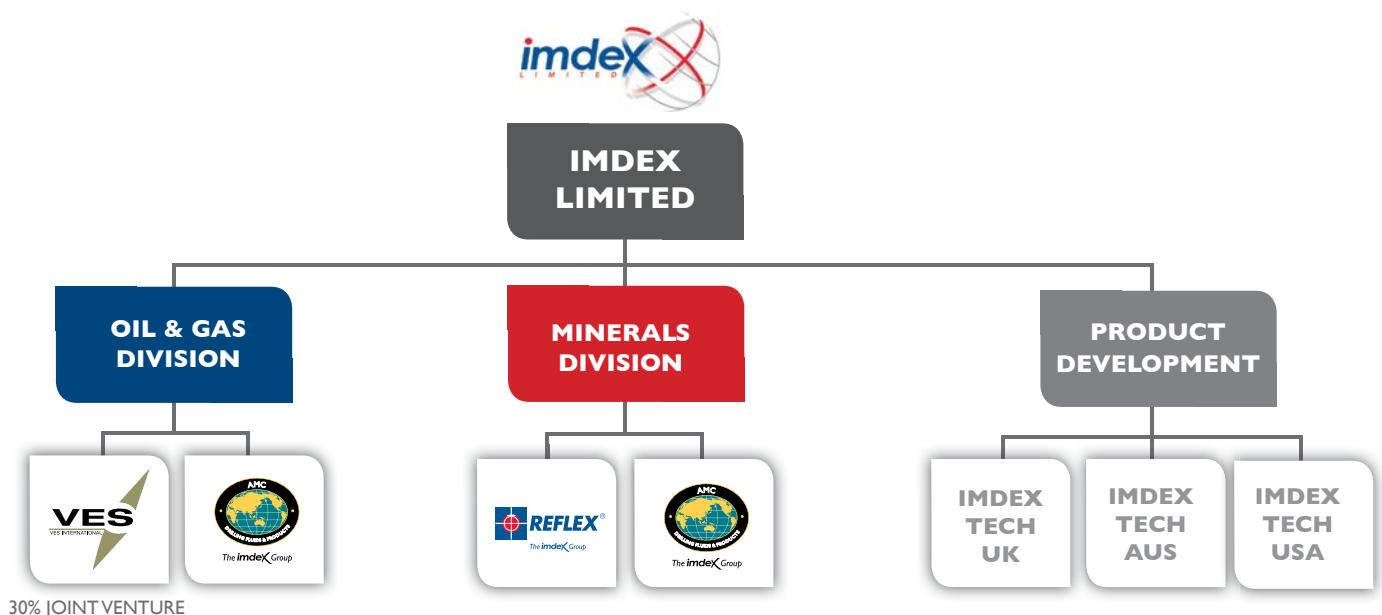
## Company Structure

Imdex has two operational divisions, Minerals and Oil & Gas. Imdex's Minerals Division consists of the AMC and REFLEX (including ioGlobal) businesses. These businesses market innovative drilling fluids, chemicals, solids removal technologies, downhole instrumentation and data management solutions, together with geo-analytical consulting services and software, to the global minerals industry.

AMC is a leading provider of drilling fluids to the global industry, and REFLEX is the number one global supplier of downhole instrumentation to that industry.

Imdex's Oil & Gas Division comprises AMC Oil & Gas and a 30% share of VES International (formerly DHS Energy Services). The VES joint venture is the third largest provider of downhole survey services to the oil and gas markets, primarily in the USA and Middle East.



The AMC Oil & Gas and VES International businesses provide drilling fluids, production and completion chemicals, and downhole survey services to the global oil and gas market.





# Imdex Group at a glance

## Innovative Technologies

### MINERALS DIVISION

Brands	Product Range	Market
<b>REFLEX</b> 	REFLEX ACT III: digital core orientation REFLEX HT ACT: digital core orientation REFLEX EZ-Shot: single-shot magnetic survey REFLEX EZ-Trac: multi-shot magnetic survey REFLEX HT EZ-Trac: multi-shot magnetic survey REFLEX Maxibor II: optical survey REFLEX Gyro: gyroscopic survey REFLEX HT Gyro: gyroscopic survey Customised downhole motors REFLEX HUB ioGAS ioGlobal Consulting	Global mining / mineral exploration market
<b>AMC</b> 	Drilling fluids and chemicals Fluid containment and transfer equipment Waste management equipment Solids removal units (surface and underground SRUs)	

### OIL & GAS DIVISION

Brands	Product Range	Market
<b>VES INTERNATIONAL</b> 	Target INS Gyroflex survey tool	Global oil & gas market
<b>AMC OIL &amp; GAS</b> 	Drilling fluids and production chemicals Fluid containment and transfer equipment Waste management equipment Solids control units (SCUs)	



Minerals Products Used by Stage

	AMC	SOLIDS REMOVAL UNITS	
AMC			FLUIDS
	REFLEX	CORE ORIENTATION	
	REFLEX	INTEGRATED SaaS / DATA MANAGEMENT SOLUTIONS	
	REFLEX	GYRO DOWN HOLE SURVEY	
	REFLEX	MAGNETIC DOWN HOLE SURVEY	
	REFLEX	DIRECTIONAL EQUIPMENT	
NON-MINING 7% REVENUE	EXPLORATION 22% REVENUE	DEVELOPMENT 51% REVENUE	PRODUCTION 20% REVENUE

Non-mining includes waterwell drilling, civil and tunnelling operations



AMC Drilling Fluids & REFLEX instrumentation, Pilbara Western Australia

### What are Drilling Fluids?

Drilling fluids, or mud as they are known in the industry, are a key part of the drilling process for mining, oil and gas, water-well, horizontal directional-drilling and tunnelling applications.

There is a broad range of drilling fluids, all with unique properties and uses, however, their principal role is to clean, cool and lubricate the drill-bit, return chips of rocks known as cuttings to the surface, and keep the borehole stabilised and open.

During the drilling process a continuous circulation of drilling fluid is used. Fluid is pumped down the drill-pipe, through the drill-bit and returned to the surface via the aperture between the drill-pipe and borehole. The fluid then circulates through a shale shaker, mud tanks, or Imdex's new solids removal units to remove the cuttings from the fluid for re-use.

Drilling fluids also help keep the borehole stabilised by forming a thin membrane on the interior surface known as a filter-cake. The pressure of the drilling fluid at depth keeps the borehole from collapsing.

### What are Solids Removal Units?

Solids removal units (SRUs) are used to eliminate cuttings in the drilling mud flow cycle. Drilling fluid is circulated directly from the drill collar to the SRU's shaker or centrifuge feed tube, where drill solids are removed via a centrifuge. Cleaned drilling fluids are then returned to the drill hole.

The highly mobile units also incorporate a mixing chamber and weir system, which enables drilling fluids to be added accurately and efficiently.

The SRUs provide significant economic and environmental advantages as they eliminate the need to dig and rehabilitate traditional mud pits. The units also reduce water consumption, mud usage and wear and tear to drilling components, while enhancing drilling productivity.



*Fluid is pumped down the drill pipe lubricating the drill bit and returning cuttings to the surface*



***“We will continue to integrate our fluids, equipment, instrumentation and data collection offerings, thereby presenting to our customers a unique total solution that enhances the efficiency of their operations.”***



*Solids Removal Unit, Montana, USA*



# What are Downhole Survey and Core Orientation Instruments?

## SURVEY INSTRUMENTATION

Downhole survey instruments provide geologists and drillers with comprehensive data, including azimuth and dip, which allows the exact trajectory of boreholes to be determined, even at thousands of metres below the surface.

Borehole deviations, where the actual path is different to the planned path, are common and costly. Geological variations, drilling parameters, including excessive or irregular thrust and hole design, are just some of the reasons why a borehole may deviate. A two degree deviation at the surface can lead to a 35 metre lateral displacement at a hole depth of 1000 metres, resulting in significant additional drilling costs and loss of opportunity if zones of economic mineralisation are missed.

By surveying the borehole throughout the drilling process, deviations can be corrected and the likelihood of intercepting desired targets is significantly enhanced.

## CORE ORIENTATION INSTRUMENTS

Core orientation instruments are used to determine the exact position of a core sample in the ground prior to extraction. This process allows geoscientists to accurately assess the sample to determine the structural geology, which often controls a mineralised ore system. By understanding the structural geology, wasted time and money caused by drilling in the wrong location or direction are avoided. Core orientation is also particularly important during mine planning and development to avoid potential problem areas such as faults or slip zones.

## GYROSCOPIC SURVEY AND DIRECTIONAL STEERING INSTRUMENTS

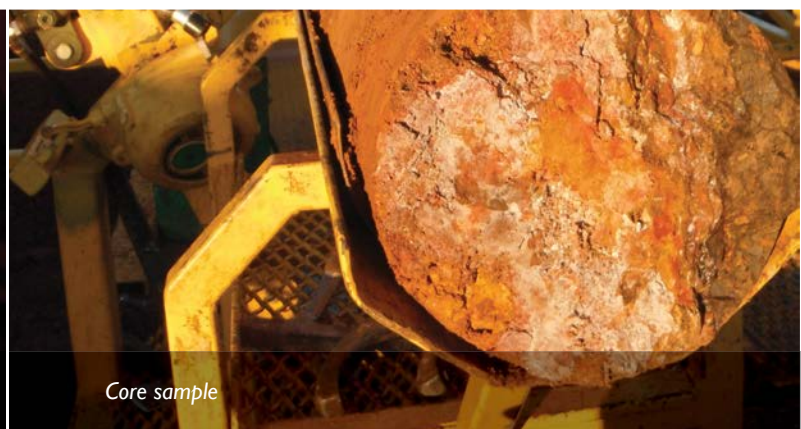
Drilling is becoming increasingly complex and challenging due to diminishing accessible reserves, high exploration costs and environmental impact concerns.

As a result, energy companies are drilling deeper, for smaller targets, re-entering existing wells, and drilling multiple wells from a single platform. In such an environment, advanced technology and accurate data are crucial to locate reserves efficiently and to avoid collision with existing wells which can be catastrophic and cost millions of dollars to remediate.

Imdex has developed a range of advanced gyroscopic survey and directional steering instruments specifically designed for challenging multiple well environments, in areas of high magnetic interference, to allow directional drillers to accurately control the path of the wells.



REFLEX EZ-Trac



Core sample



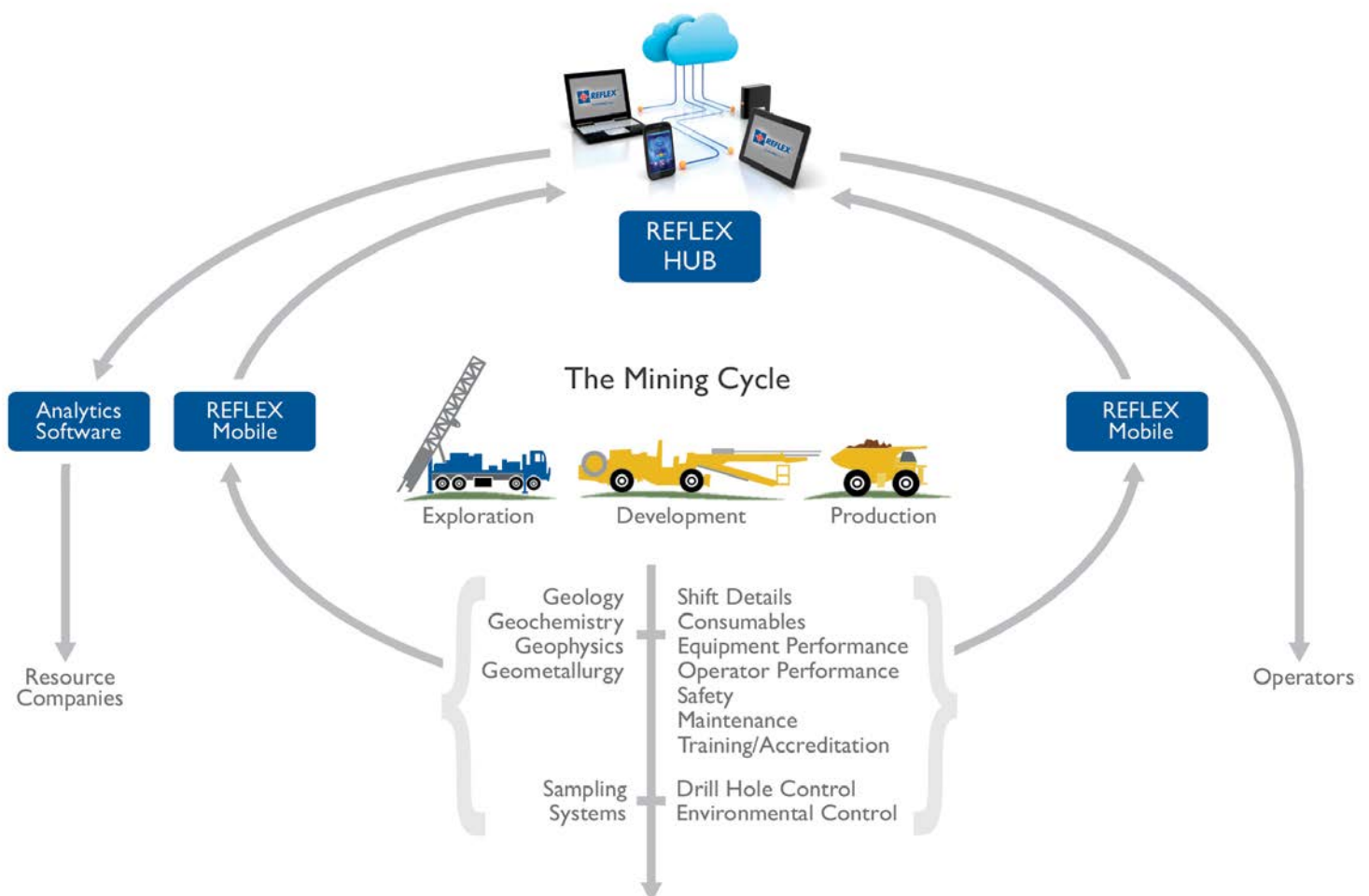
## What are Data Management Solutions?

### REFLEX HUB

REFLEX HUB delivers a new, smarter way of operating for the drilling, exploration, production and mining services sectors. It provides a complete solution for the collection, storage and reporting of data and critical operational information – directly from site to the office, with real time visibility.

Data is automatically transmitted, whenever an internet connection is available, directly to REFLEX HUB's secure, central database. Customers can then access their data via a web browser from any location worldwide. Customised dashboards provide real time information and critical statistics for a single site or an entire business.

The unique paperless system makes collecting field data easy and accurate using any iPad, Android or Windows Mobile device to digitally record and validate data as it is entered. It also delivers significant operational efficiencies through highly efficient workflows and reduces the cost and time associated with managing valuable and complex data sets.



# Imdex Group at a glance

## Global Support

Imdex is a global business operating in diversified geographical markets.

The company has successfully established operations in all key mining and exploration regions throughout Asia Pacific, Africa, Europe and the Americas. Imdex is also growing its business in the principal oil and gas regions within Africa, Asia Pacific, Europe, the Middle East and United States of America.

Imdex's global presence and comprehensive distribution network allows it to provide a unique service to customers and allows greater access to international mineral exploration and oil and gas markets.





## Index Group at a glance

During FY13 additional operational bases or manufacturing facilities were established in Brisbane (Australia), Calgary (Canada), Mendoza (Argentina), Accra (Ghana), Bremen (Germany), Amsterdam (Netherlands) and San Luis Obispo (California). The acquisition of ioGlobal also brought additional support facilities in Vancouver (Canada), Melbourne and Perth (Australia). Index Technology Germany was relocated to California.

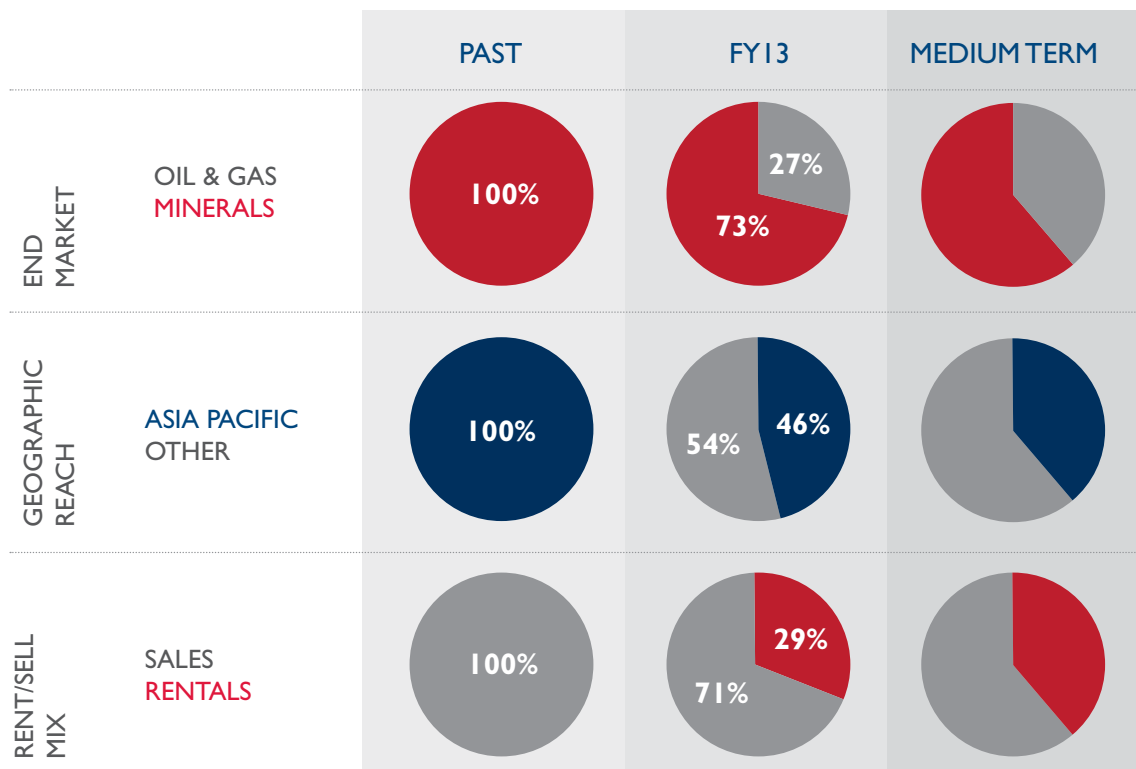


## Proven Growth & Diversification Strategy

### STRATEGY FOR INCREASING SHAREHOLDER VALUE

- Growing Imdex's global business
- Expanding into new markets, particularly oil and gas
- Maintaining product leadership through investment in product development
- Increasing rental based revenue
- Achieving operational efficiencies.

### IMDEX STRATEGY ON TRACK



Note: All numbers based on actual or anticipated combined revenue



## FY13 Growth Initiatives & Performance

### FY13 GROWTH INITIATIVES

Manufacturing and marketing the company's SRUs via Imdex's global distribution channels.

Commercialising Imdex's REFLEX EZ-GYRO survey instrument for the minerals industry.

Increasing Imdex's geographical market share in under-penetrated regions such as Canada, Latin America, Africa, the United States and Europe.

Utilising Imdex's specialist technical expertise and product development laboratories to enhance existing, and develop new, drilling fluid products and downhole instrumentation for the minerals and oil and gas markets.

Further expansion of Imdex's capabilities and presence in the global conventional and unconventional oil and gas markets.

Strategic, bolt-on acquisitions, which are earnings accretive and provide excellent growth opportunities when combined with the Imdex Group.

### FY13 PERFORMANCE

SRUs were successfully deployed to all principle mining regions globally, however internal utilisation targets not achieved.

Imdex did not meet this internal target. Significant progress was made towards commercialisation, yet additional work is required to meet the company's stringent performance standards.

During IH13, REFLEX achieved revenue growth in Africa and Brazil, while AMC increased revenue in USA, Chile and Peru.

Imdex developed and commercialised new drilling fluid products, refined its solids removal technologies, and commenced new projects utilising AMC, REFLEX and ioGlobal technologies.

Imdex significantly enhanced its capabilities, presence and customer base within the global oil and gas markets.

Imdex acquired ioGlobal Pty Ltd and ioAnalytics Pty Ltd (together ioGlobal). Although its performance is impacted by the cyclical slowdown of the minerals sector, this acquisition provides the company with a range of significant growth opportunities, expertise, enhanced technologies and product offerings.



AMC Drilling Fluids, Canada

# Operational Highlights & Challenges

## HIGHLIGHTS

- Acquisition of ioGlobal;
- Deployment of Imdex's SRUs to all principle mining regions globally;
- Imdex became one of the two industry service providers to join the Australian-based Deep Exploration Technologies Cooperative Research Centre (See page 49);
- Ongoing development of Imdex's underground SRUs and heli-portable SRUs;
- Continued integration of ioGlobal, including the rebranding of the company's products and services under the REFLEX banner;
- Marketing of REFLEX HUB (formerly ioHUB) and subsequent commissioning by a major global resource company and drilling services' company (see pages 51 - 54);
- Increased market share in previously under-penetrated regions;
- Further business geographic diversification;
- Continued investment in product development of Imdex's instrumentation;
- Reduced inventory levels reflecting the cyclical slowdown in the minerals sector;
- Successful relocation of Imdex Technology Germany to California;
- Investment in AMC USA, where significant potential for market share growth has been identified;
- Establishment of new manufacturing facilities in Brisbane (Australia), Calgary (Canada), Mendoza (Argentina) and Bremen (Germany);
- Continuing development of innovative drilling fluid products (see page 50);
- Hiring of key oil and gas personnel to support the delivery of the Division's growth potential;
- Record FY13 revenue generated by the Oil & Gas Division, which represents year on year growth since FY10 (see page 19);

- Strong oil and gas growth within Europe and Asia Pacific;
- Strong oil and gas growth within the Australian coal bed methane market;
- The first explosion proof SRU placed into the coal bed methane industry in Queensland (Australia);
- Continuing strong revenues and EBITDA performance by Imdex's VES International joint venture; and
- The expansion of VES International's presence in Latin America with the acquisition of a downhole survey business in Ecuador.

## CHALLENGES

- Extension of some development projects into FY14;
- Cyclical slowdown of the minerals market deflated the sectors interest in adopting new technologies; and
- Managing down working capital, particularly stock levels, in a slowing minerals market.

## Market Review

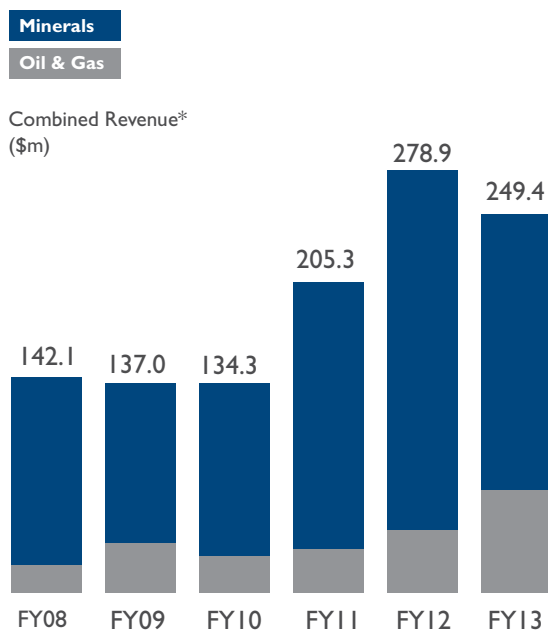
- Fall in commodity prices;
- A cyclical slowdown of the global minerals industry, particularly evident 2H13;
- Growth available in under-penetrated mining regions;
- Month on month reduction to instrumentation rental fleet utilisation in line with cyclical slowdown of the minerals industry;
- Minerals sector rig utilisation rates of approximately 30%; and
- Continuing strong long-term growth potential within the conventional and unconventional oil and gas industries globally.



## Group Financial Performance

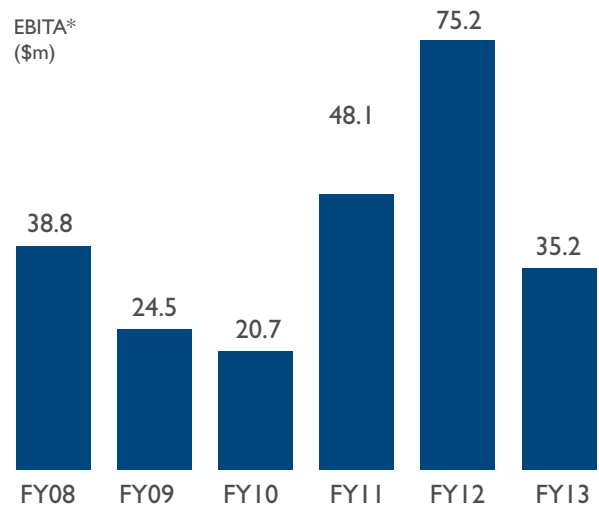
- Statutory revenue down 14% to \$232.8 million (FY12: \$269.6 million)
- Combined revenue (excluding interest) down 11% to \$249.4 million (FY12: \$278.9 million)
- Earnings before interest, tax and amortisation (EBITA) down 53% to \$35.2 million (FY12: \$75.2 million), including \$3.0 million of one off restructuring costs, with the majority of these costs incurred in 4Q13
- Net profit after tax (NPAT) down 58% to \$19.4 million (FY12: \$45.8 million)
- Net assets \$188.5 million (30 June 2012: \$168.1 million)
- Operating cash-flow up 44% to \$39.0 million (FY12: \$27.1 million)
- Comfortable gearing levels with net debt/capital of 22.3% (FY12: 22.3%)
- Final fully franked dividend of 0.4 cents per share, total FY13 dividend of 2.90 cents per share fully franked (FY12: 7.25 cents per share fully franked).

### COMBINED REVENUE \$249.4M



\*Includes Imdex share of VES Joint Venture revenue

### EBITA OF \$35.2M



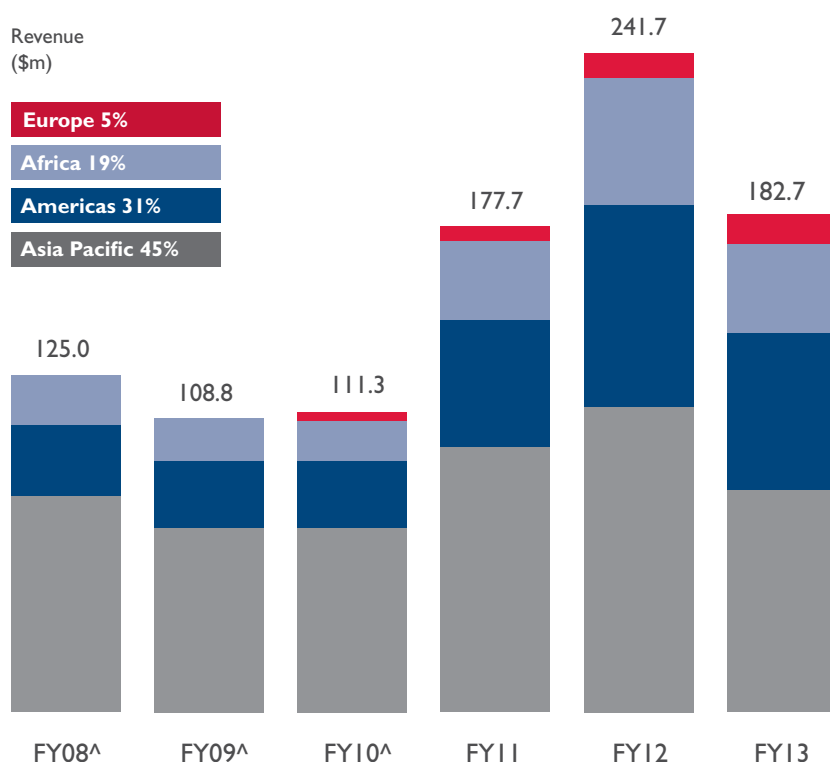
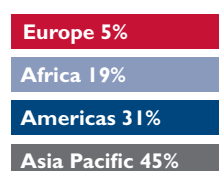
\*Includes equity accounted VES Joint Venture result

## Minerals Division

- Minerals revenue down 24% to \$182.7 million (FY12: \$241.7 million)
- Operational EBITA down 50% to \$43.2 million (FY12: \$85.7 million)

### DIVISIONAL REVENUE

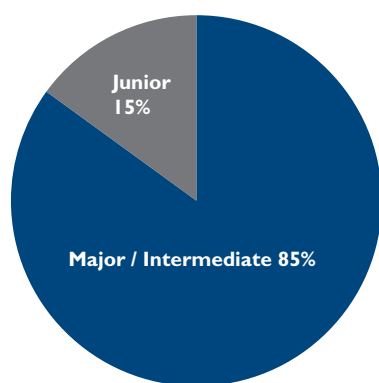
Revenue  
(\$m)



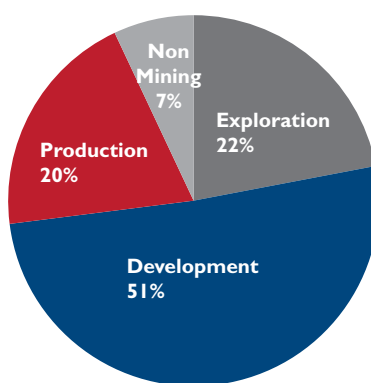
^Comparative purposes only. Regional structure adopted 1 July 10

### DIVERSIFIED REVENUE BASE

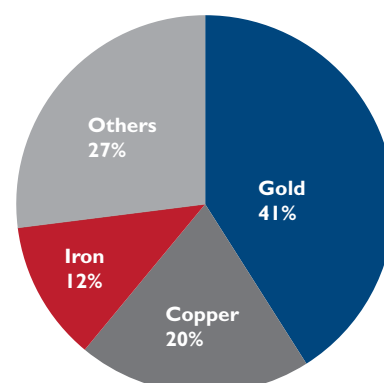
(Minerals revenue)



Customer Type



Drilling Phase



Commodity



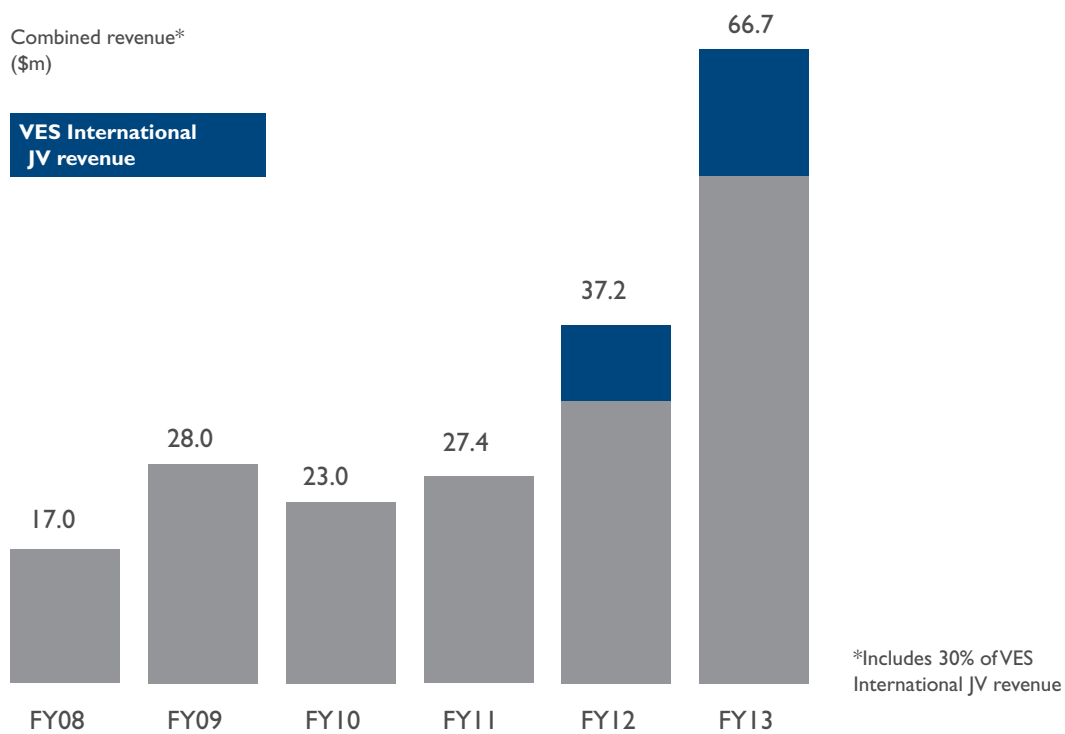
## Oil & Gas Division

- Oil & Gas revenue up 79% to \$66.7 million (FY12: \$37.2 million)
- Operational EBITA loss improved by 47% to \$4.1 million (FY12: loss of \$7.7 million)

### DIVISIONAL REVENUE

Combined revenue\*  
(\$m)

**VES International  
JV revenue**



Geothermal rig, South Australia

***“In recent years we have focused on growing our rental revenue through the introduction of new products and technologies.”***





## Summary Financial Highlights for the Year Ended 30 June 2013 (Audited Results)

	Consolidated			
	2011 \$'000	2012 \$'000	2013 \$'000	12-13 Var %
Revenue from continuing operations (excluding interest income)	205,163	269,563	232,791	(14%)
Operating Profit before Interest, Tax, Depreciation & Amortisation	53,867	81,960	42,910	(48%)
Depreciation	(5,721)	(6,761)	(7,728)	14%
Earnings before Interest, Tax & Amortisation (EBITA)	48,146	75,199	35,182	(53%)
EBITA margin	23.5%	27.9%	15.1%	(45.9%)
Amortisation	(6,778)	(5,957)	(3,364)	(44%)
Earnings before Interest & Tax (EBIT)	41,368	69,242	31,818	(54%)
Net interest expense	(2,775)	(1,742)	(3,308)	90%
Net profit before tax	38,593	67,500	28,510	(58%)
Income tax expense	(9,591)	(21,723)	(9,127)	(58%)
Net Profit after Tax	29,002	45,777	19,383	(58%)
Basic earnings per share (cents)	14.69 ¢	22.34 ¢	9.24 ¢	-
Net Cash provided by Operating Activities	35,893	27,056	38,970	(32%)
Cash on hand	18,388	11,232	9,979	(11%)
Net Assets	125,409	168,066	188,452	12%
Total Borrowings (incl deferred acquisition payments)	37,860	59,429	63,986	8%
Net Tangible Assets per Share	34.83 ¢	51.35 ¢	57.52 ¢	12%



Imdex's Board of Directors has extensive professional expertise, business experience and technical knowledge of the mineral exploration, mining and oil and gas industries.

Members of the Board are well respected in these sectors and play an active role in the generation and management of the company's strategic planning.

Further information relating to the Board of Directors, including details of meetings and remuneration can be found on pages 58 to 76.



## Board of Directors



**Mr Ross Kelly**  
**AM BE (HONS) FAICD**  
**Non-Executive Chairman**

Age 75 years

- Appointed to the Board 14 January 2004
- Appointed as Chairman 15 October 2009
- Bachelor of Electrical Engineering with Honours
- Fellow of the Australian Institute of Company Directors
- Consultant to a number of major Australian companies in the mining, offshore gas, oil refining, steel, construction and heavy process industries
- Previously advisor to the Western Australian Government on water policy and reform
- Previously Councillor of the Australian Institute of Company Directors and member of the Advisory Board of the Curtin University Graduate School of Business
- Previously Chairman and Non-Executive Director of Clough Limited, Sumich Group Limited, Orbital Corporation Limited, Beltreco Limited, Fraser Range Granite NL and Director of Aurora Gold Limited, PA Consulting Services Ltd and the Fremantle Football Club Ltd.



**Mr Bernard Ridgeway**  
**B.Bus (ACCTG) ACA**  
**Managing Director**

Age 59 years

- Appointed to the Board 23 May 2000
- Bachelor of Business and Qualified Chartered Accountant
- Member of the Institute of Chartered Accountants Australia and the Australian Institute of Company Directors
- Non-Executive Director of Sino Gas and Energy Holdings Limited
- Over 27 years' experience with public and private companies as a business owner, Director and Manager.

# Board of Directors



**Mr Magnus Lemmel B.A.**  
**Non-Executive Director**

Age 74 years

- Appointed to the Board 19 October 2006
- Management consultant based in Brussels, Belgium, involved in small business development in Sweden. Former Chairman of FiberformVindic Holding AB, previously the largest Imdex shareholder
- Previously Senior Vice-President of Ericsson Telecommunications, Chief Executive Officer of the Federation of Swedish Industries and Director General for Enterprise Policy of the European Commission.



**Mr Kevin Dundo B.Com, LLB**  
**Non-Executive Director**

Age 61 years

- Appointed to the Board 14 January 2004
- Bachelor of Commerce and Bachelor of Laws
- Member of the Law Society of Western Australia, Law Council of Western Australia, Australian Institute of Company Directors and a Fellow of the Australian Society of Certified Practising Accountants
- Practising lawyer, specialising in commercial and corporate law and in particular, mergers and acquisitions, with experience in the mining services and financial services industries
- Director of Red 5 Limited, Synergy Plus Limited and ORH Limited
- Previously a Director of Intrepid Mines Limited.



**Ms Betsy Donaghey,**  
**B.S. Civil Engineering, M.S.**  
**Operations Research**  
**Non-Executive Director**

Age 55 years

- Appointed to the Board 28 October 2009
- Bachelor of Civil Engineering A & M University, Texas, and Master in Operations Research University of Houston
- Extensive experience within the energy sector, including 19 years with BHP Billiton and 9 years with Woodside Energy
- Non-Executive Director of St Barbara Limited
- Non-Executive Director of Australian Renewable Energy Agency.



***“Our commitment to ongoing investment throughout industry slowdowns will ensure we retain market leadership and remain a leading provider of innovative products and technologies to the global minerals industry.”***



# Chairman's Report



Dear Shareholders,

On behalf of the Board, it is my pleasure to present the Imdex Group 2013 (FY13) Annual Report. FY13 was a challenging year, due largely to a cyclical slowdown in the global minerals industry. The challenges, although significant, are being addressed as the company continues to pursue its diversification strategy, strengthen its technologies, and expand its global presence.

## FY13 PERFORMANCE SUMMARY

The Company achieved total combined revenue for the 12 months ended 30 June 2013 (FY13) of \$249.4 million – 11% less than last year's record result. EBITA decreased by 53% to \$35.2 million.

It is significant that 27% of this year's revenue was generated from oil and gas (FY12: 13%). Our Oil & Gas Division's year on year revenue growth is encouraging and given the people and infrastructure needed to support an expanded business are now in place, oil and gas is poised to make a positive and growing contribution to future profits.

## DIVIDENDS

The Board, through its dividend policy, seeks to strike a balance between the need invest in Imdex's growth and diversification strategy and the desire to deliver a sustainable and growing dividend stream to you, our shareholders. Accordingly, an interim dividend of 2.50 cents per share and a final dividend of 0.40 cents per share, both fully franked, were declared in FY13.

## STRATEGY

Despite reduced activity within the minerals sector, the strength of our company allowed us to continue to pursue our strategy, which has been in place since 2007. This strategy involves:

- Growing our global business;
- Expanding into new market segments, particularly oil and gas;

- Maintaining product leadership through investment in product development;
- Increasing revenue from rentals and;
- Pursuing operational efficiencies.

The acquisition of ioGlobal; the continued development of our products and technologies; and the global deployment of our solids removal units, are noteworthy examples of the pursuit of this strategy throughout the year.

## GROWING OUR GLOBAL BUSINESS & EXPANDING INTO NEW MARKETS

The acquisition of ioGlobal, (effective 1 November 2012,) has enhanced our product offering, and broadened our resource company and mining service provider customer bases. ioGlobal's highly differentiated technology also enhances Reflex's value proposition through the integration of the two companies' technologies and development capabilities.

The implementation of the diversification strategy, has delivered significant growth while transforming the company. No longer is Imdex principally a drilling fluids, chemicals and downhole instrumentation business. It is now a truly global organisation that also provides leading data collection / management software and unique geochemical consulting services to its customers world-wide.

In addition, our expansion into oil and gas continues to gain momentum and we are well placed to achieve our goal of generating 30-40% of the Group's revenue from this sector. Given the potential for further substantial growth, we are also confident that we will improve margins and hence contribution to profit, as we continue to build scale into this part of our business.

## PRODUCT LEADERSHIP

Our range of innovative products and services are all designed to enhance the efficiency and productivity of our customers' operations – a factor which is

# Chairman's Report

becoming increasingly important as resource and drilling companies focus on their margins.

Our commitment to ongoing investment throughout industry slowdowns will ensure we retain market leadership and remain a leading provider of innovative products and technologies to the global minerals industry.

## RENTAL BASED REVENUE

In recent years we have focused on growing our rental revenue through the introduction of new products and technologies. In FY13 total revenue generated by rentals decreased to 29% from the record level in FY12 (32%). This decrease reflects the cyclical slowdown of the minerals market and lower rig utilisation rates and does not detract from the validity of this strategy.

We will continue to pursue this strategy and remain confident that once normal levels of activity return to the minerals sector, our range of SRUs together with new products and technologies for our minerals and oil and gas customers, will make additional contributions to our total percentage of rental revenue in the future.

## OPERATIONAL EFFICIENCIES

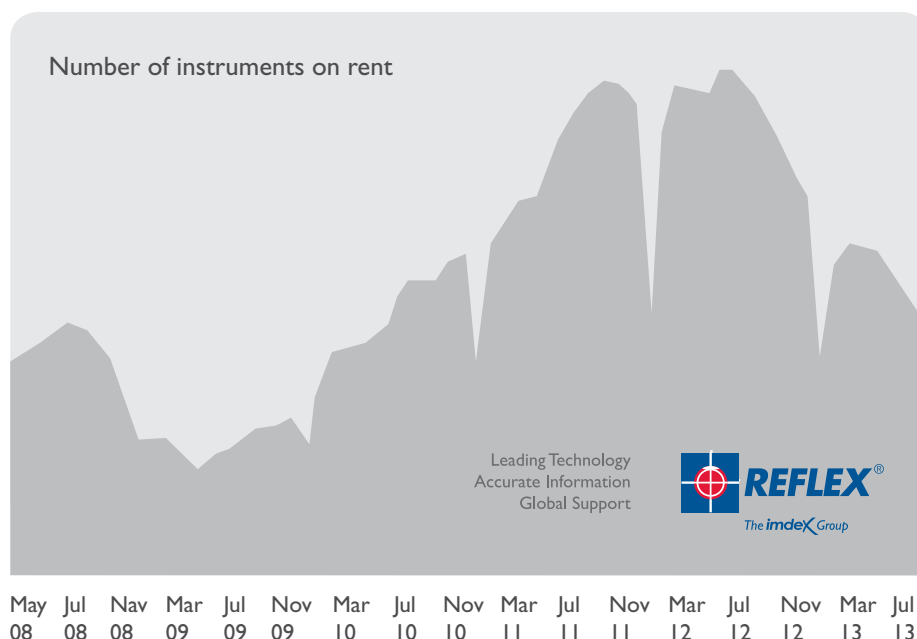
We remain a dynamic company, continuously looking for ways to improve our operational efficiencies. During FY13 further and ongoing gains were realised by a number of measures taken by the company, which are outlined in Bernie's Managing Director's Report.

## BALANCE SHEET STRENGTH

Imdex continues to maintain a solid balance sheet. As at 30 June 2013 net assets were \$188.5 million (30 June 2012: \$168.1 million); operating cash-flow had increased 44% to \$39.0 million (FY12: \$27.1 million); and our gearing levels were comfortable with net debt / (net debt + capital) of 22.3% (FY12: 22.3%).

Our strong balance sheet supports our growth and diversification strategies and allows us to respond quickly to opportunities that arise. It also allows us to continue to invest in technology and product development through market downturns and obtain the benefits when the market rebounds.

## RENTAL FLEET



# Chairman's Report

## SUSTAINABLE REPORTING & CORPORATE GOVERNANCE

Your Board not only strives to achieve best practice in all aspects of corporate governance, but also to bring industry experience insight and commercial acumen to its deliberations. Further information relating to Imdex's corporate governance can be found in the Directors' Report on page 77 of the financial report.

## LOOKING FORWARD TO FY14

The fundamentals affecting our markets suggest the coming year will again be challenging for Imdex, yet we remain optimistic about the medium and long-term. As a strong and highly diversified company with leading products and technologies to enhance the efficiency of our customers operations, we are well placed to capitalise on future opportunities.

At the macro level, global economic conditions are expected to improve slightly overall in the coming financial year. This positive outlook is a result of anticipated improvement in the economies of the United States, Japan and a stable and improving Europe.

While lower than recent years, China is still expected to maintain solid growth of circa 7.8% during FY14. Asia generally experienced lower rates of growth during the 2HY13, however lower inflationary pressures and a general weakening of exchange rates across the region are expected to result in relatively strong growth over the year ahead.

Australia appears to be in a transition from a booming mining investment cycle to other sources of growth, which is likely to reduce growth in the short-term. Consensus within the minerals industry supports this view with capital and exploration expenditure forecast to reduce over the next 2 – 3 years.

Commodity markets are now operating in a much more difficult pricing environment. The period of excess demand, with prices running well ahead of cost is ending with demand in emerging markets slowing and new supply entering the market. China remains the key driver of commodity prices, which in the short-term may see some negative sentiment, however no further significant weakening in prices is expected as Chinese and emerging market growth stabilises.

Cyclical slowdowns are characteristic of the minerals industry and, as has occurred previously, conditions will improve as is suggested by the forecasts referred

to above; although the coming year again promises to be tough. For our part, we are continuing to focus on providing the very best service to our customers, advancing our product development, and managing costs to capitalise on and maintain our strong position.

Conversely the oil and gas sector remains strong. This sector is less cyclical in nature than the minerals industry and represents a significant opportunity for long-term growth. As mentioned previously, we are continuing to make solid progress with the development of our Oil & Gas Division. While we are still in the early stages of growing this side of our business, it will, over time, offset the impact of future slowdowns that will continue to be part of the minerals industry.

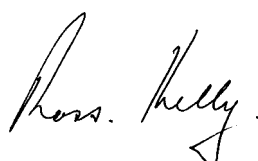
## STRONG MANAGEMENT TEAM

The sudden downturn in the minerals industry has underlined how fortunate we are to have a dedicated capable workforce led by a strong management team. In particular, I would like to recognise our Managing Director, Bernie Ridgeway, Divisional Managers Gary Weston and Derek Loughlin, and CFO and Company Secretary Paul Evans and thank them for their hard work and leadership throughout a particularly challenging year.

A sincere thankyou is also due to the rest of our employees and management team across the world – not only for their dedication, initiative and hard work but also for contributing to the unique team spirit that the company is privileged to enjoy.

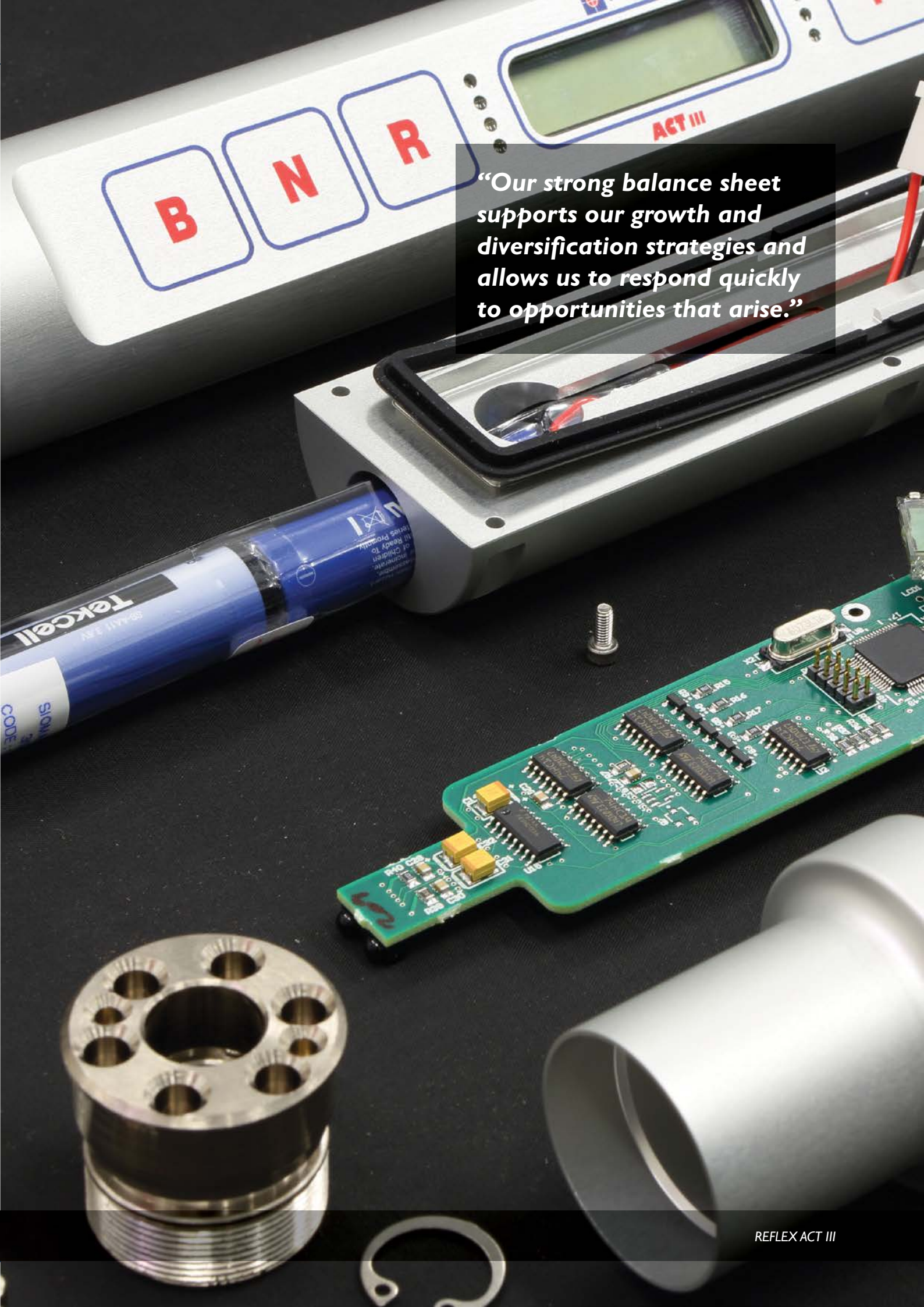
To my fellow Board Members I say thank you for your significant contributions – I look forward to working with you again in the coming year.

Finally, on behalf of Imdex's Board of Directors and its employees, I thank all of our valued customers for their loyalty and you, our shareholders, for your ongoing support.



**Ross Kelly AM BE (HONS) FAICD**  
**Chairman**





***“Our strong balance sheet supports our growth and diversification strategies and allows us to respond quickly to opportunities that arise.”***

# Managing Director's Report



Dear Shareholders,

It is my pleasure to present Imdex's full year report for the 2013 financial year (FY13).

Imdex's performance throughout FY13 was negatively affected by:

- The cyclical slowdown in the minerals sector;
- Continued investment in the development of innovative products and technologies;
- Positioning for substantial growth in the oil and gas sector; and
- The extension of some development projects into FY14.

Due to the cyclical nature of the minerals industry, in recent years Imdex has adopted diversification strategies including plans to grow its business globally, expanding into new markets – specifically oil and gas.

The company has successfully advanced these strategies. Imdex is now a business which is increasingly diversified by geography, customer and commodity base, with high exposure to major and intermediate companies engaging in long-term projects, as well as a growing presence in the oil and gas sector offering material growth opportunities.

A good example of the benefits flowing from these diversification strategies is the strong revenue performance by Imdex's Oil & Gas Division. The Division achieved record revenue for FY13 and continued its trend of year-on-year revenue growth since FY10. It delivered 27% of FY13 Group revenue, representing significant progress towards Imdex's long-term goal of generating 30–40% of Group revenue from the Oil & Gas Division.

Such diversification strategies do not offset cyclical lows in the short-term, however the company's innovative products and technologies position it well, as customers increasingly look to reduce costs and improve productivity in their businesses.

Other important operational achievements in FY13 include the acquisition of ioGlobal, the global deployment of the company's solids removal units (SRUs) and the continued investment in people and equipment to support the growth of Imdex's Oil & Gas Division.

The following is a summary of Imdex's FY13 performance:

- Statutory revenue down 14% to \$232.8 million (FY12: \$269.6 million);
- Combined revenue (excluding interest) down 11% to \$249.4 million (FY12: \$278.9 million);
- EBITA down 53% to \$35.2 million (FY12: \$75.2 million), including \$3.0 million of one off restructuring costs, with the majority of these costs incurred in 4Q13;
- Net profit after tax (NPAT) down 58% to \$19.4 million (FY12: \$45.8 million);
- Net assets \$188.5 million (30 June 2012: \$168.1 million);
- Operating cash-flow up 44% to \$39.0 million (FY12: \$27.1 million);
- Comfortable gearing levels with net debt/capital of 22.3% (FY12: 22.3%);
- Increased investment in product development; and
- Final fully franked dividend of 0.40 cents per share, total FY13 dividend of 2.90 cents per share fully franked (FY12: 7.25 cents per share fully franked).

## MINERALS DIVISION

Imdex's Minerals Division generated revenue of \$182.7 million, contributing 73% of the company's combined full year revenue. This represents a 24% decrease on the record result achieved in the previous corresponding period (FY12: \$241.7 million). Operational EBITA was down 50% to \$43.2 million (FY12: \$85.7 million). The decline in both revenue and EBITA reflects subdued activity in the minerals sector as already noted.

While the introduction of some of Imdex's development projects was behind internal expectations, significant progress was made towards their commercialisation. The company continues to pursue market share growth in principle and under-penetrated mining markets, driven by Imdex's innovative products and leading technologies. Such



products and technologies are assisting Imdex's direct and indirect customers reduce costs and increase operational efficiencies, helping them respond to increasingly challenging market conditions.

## Key operating highlights and achievements

Highlights and achievements for Imdex's Minerals Division during FY13 included:

- The acquisition of ioGlobal effective 1 November 2012. This acquisition provides Imdex with a range of new and significant growth opportunities, enhanced technologies and product offerings;
  - The integration, including the rebranding of the company's products and services under the REFLEX banner is proceeding well;
- Deployment of Imdex's Solids Removal Units (SRUs) to all principal mining regions globally;
  - Imdex continues to receive positive feedback from customers, however, the slowdown in the minerals sector resulted in customers being more cautious than anticipated about adopting new technologies in the short-term;
- Marketing of REFLEX HUB (formerly ioHUB) and subsequent commissioning by a major global resource company and drilling services' company. Positive customer feedback was received regarding the efficiency of the paperless reporting system;
- Ongoing development of Imdex's underground SRUs;
- Commenced development of heli-portable SRUs to cater for geographically or logistically challenging sites and to meet industry demand;
- Increased market share in previously under-penetrated regions;
- Establishment of new manufacturing facilities in Brisbane, Calgary and Argentina, enhancing operational efficiencies by reducing lead times and overcoming import restrictions; and
- Reduced inventory levels reflecting the cyclical slowdown in the minerals sector.

## OIL & GAS DIVISION

Imdex's Oil & Gas Division contributed 27% of the company's combined revenue for the full year, generating \$66.7 million. This result represents a 79% increase on the previous corresponding period (FY12: \$37.2 million). Operational EBITA improved by 47% to a loss of \$4.1 million (FY12: loss of \$7.7 million) with AMC Oil & Gas incurring only a small component of this (less than \$1.0 million). This EBITA loss reflected high non-cash depreciation, amortisation and taxation charges in the VES International businesses and additional acquisition accounting adjustments.

With year-on-year revenue growth reported since FY10, Imdex will continue to achieve growth through improved performance in the VES joint venture and increased fluids and equipment sales/rentals in Europe, the Middle East and Asia Pacific.

## Key operating highlights and achievements

Highlights and achievements for Imdex's Oil & Gas Division during FY13 included:

- Record FY13 revenue, reflecting investment committed to the development of the Division in prior years driving growth;
- Continuing strong revenues and EBITDA performance by Imdex's VES International joint venture;
- Investment in equipment, working capital, and personnel with extensive oil and gas industry experience to support ongoing growth in the business;
- Establishment of a new mud plant in Bremen, north-western Germany. The facility has the capacity to mix and manufacture oil and water based muds. It can also be used for settling as part of the waste management recycling process;
- Continuing growth from the coal bed methane industry in Australia with an increased demand for sump-less drilling solutions to ensure environmental disturbance by drilling activities is minimised;
- The first explosion proof SRU placed into the coal

# Managing Director's Report

bed methane industry in Queensland, Australia;

- Relocation of Imdex Technology Germany to California; and
- The expansion of VES International's presence in Latin America with the acquisition of a downhole survey business in Ecuador.

## OUTLOOK

Imdex has been working diligently in recent years to diversify the business by geography, product, customer and commodity base. This will enable the company to drive growth and also reduce its exposure to slowdowns, which are characteristic of the minerals sector. The Oil & Gas Division delivered 27% of FY13 revenue, representing significant progress towards the long term goal of generating 30-40% of combined revenue from oil and gas.

While the company anticipates activity in the mining sector will remain subdued throughout FY14, Imdex is well placed to grow market share in previously under-penetrated regions and to benefit from the commercialisation of new products and technologies.

The company has historically continued to invest in its growth and diversification strategies through previous cycles, which has positioned the business well for long-term growth.

The company is managing inventory and working capital with care and will continue to look for opportunities to manage costs in a measured and disciplined manner. Imdex is also maintaining a disciplined approach to investments in new products and technologies.

The oil and gas sector remains robust with significant opportunities for long-term growth. The investments made to date in equipment, working capital and qualified personnel have driven strong revenue growth and Imdex's Oil & Gas Division is well positioned to continue to deliver top line growth and will be profitable in FY14.

## KEY AREAS OF FOCUS AND GROWTH INITIATIVES FOR FY14

- Strong cost discipline and prudent working capital management;
- Continuing to increase Imdex's market share in


previously under-penetrated regions;

- Utilising Imdex's specialist technical expertise and product development capabilities;
- Expanding Imdex's data solution offerings to new and existing customers globally;
- Investing further and growing Imdex's oil and gas market presence to increase return on investment in this Division;
- Continued support of customers as they seek to increase efficiencies and reduce costs; and
- Capitalising on investment in Imdex's oil and gas equipment and SRUs.

Imdex is becoming a stronger, more diversified business to better meet the challenges presented by downturns in the minerals sector. At the same time, the company is growing its business in the oil and gas sector and is continuing to develop its innovative products and leading technologies. Imdex aims to become the industry standard in providing innovative, simple to use technologies, which improve the effectiveness and efficiency of customers' day to day operations.

In summary I would like to thank our Executive Management Team, Gary Weston, Derek Loughlin and Paul Evans for their ongoing leadership and dedication to our company. I would also like to extend my thanks to all of our global team for their hard work, innovation and expertise – it is a pleasure working with you all and I look forward with enthusiasm for what we can achieve during FY14. I would also like to thank Imdex's valued customers and shareholders for their ongoing support of our company.

Yours Faithfully



**Bernie Ridgeway**  
**Managing Director**





***“Imdex is now a business which is increasingly diversified by geography, customer and commodity base, with high exposure to major and intermediate companies engaging in long-term projects, as well as a growing presence in the oil and gas sector offering material growth opportunities.”***



## Executive Management Team



**Mr. Gary Weston**  
**Divisional General  
Manager, Oil and Gas**

- 42 years in the drilling industry, in both the oil and gas and minerals sectors
- 1987, co-founder of Imdex Limited
- 1988, co-founder of Australian Mud Company
- 40 years management experience
- Strong international marketing experience
- Pivotal role identifying and negotiating Imdex's strategic acquisitions.



**Mr. Derek Loughlin**  
**Divisional General  
Manager, Minerals**

- 26 years' experience within the drilling industry
- 7 years in executive management positions at Imdex
- 17 years with leading drilling company Boart Longyear in engineering, operations, sales and global exports, working in Ireland, Australia and Germany
- Honours Degree in Mining Engineering from the Camborne School Of Mines, UK
- Diploma of Executive Development at the International Institute for Management and Development in Lausanne.



**Mr. Paul Evans**  
**Chief Financial Officer and  
Company Secretary**

- Chartered Accountant
- Fellow of the Institute of Chartered Accountants in Australia
- Chief Financial Officer and Company Secretary since 17 October 2006
- Extensive experience in commercial, general management and financial roles
- Industry experience covering the media, manufacturing, mining services and telecommunications industries.

## Global Team

Imdex values talented people who are committed to the Company's guiding principles and expected behaviours. Imdex's *Recruitment & Selection Policy* also ensures suitably qualified and experienced employees are engaged to meet business needs. Key principles of the Policy include:

- Recruitment of the person whose competencies best match requirements of the role;
- Compliance with Equal Employment Opportunity Legislation;
- Development of existing employees and where possible, provide employees with career opportunities; and
- Support of local industry, communities and talent through the recruitment of local nationals in the first instance, wherever possible.

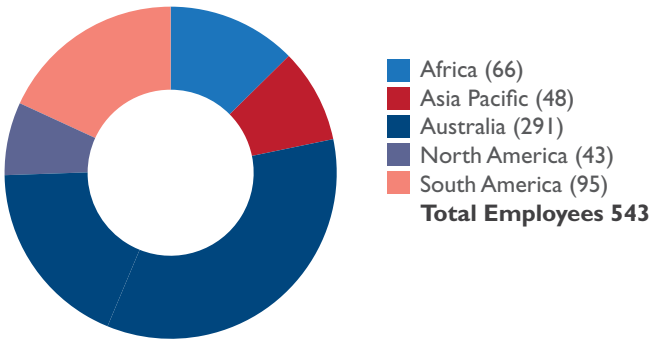
Imdex also adheres to its *Equal Employment Opportunity Policy*, whereby all decisions affecting employment and career development, including those associated with hiring, training, promotion, transfer and general working conditions are based on the principle of merit. Discrimination in any form is considered an unacceptable practice, which is contrary to the spirit and intent of this policy.



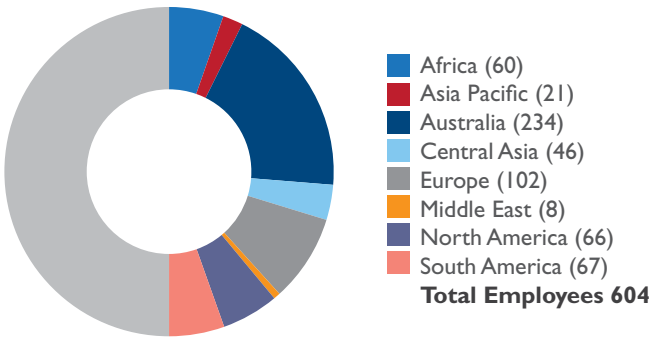


# Operational Overview

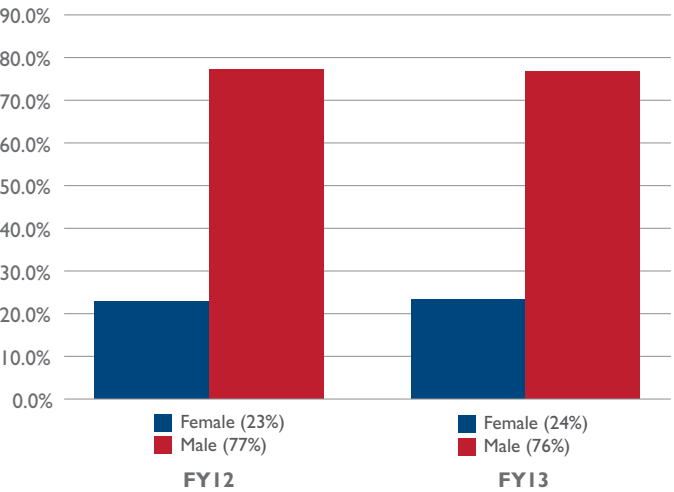
EMPLOYEES BY REGION FY12



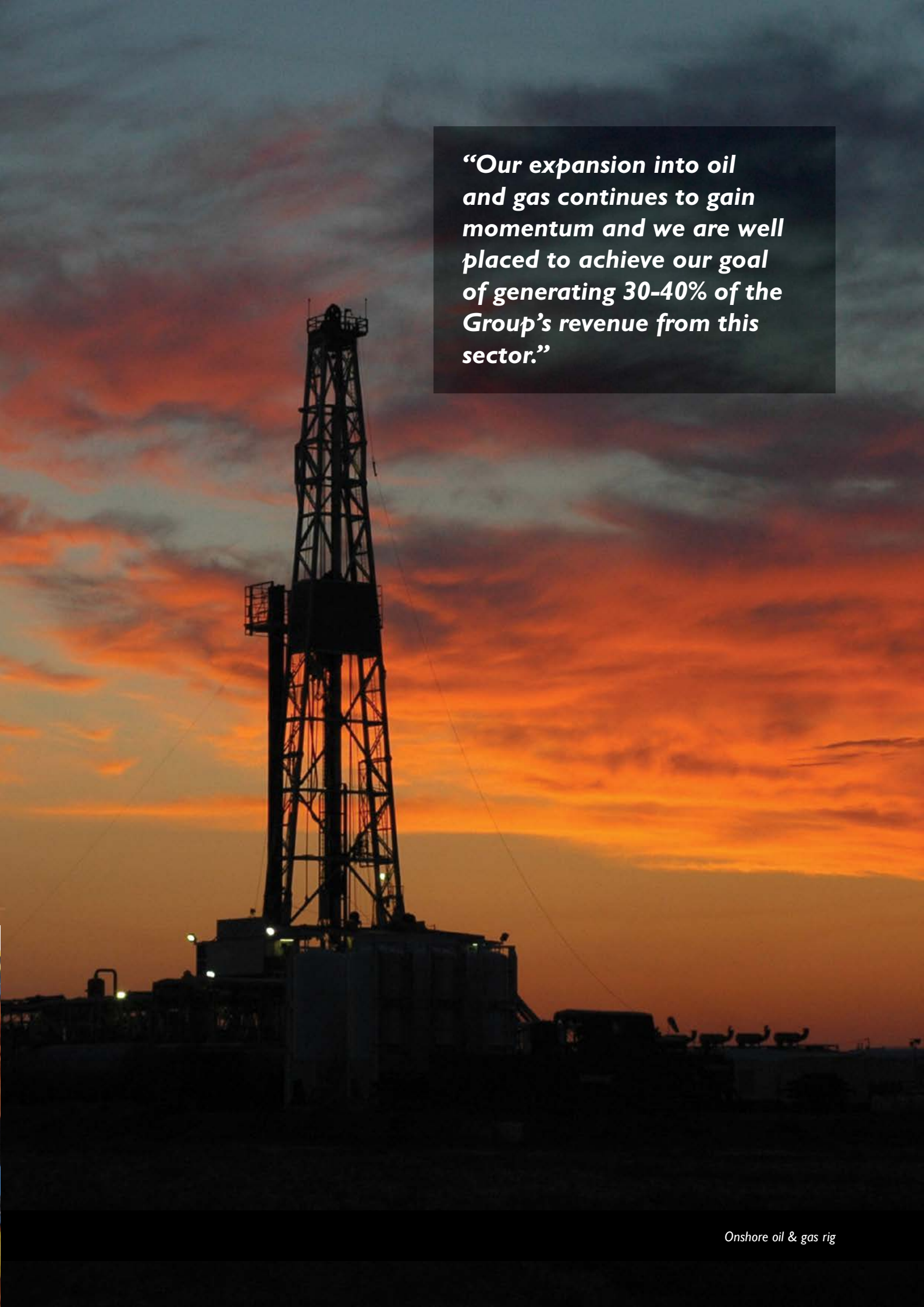
EMPLOYEES BY REGION FY13



GENDER DIVERSITY



REFLEXACT customer training, Chile

A full-page background image showing the silhouette of an oil and gas drilling rig against a dramatic sunset sky with orange and red clouds. The rig is a tall, lattice-structured derrick with a platform at the top. The base of the rig and surrounding equipment are visible in the foreground, mostly in silhouette. The sky transitions from a deep orange near the horizon to a darker, cloudy blue at the top.

***“Our expansion into oil and gas continues to gain momentum and we are well placed to achieve our goal of generating 30-40% of the Group’s revenue from this sector.”***



# Operational Overview

Throughout FY13 Imdex carried out the following initiatives to strengthen, support and engage its diverse global team:

- Revised the company's short term incentive program, *Key Performance Indicators (KPIs) Policy* and link to employee performance;
- Revised the performance and development review process and associated materials;
- Set cascading company goals and KPIs;
- Formalised Imdex values and expected behaviours;
- Developed a gender diversity plan;
- Established a total reward framework and re-defined position levels;
- Developed a human resources induction and on-boarding program;
- Conducted a leadership and development workshop; and
- Established an *Australian Parental Leave Policy* and introduced paid maternity leave for senior female employees.

## LEADERSHIP WORKSHOP

Imdex's management team participated in a leadership workshop during the annual group strategy planning session as part of the company's commitment to ongoing skills development.

The workshop was facilitated by James McMahon from Chauvel Group. Mr McMahon was a compelling speaker who drew on his vocational education, diverse business consulting experience and leadership skills as a former commanding officer of the Special Air Service Regiment.

A key theme from the workshop was every Imdex employee has a voice and should feel confident to contribute to decision making, share ideas for innovation and improvement, and speak up if they feel something is not right.

Time was also allocated to discuss the results of an internal survey, which identified Imdex's values and expected behaviours. The session highlighted the consensus within the management team in relation to the way things are done at Imdex and complemented the key messages from the leadership workshop.



Conducting mud checks, South Australia



### Community Involvement

Imdex supports events and initiatives undertaken by its regional operations to assist their local communities and charity fundraisers.



Food collection initiative supporting Epworth Children's Village, South Africa

### Stakeholder Communications

Imdex provides a range of external and internal communications to keep its stakeholders informed of the company's performance, principal activities, product development, long-term strategies, growth initiatives, and areas of focus. It also encourages questions and feedback from all stakeholders and seeks to foster an internal culture where everyone has a voice and the confidence to contribute to innovation and continuous improvement.

Principal communications for shareholders include:

- Quarterly ASX releases;
- Quarterly Presentations – the presentations are made via a live teleconference and webcast followed by a question and answer session;
- Shareholder Newsletters – *Imdex News* is published quarterly to keep Imdex's valued shareholders informed of the company's performance and operational highlights;
- Broker Road Shows – Road shows are undertaken twice a year in March and October; and
- The Annual General Meeting – Imdex's FY13 AGM will be held at The Celtic Club, 48 Ord Street West Perth, Western Australia commencing at 11am on Thursday 17 October 2013.

Copies of all shareholder communications, together with the company's corporate calendar, are available on Imdex's website under its dedicated investor section.

In addition to regular operational communications, Imdex produces a quarterly employee e-newsletter for its global team. *The Hole Story* focuses on growth initiatives, company achievements, updates from support functions, product development, case studies and field reports, expos and events, and employee profiles and celebrations.

In FY14 Imdex's Marketing and Communications department will undertake a review of its communications and digital marketing communication tools to ensure stakeholders have convenient and timely access to company information.

Further information regarding Imdex's monthly Board meetings can be found in the Directors' Report on page 59.

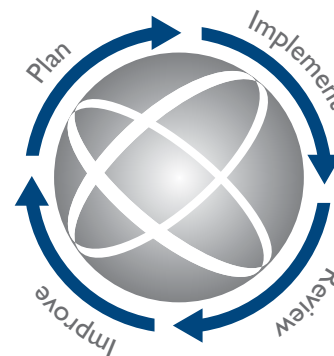
# Operational Overview

## Quality, Health, Safety and Environment

During the year Imdex performed an OH&S due-diligence review of its Group QHSE Documents, now known as Global QHSE Standards. The new QHSE Standards have been divided into the following four categories to align with international standards and the Plan-Do-Check-Act Approach.

- **Plan**
- **Implement**
- **Review; and**
- **Improve.**

The new Standards apply to Imdex's global operations and will reduce the risk of injury, establish controls in response to emergencies and further develop the company's policy of continual improvement.



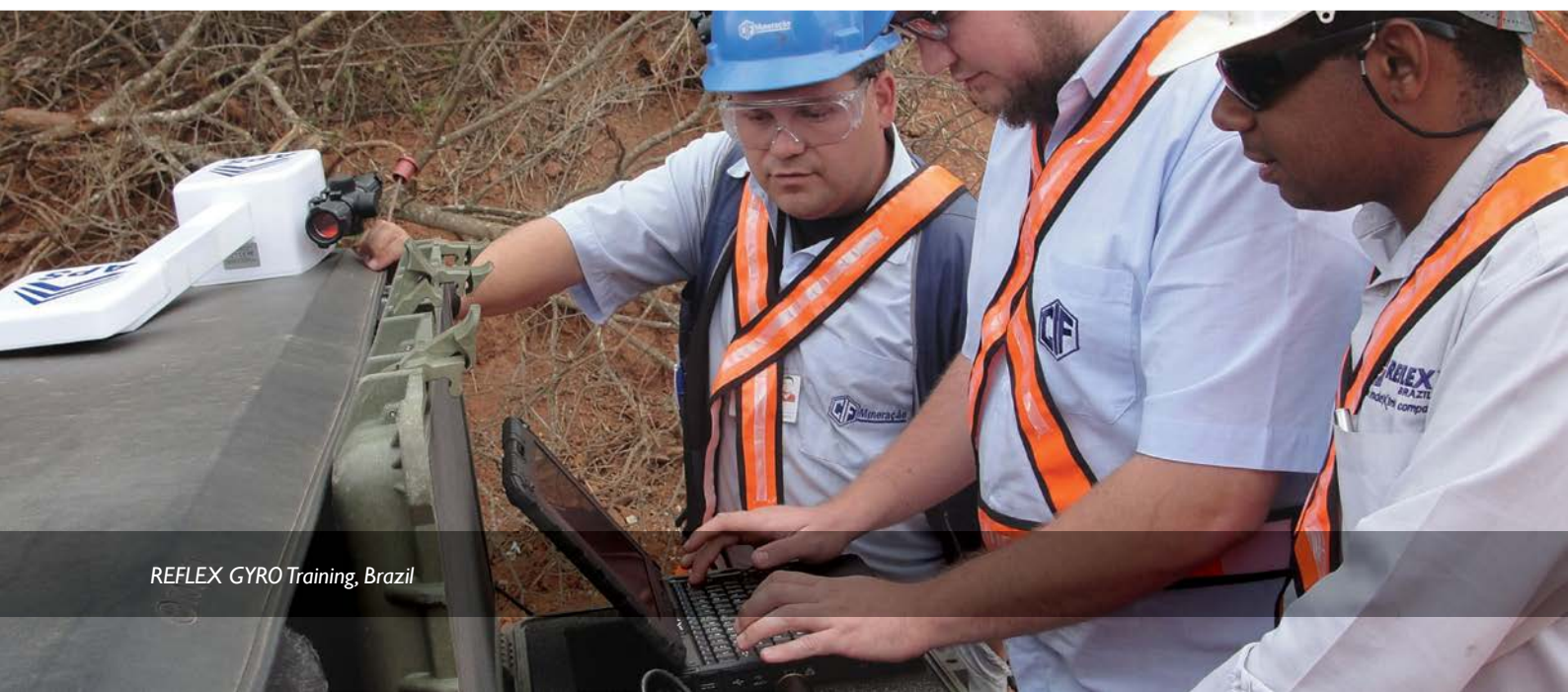
### COMPLIANCE, REVIEW AND CONTINUAL IMPROVEMENT

Regular risk assessments are carried out at all of Imdex's global operational facilities. These assessments then underpin site specific systems, schedules, registers, controls and procedures.

To ensure the company's high level of system compliance is maintained, Imdex Global QHSE Representatives perform scheduled audits against established processes and their associated procedures or Standards. Audit reports are validated

by the Global QHSE Manager before release and action assignment within the Company's global continual improvement database, the Quality Alert system.

To close the system review cycle, additional regular QHSE Management Reviews are performed at all operational facilities to ensure system effectiveness and to monitor performance.



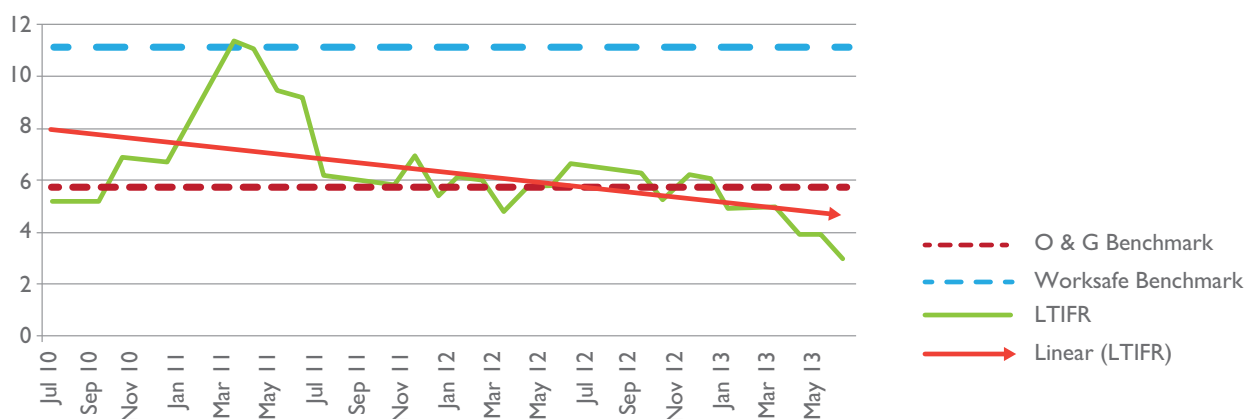
## HEALTH AND SAFETY

Imdex's workplace health and safety for its global operations is measured against the Western Australian WorkSafe benchmark for services to the mining industry and the stringent WorkSafe benchmark for oil and gas.

Globally, the Imdex Group Lost Time Injury Frequency Rate (LTIFR) was well below these benchmarks and the graph below illustrates the company's declining trend of workplace injuries.

During FY13, three LTIs occurred. (WorkSafe Mining Benchmark – 11.1 and WorkSafe Oil & Gas Benchmark – 5.8).

Imdex's LTIFR, the number of lost time injuries and diseases for each one million hours worked was 2.96 for its global operations.



Imdex Group Lost Time Injury Frequency Rate July 2010 - June 2013

## NEW SAFETY DATA SHEETS

During FY13, Imdex's Safety Data Sheet System (SDS) was upgraded. The powerful SDS database and interface is provided by Chemwatch and now includes European REACH regulatory requirements and Global Harmonisation (GHS) regulatory requirements for 67 countries in their native language.

Product data sheets can also be generated from a live system in the language and regulation selected by the user.

Imdex's SDS is located on the AMC website [www.amcmud.com](http://www.amcmud.com) to ensure easy access for all customers globally.

## ENVIRONMENT

Imdex's production of emissions and consumption of energy do not meet the reporting thresholds of the National Greenhouse and Energy Reporting (NGER) Act, so it is not required to provide a formal environmental report. The company, however, is integrating environmental requirements into its day-to-day operational procedures to ensure environmental considerations are standard practice.

No significant environmental short fallings were reported during FY13. Similarly no field notices or fines were received by Imdex for environmental pollution.



# Operational Overview

## NEW ISO ENVIRONMENTAL CERTIFICATIONS

During the year, Imdex's Head office; AMC, REFLEX, AMC Equipment and AMC Oil & Gas Australia all achieved Environmental certification to ISO 14001. This certification enables these entities to use the SGS ISO 14001 environmental certification mark.

These successful environment certifications achieved two of five strategic targets for supporting Imdex's Oil & Gas and Equipment Divisions. AMC Germany and Brisbane operations are scheduled for certification during FY14.



## ISO CERTIFICATIONS

Throughout FY13, Imdex achieved the following global QHSE certifications from SGS:

- ADS (Perth) certified to ISO 9001
- AMC Equipment (Perth) certified to ISO 9001 and ISO 18001
- Suay Energy (Kazakhstan) certified to ISO 9001
- AMC & REFLEX (Brisbane) certified to ISO 9001 and ISO 18001
- REFLEX-Imdex Europe (UK) certified to ISO 9001
- REFLEX (South Africa) certified to ISO 9001
- Imdex Head office, AMC & REFLEX (Perth) certified to ISO 14001
- AMC Equipment (Perth) certified to ISO 14001.

Imdex now proudly hold SGS integrated certifications for Quality (ISO9001), Health & Safety (OHSAS18001) and the Environment (ISO14001).



# Risk Management

### MANAGING RISKS TO DELIVER LONG-TERM SHAREHOLDER VALUE

The identification and management of risk is central to delivering long-term value to Imdex's shareholders. Each year, as part of the company's annual strategic planning cycle, the Board reviews and considers the risk profile for the entire organisation.

Imdex has also established a formal framework for governance of managing risk. The principal aim of Imdex's risk management governance structure is to enhance the system of internal control to create a culture of risk-informed decision making to manage business risks, enhance the value of shareholder investments, and safeguard assets.

The company is committed to an effective risk management process, which enables management to operate a risk-based approach in establishing internal control systems to effectively identify, mitigate and/or control significant risks.

The risk management framework is used to provide governance for the identification, assessment and management of risks. Risks are rated using a methodology outlined in ISO 31000:2009 – Risk Management – Principles and Guidelines. When a risk is assessed as material, it is reported to the senior management group on a monthly basis until it is satisfactorily mitigated.

All employees globally are responsible for being aware of potential business and operational risks and the supporting risk management framework established by the Audit, Risk and Compliance Committee (ARCC).

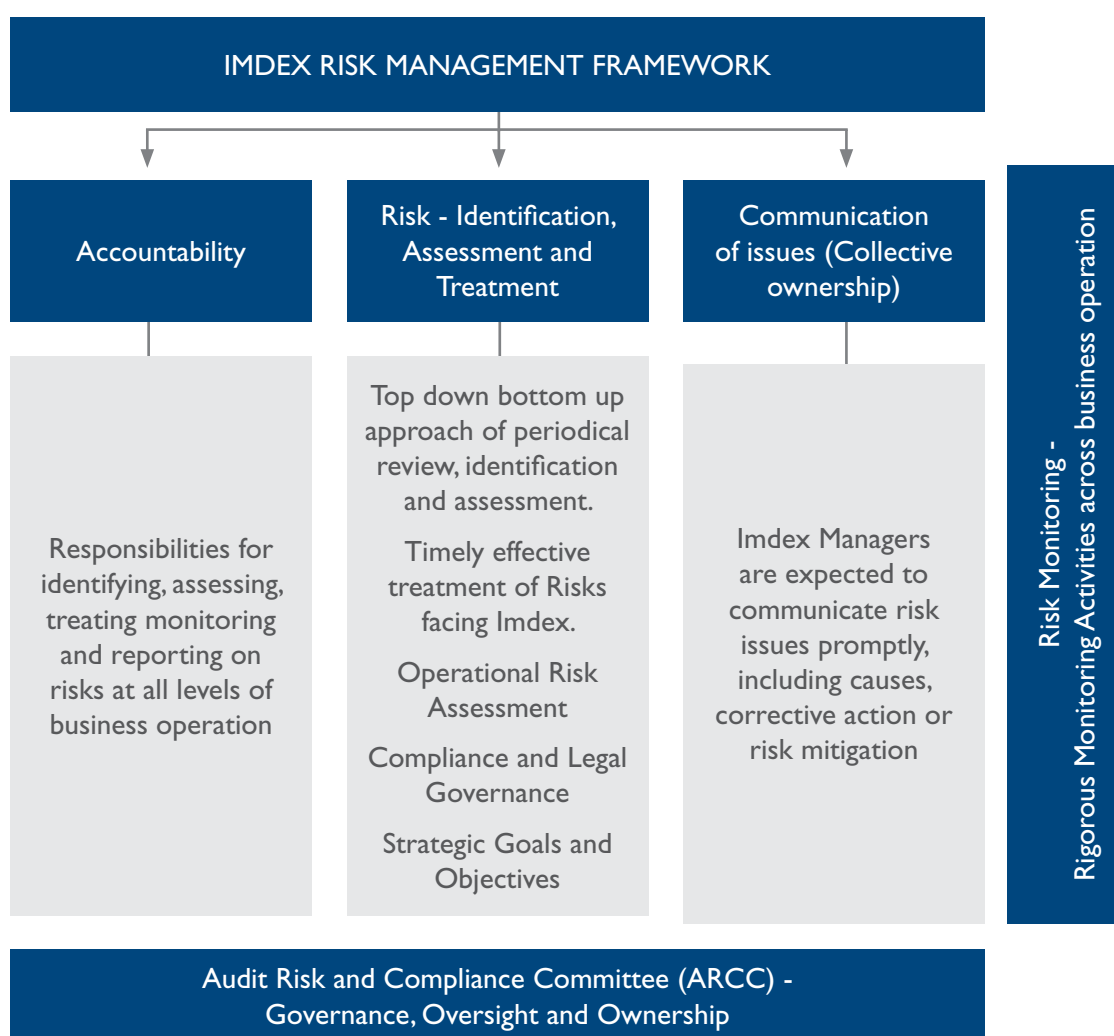
Employees are also requested to promptly communicate significant issues to their line manager in accordance with the risk management framework. Each business unit is responsible for incorporating risk management activities and controls into their daily operations and to monitor risks relating to the unit. The risk management framework incorporates the following factors:

- Consideration of other ASX principles on corporate governance as they relate to risk management;
- Consultation with the Board, senior management and the leadership group in identifying the business risk areas;
- Consideration of the Imdex quality assurance risk assessment system to ensure a common language is used across both operational and commercial environments;
- Assurance mapping of key risks across all areas of the organisation;
- Development of a Corporate Risk Register to record and manage risks by assigning an owner, designing mitigating treatments and then applying the treatment; and
- Identification of areas where additional work is required by an internal audit and/or business unit to reduce risk exposure.

# Operational Overview

## RISK MANAGEMENT FRAMEWORK

Imdex's ability to integrate risk management contributes to the achievement of business objectives, partnership arrangements and safeguards shareholder investment.

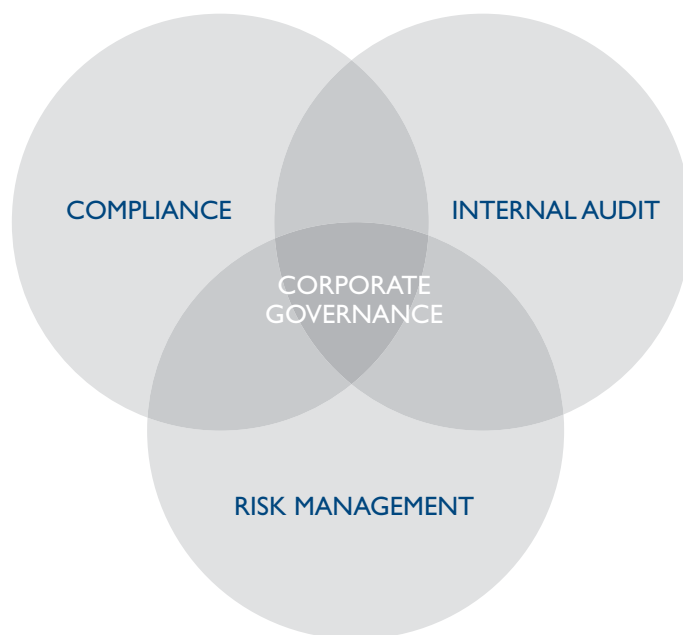




## CORPORATE GOVERNANCE STRUCTURE

The Imdex Board delegated the oversight of Assurance, Risk Management and Compliance to the Audit Risk and Compliance Committee (ARCC). The objective of Imdex's ARCC is to assist the Board with the following activities:

- Complying with applicable financial regulatory requirements;
- Considering the integrity of Imdex's accounting systems and their associated internal control frameworks;
- Considering the reliability, punctuality and accuracy of Imdex's financial reporting;
- Liaising with and monitoring the independence of the external auditor;
- Overseeing and monitoring the Internal Audit, Risk and Compliance process; and
- Complying with the requirements of the Corporations Act and the Australian Security Investments Commission (ASIC).



Imdex's ARCC is required to undertake the functions of an Audit Committee as set out in the ASX Corporate Governance Council's Corporate Governance Principles and recommendations with 2010 Amendments 2nd Edition (ASX Principles).

The company's ARCC is supported by the Group Audit Risk and Compliance (ARC) function, which is managed by the Group Risk Manager, who provides assurance activities and advice on matters related to Internal Audit, Risk Management and Compliance.

In April of 2013 Imdex's ARCC Charter and ARC function mandate was reviewed and updated to align the activities performed with the requirements of Institute of Internal Auditor standards and the ASX principles on Corporate Governance. The review also included strategic and operational alignment of accountabilities.

## AUDIT RISK AND COMPLIANCE FUNCTION

The mission of Audit Risk and Compliance (ARC) function is:

*To provide the Board, Audit Risk and Compliance Committee (ARCC), Managing Director, management and other key stakeholders with a high quality and value adding function to assist Imdex to meet its objectives, consider its risks and safeguard group assets by monitoring and evaluating group compliance requirements.*

The ARC function works with Imdex's management team to identify threats to the achievement of the Company's objectives and assesses the appropriateness of management's responses to these risks. Activities of the ARC function include:

- Reviewing processes in place to identify, assess and manage risk within the organisation;
- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;

## Operational Overview

- Examining and evaluating the adequacy and effectiveness of internal control mechanisms, appraising information technology systems and related risk areas and assessing the quality of performance in carrying out assigned responsibilities;
- Assisting the Audit Risk and Compliance Committee in fulfilling its roles and objectives;
- Reviewing the effectiveness of functions against stated objectives and strategies;
- Reviewing the systems and procedures established by management to ensure compliance with those policies, plans, procedures, laws and regulations, which could have a significant impact on operations and reports;
- Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned;
- Co-ordinating operational activities with those of the external auditors to ensure optimal coverage of significant risks; and
- Completion of the annual Global Audit Risk and Compliance plan and reporting of results to the committee.

The work of the ARC function is derived from a risk based global plan, which is developed considering the strategic objectives of Imdex, present and emerging risks and strategic initiatives.



### AUDIT AND ASSURANCE ACTIVITIES

Imdex has established an Internal Audit function. Internal activities determined by the annual plan are managed in line with the internal audit management framework.

During FY13, the Internal Audit function focused on the establishment of baseline operating procedures globally. This review was completed with Imdex's Group Finance, Human Resources and Information Communication and Technology teams and focused on:

- **Control application** - Continued review of the efficiency and effectiveness of application of Imdex current process and controls as a baseline - Standard Operating Procedure (SOP) for global operations;
- **Control Design** - Improvements to current Imdex baseline controls and process and assistance with development of new control frameworks for Imdex; and
- **Audit program** that focuses on risk assessment against the baseline of operations.

## COMPLIANCE MANAGEMENT

Similar to Internal Audit and Risk Management, the global compliance management is given governance under the Global Compliance Management framework. Imdex manages compliance in line with the standard for compliance Australian Standard for Compliance Programs (AS 3806-2006).

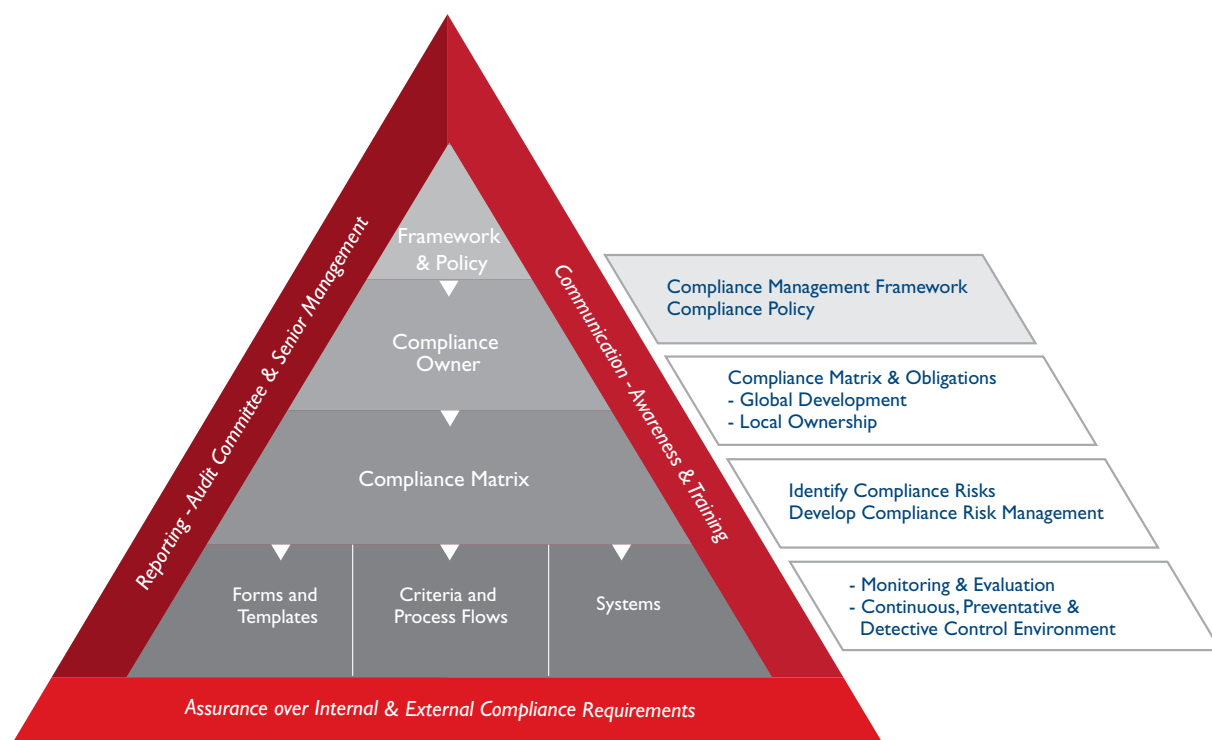
Imdex embeds compliance management as an organisational behaviour.

The company is committed to:

- Developing an appropriate corporate culture through policy development, training and adaptive learning;
- Establishing appropriate, simple yet effective systems and processes and communicating procedures required to employees;
- Developing effective third party, risk based due diligence to control and minimise successor liability and counterparty liability;
- Establishing effective internal business reporting line and investigation procedures; and
- Using an ethical corporate culture to develop a competitive advantage; to attract funds and to attract and keep the best employees.

Compliance Management is fully devolved to Imdex's regional managers and compliance obligations are assigned to a relevant compliance owner through the Imdex compliance matrix. The compliance owner is responsible for management and accountability of compliance obligations.

On matters of compliance such as anti-bribery and corruption, Imdex provides the necessary training to employees on operating in their environment and being aware of compliance obligations.







***“The company has historically continued to invest in its growth and diversification strategies through previous cycles, which has positioned the business well for long-term growth.”***

### Ongoing Product Development

In FY13 Imdex increased its investment in product development. The company is committed to ongoing product development to ensure customers receive innovative products and smarter technologies to enhance the efficiency and productivity of their operations.

Imdex's investment in its business throughout industry cycles ensures it maintains its market position as a provider of innovative products and leading technologies and is well positioned for long-term growth.

#### IMDEX WELCOMED BY INDUSTRY RESEARCH COOPERATIVE

Imdex recently became one of the two industry services providers to join the Australian-based Deep Exploration Technologies Cooperative Research Centre (DET CRC).

The DET CRC was founded in 2010 following an industry roadmap developed by AMIRA International Ltd, an independent association of minerals companies, which develops, brokers and facilitates collaborative research projects.

The principal focus of the DET CRC is to address diminishing mineral resources brought about by high production rates and fewer mineral exploration successes in recent years. Based on a statement released by the DET CRC, mineral resources constitute approximately 50% of Australia's exports and 80% of production is from mines discovered more than 30 years ago. The DET CRC statement also noted:

*The vast majority of Australia's existing mines are located where basement is outcropping or shallow. In order to ensure the future of mining in Australia, and indeed in all the more heavily explored countries of the 'western world', new technologies must be developed to explore to greater depths, and under cover, in the vast, prospective areas of deep, covered basement.*

Imdex's advanced research and development capabilities, together with its driving philosophy to increase the effectiveness of drilling programmes to meet the world's future demands for minerals and

oil and gas, align with the DET CRC's needs and objectives.

Imdex welcomes the opportunity to work collaboratively with like-minded individuals and organisations to develop innovative solutions to these industry challenges. Similarly, DET CRC CEO Professor Richard Hillis was enthusiastic about Imdex's participation.

"Imdex's expertise, for example in downhole navigation, downhole motors and drilling muds, will provide significant extra horsepower towards our Next Generation Drilling Technologies Project," said Professor Hillis.

With \$120 million of cash and in-kind funding from the Commonwealth Government of Australia and its participants, the DET CRC is the world's best-supported independent research initiative in mineral exploration.

Imdex is contributing support through one of its innovative SRUs installed permanently at the DET CRC's test drilling site located in South Australia, use of its laboratory facilities, researcher hours for specific projects, and the supervision of two PhD students.

Other industry participants supporting DET CRC include: Anglo American, Barrick Australia, BHP Billiton, Boart Longyear, Goldfields, Newcrest, Vale and the Department of Primary Industries and Regions, South Australia.



# Operational Overview

## AMC RESIDRILL

AMC Oil and Gas' unique RESIDRILL product is providing significant benefits to customers within the oil and gas and coal seam gas industries.

RESIDRILL is a revolutionary and environmentally friendly product created by AMC's research and development team. It is designed to give drilling fluids non-invasive properties which reduce dynamic filtration loss, stabilises well bores and protects reservoirs from damage.

Commenting on RESIDRILL's performance, AMC Oil & Gas' Manager Nick Santarelli said, "The results have been exceptional for zonal isolation in both oil and gas and CSG industries in diverse drilling environments."

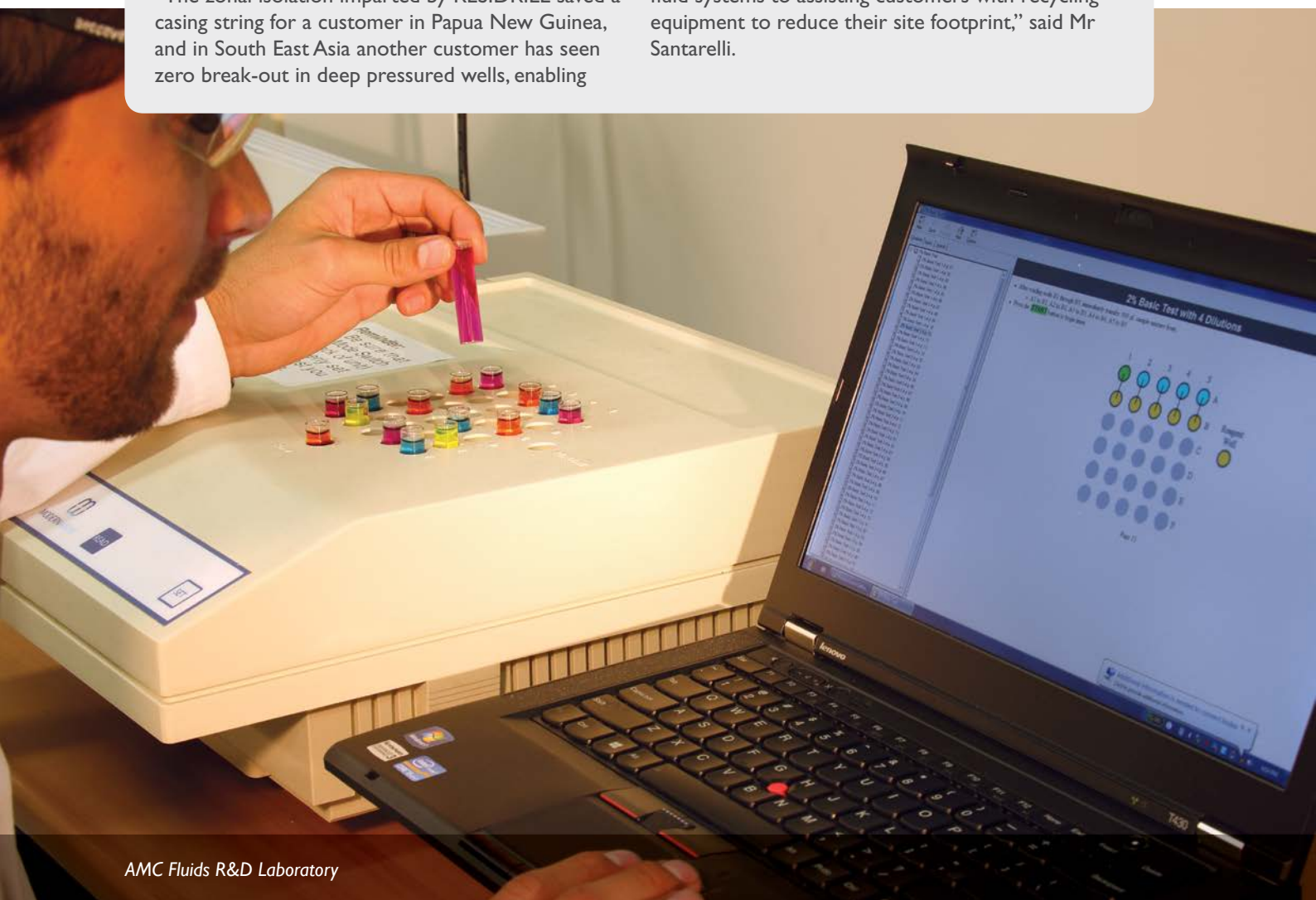
"The zonal isolation imparted by RESIDRILL saved a casing string for a customer in Papua New Guinea, and in South East Asia another customer has seen zero break-out in deep pressured wells, enabling

drilling to continue without excessive mud weight ups and stuck pipe."

Other examples of RESIDRILL's success include reducing skin damage from a factor of +50 to single and negative values for a customer in Queensland, and at a site in South Australia, isolating a deep coal seam that previously caused mud weight to be increased in order to control break-out.

Mr Santarelli said he was delighted with the enhanced efficiencies and the environmental solutions delivered by RESIDRILL which were key drivers for AMC Oil & Gas.

"Providing workable solutions is what we aim to do best – from developing site-specific HTHP drilling fluid systems to assisting customers with recycling equipment to reduce their site footprint," said Mr Santarelli.



AMC Fluids R&D Laboratory



## REFLEX HUB - INCREASES PRODUCTIVITY, CLIENT RELATIONSHIP AND EMPLOYEE SATISFACTION

### Background

The REFLEX HUB solution was implemented on a significant Deep Core Drilling project in Australia to address some considerable shortcomings with the existing electronic Shift Report system being used on the project. A considerable loss in productivity was being experienced through report duplication and completion times and a high level of dissatisfaction was expressed by the system users.

### Scope

REFLEX HUB replaced the existing electronic Shift Report system, including the delivery of;

- Customised Daily Drill Reports (DDR) and Safety reporting forms for use on mobile devices
- Customised management reports on key KPI's, for eg Consumables used by rig/shift/hole
- Training for drilling and office employees
- Integration with existing corporate systems.

### Implementation

REFLEX HUB was implemented in a very short time frame, with minimal interruption to the Client's personnel or operations. The implementation consisted of;

1. **Customised DDR Form and Management Reports design**  
Input time required by customer: 4 hours
2. **Corporate Management System Integration**  
Input time required by customer: 30 minutes providing appropriate format
3. **Training**  
Reflex completed on-site and office based training.  
Time required by customer:  
20 minutes to complete on-site Driller training prior to first shift commencing  
1 hour to complete office training

*"I get an extra 4-5 hours each day that I can use to keep the rigs turning, that's my real job."*

**Drilling Supervisor**



Mineral drilling rig

## REFLEX HUB (CONTINUED)

### Workflow productivity improvement with REFLEX HUB

REFLEX HUB has simplified the workflow for the Client considerably, resulting in significant productivity gains.

The workflow is now highly automated, includes all required sign-off procedures and provides secure data storage and automatic report generation, with seamless data upload into the client's ERP systems.

REFLEX HUB offers many workflow options which can be easily tailored for customer and site specific requirements.

REFLEX HUB WORKFLOW		PREVIOUS WORKFLOW	
PRODUCTIVITY GAIN	List of Drill Holes agreed between Client and Supervisor; automatically synchronised to the Driller's iPads.		List of Holes agreed between Client and Supervisor; hardcopy provided to Drilling Supervisor.
	Driller completes DDR, automatically sends to Supervisor's iPad.		Drives hard copy to rigs.
	Supervisor reviews DDR, automatically submits read-only copy to Client's iPad.		Provide hardcopy list to driller.
	The Client approves the DDR and automatically submits it to REFLEX HUB.		Driller hand writes shift information on hardcopy form.
	REFLEX HUB automatically compiles and despatches Shift Report PDF's and throughput reports as appropriate.		Driller locates Supervisor and provides hardcopy report.
			Supervisor reviews hardcopy and re-writes information on report.
			Supervisor locates client to provide hard copy report.
			Client emails approval to the Supervisor.
			Supervisor despatches hard copies to Head Office.
			Office staff clarify information they are unable to read.
			Office staff manually compile and distribute reports to management.

## REFLEX HUB PRODUCTIVITY FOR DRILLERS

Drillers report that the system is easy to use, saves time and increases accuracy, for example, depth intervals are calculated automatically.

- **Easy to read** - the large, coloured iPad screens were practical and easy for drillers to see on-site
- **Easy to operate** - completion and navigation of reports was quicker and easier using iPad keypads than the existing system which uses a curser to scroll through options
- **Accurate data** - system design, including drop down options and automatic calculation of hole depths, made it easier to ensure data is submitted correctly, no time required to double check information
- **No paperwork transfer** - all DDR's were automatically transmitted to Drilling Supervisors at the end of each shift, meaning less time spent by Drillers in face to face transfer of data via USB and no paperwork transfer required.

**Reported time saving: 0.5 hours per shift**

*"Basically, it just makes it easier for me to focus on drilling and it does all the work, like calculating depth intervals. Also, being able to copy from the previous shift is great, saves me more time."*

**Driller**

## REFLEX HUB PRODUCTIVITY FOR DRILLING SUPERVISORS

Significant productivity savings were experienced by Drilling Supervisors, where time spent managing drilling reports reduced over 40%.

- **Accurate Data** – minimal time required by Supervisors to confirm reporting errors or anomalies with Drilling crew as the DDR validates data as it was entered
- **No paperwork** – significant reduction in time required to collect and review paper shift reports and transfer reports to clients
- **Efficient client meetings** – reports were automatically submitted to clients iPads saving time physically delivering daily reports, data was more accurate and time spent on data queries was significantly reduced. Client relationships improved as a result.

**Reported time saving: 5 hours per shift**

*"I now have more time to actually do my job, 4-5 hours a day not filling out paperwork makes a big difference."*

**Drilling Supervisor**

## REFLEX HUB PRODUCTIVITY FOR OFFICE SUPPORT STAFF

Office personnel also reported very significant increases in productivity due to increased accuracy and the radically streamlined workflow.

- **Timely delivery of shift reports** – reports were submitted automatically and were available immediately for processing, minimising delays in physical transfer of paperwork (fax or mail) and follow up of reports not received from previous shifts
- **Significantly reduced manual processing** – reports were recorded and submitted digitally, saving up to 80% in processing time for shift reports
- **Improved readability** – digital reports meant office personnel no longer spent time following up reports where hand writing could not be read

**Reported time savings: 80% less time processing shift reports.**

*"The shift reports we now receive don't have any mistakes. Even the guys who aren't very good at using computers get it right, the drop down lists make it so simple to use."*

**Office Support Employee**



## REFLEX HUB (CONTINUED)

### Project outcomes

Resource client representatives, Supervisors, Office Staff and Drilling Managers all report significant productivity gains and extremely high levels of satisfaction since the introduction of REFLEX HUB.

- **Significant productivity improvements** - time savings of over 40% for drilling managers, and up to 80% for office employees in managing and processing drilling report data.
- **Potential to improve cash flow** - removed obstacles to facilitate reduced time between drilling activity and invoicing.
- **Improved visibility of all drilling operations** - Drilling Managers had immediate visibility of key statistics across all drilling operations, accessed via a web browser, in any location, to enhance management and decision making.
- **Ease of implementation** - REFLEX HUB was fully operational within 2 weeks without interruptions to drilling operations.
- **No proprietary hardware or software** - REFLEX HUB did not require a rollout of proprietary software or hardware. The use of iPad's provided a familiar platform to users with minimal training requirements.
- **Widespread acceptance and support** - REFLEX HUB has been widely accepted by drillers, support staff and drilling managers with extremely positive feedback.
- **Lower client invoice query rate** - validation and approvals at site is more tightly controlled (validated at site - at the time of the shift) and has reduced the invoicing query rate by the client.
- **Paperless system** - minimises the risk of data loss and reduces printing costs.
- **Easy to amend** - addition of information, for example adding new components, was quickly and easily completed and synchronised to all iPad's in the fleet.
- **Support** - on-site and phone support provided 24/7 was recognised as exceptional by Customer's employees. This can be provided in a global capacity by REFLEX.



## FY14 STRATEGY FOR INCREASING SHAREHOLDER VALUE

- Continue growth of Imdex's global business;
- Expand into new markets, with particular focus on the oil and gas sector;
- Maintain product leadership through investment in product development;
- Increase rental based revenue; and
- Achieve operational efficiencies.

## FY14 GROWTH INITIATIVES & KEY AREAS OF FOCUS

- Strong cost discipline and prudent working capital management;
- Marketing SRUs via Imdex's global distribution channels;
- Continuing to increase Imdex's market share in under penetrated regions such as Canada, Latin America, Africa, the United States and Europe;
- Utilising Imdex's specialist technical expertise and product development capabilities to enhance existing and develop new drilling fluid products and downhole instrumentation for the minerals and oil and gas markets, and prepare new products and technologies for release in FY14;
- Expanding Imdex's data solution offerings to new and existing customers globally; and
- Growing Imdex's oil and gas market presence to increase return on investment in this Division.



AMC equipment on oil rig, Romania



A female worker with blonde hair in a ponytail, wearing safety glasses, a yellow and black protective suit, and blue gloves, is pouring a white liquid from a container labeled "ACRYLIC ACID" into a large industrial mixing tank. The worker is standing on a metal grate platform. In the background, there are orange cables and industrial machinery.

***“Imdex aims to become the industry standard in providing innovative, simple to use technologies, which improve the effectiveness and efficiency of customers’ day to day operations.”***

*Mixing drilling fluids*



# FY13

## financial report

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## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

The Directors of Imdex Limited ("Imdex" or "the Company") present their report together with the annual Financial Report of the Company and its Subsidiaries ("the Group") for the financial year ended 30 June 2013.

In order to comply with the provisions of the Corporations Act 2001, the Directors' report as follows:

### (a) Directors

The names and particulars of the Directors of the Company during or since the end of the financial year are:

Name	Role	Age	Particulars
Mr R W Kelly AM	Non Executive Chairman	75	<ul style="list-style-type: none"> <li>Engineer</li> <li>Director since 14 January 2004</li> <li>Appointed as Chairman on 15 October 2009</li> <li>Member of the Audit and Compliance Committee</li> <li>Chairman of the Remuneration Committee until 14 December 2009</li> <li>Previously Chairman and Non Executive Director of Clough Limited, Sumich Group Limited, Orbital Corporation Limited, Beltreco Limited and Director of Aurora Gold Limited, PA Consulting Services Ltd and the Fremantle Football Club.</li> </ul>
Mr B W Ridgeway	Managing Director	59	<ul style="list-style-type: none"> <li>Chartered Accountant</li> <li>Director since 23 May 2000</li> <li>Over 25 years experience with public and private companies as owner, director and manager</li> <li>Member of the Institute of Chartered Accountants in Australia and Australian Institute of Company Directors.</li> <li>Director of Sino Gas and Energy Holdings Ltd</li> </ul>
Mr K A Dundo	Independent, Non Executive Director	60	<ul style="list-style-type: none"> <li>Lawyer</li> <li>Chairman of the Audit and Compliance Committee</li> <li>Member of the Remuneration Committee</li> <li>Director since 14 January 2004</li> <li>Director of Red 5 Limited, Synergy Plus Limited and ORH Limited</li> </ul>
Mr M Lemmel	Independent, Non Executive Director	74	<ul style="list-style-type: none"> <li>Management Consultant</li> <li>Director since 19 October 2006</li> <li>Chairman of the Remuneration Committee from 14 December 2009</li> <li>Chairman of Fiberform Vindic AB</li> <li>Previously Senior Vice President of Ericsson Telecommunications, Chief Executive Officer of the Federation of Swedish Industries and Director General for Enterprise Policy of the European Commission</li> </ul>
Ms E Donaghey	Independent, Non Executive Director	55	<ul style="list-style-type: none"> <li>Civil Engineer</li> <li>Director since 28 October 2009</li> <li>Member of the Audit and Compliance Committee from 14 December 2009</li> <li>Member of the Remuneration Committee from 14 December 2009</li> <li>Non Executive Director of St Barbara Limited and Australian Renewable Energy Agency</li> <li>Previously held a range of commercial and senior management positions in Woodside Petroleum and BHP Petroleum</li> </ul>

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

### (b) Directorships of other listed companies

Directorships of other listed companies held by the Directors in the 3 years immediately before the end of the financial year are:

Name	Company	Position	Period of Directorship
Mr B W Ridgeway	Sino Gas and Energy Holdings Limited	Non Executive Director	2007 – Current
Mr K A Dundo	Red 5 Limited Synergy Plus Limited ORH Limited	Non Executive Director Non Executive Director Non Executive Director	2010 – Current 2008 – Current 2013 – Current
Ms E Donaghey	St Barbara Limited	Non Executive Director	2011 – Current

### (c) Company Secretary

Mr P A Evans

Mr Evans, a Chartered Accountant, joined Imdex Limited on 17 October 2006. After leaving professional practice he worked in a range of commercial and financial roles in the media, manufacturing and telecommunications industries. Mr Evans is a Fellow of the Institute of Chartered Accountants in Australia.

### (d) Directors' Meetings

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or committee member). During the financial year, nine Board meetings, four Audit and Compliance Committee meetings and five Remuneration Committee meetings were held.

	Board of Directors		Audit and Compliance Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
R W Kelly	9	9	4	4	-	-
B W Ridgeway	9	9	-	-	-	-
K A Dundo	9	9	4	4	5	5
M Lemmel	9	7	-	-	5	4
E Donaghey	9	9	4	4	5	5

### (e) Directors' Shareholdings

At the date of this report the Directors held the following interests in shares, options in shares and performance rights of the Company:

Directors	Shares Held Directly	Shares Held Indirectly	Options Held Directly	Performance Rights Held Directly ^
R W Kelly	-	380,000	-	-
B W Ridgeway	-	2,214,630	-	614,715
K A Dundo	-	150,000	-	-
M Lemmel	648,000	-	-	-
E Donaghey	210,000	-	-	-

^ - Performance rights expire either on failure to maintain employment tenure or on failure to satisfy performance hurdles. Refer to note 33 for further details.

Details of options on issue at the date of this report are disclosed at (g) below. Details of options on issue at the end of the financial year are disclosed in note 32. Details of performance rights on issue at the end of the financial year are disclosed in note 33.



## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

### (f) Remuneration Report (audited)

#### Remuneration policy for Directors and Executives

##### **Non Executive Directors**

The Board seeks the approval of Shareholders in relation to the aggregate of Non Executive Directors' remuneration and any options and performance rights that may be granted to Directors. The remuneration for Non Executive Directors is reviewed from time to time, with due regard to current market rates. The cash remuneration of Non Executive Directors is not linked to the Company's performance in order to preserve independence. Other than statutory superannuation, no Non Executive Director is entitled to any additional benefits on retirement from the Company.

Management of the Company believes that in order to retain quality Non Executive Directors on the Board, some incentive to maintain their future involvement, commitment and loyalty to the Company is required on certain occasions over and above nominal Directors' fees. No Director received a payment during the current or prior years as consideration for agreeing to hold the relevant position.

The maximum total remuneration payable to Non Executive Directors was approved by Shareholders at the 2006 Annual General Meeting and is currently \$500,000. In the current year remuneration to Non Executive Directors totalled \$433,350, including statutory superannuation. The Board determines the apportionment of directors' fees between each Director.

##### **Managing Director**

The Managing Director's remuneration is determined by the Remuneration Committee with due regard to current market rates.

The Managing Director has a short term incentive bonus amounting to 35% of his base remuneration package. Each year the Remuneration Committee sets key performance indicators (KPIs) for the Managing Director to earn this short term incentive bonus. These KPIs typically include financial, strategic and risk based measures. The Remuneration Committee set these performance hurdles as they are significant profit and cash flow drivers which are linked to Imdex's increased growth and profitability and hence shareholder value. Performance is measured relative to budget and forecast results as these are the most accurate measures available against which to assess the achievement of set hurdles. The balance of his cash compensation package for the current year is not linked to the Group's performance.

From time to time options or performance rights may be issued to the Managing Director as a long term performance incentive. The portion of the Managing Director's compensation package that comprises options or performance rights is linked to the Company's performance. The number of options or performance rights granted are determined with regard to current market trends. The issue of any such options or performance rights requires the approval of Shareholders in General Meeting.

The Managing Director is employed under a permanent contract that provides for a 12 month termination period. No additional benefits above those already entitled to will become payable on termination.

##### **Executives and Staff**

All Executives and staff of the Company are subject to a formal annual performance review. The remuneration of Executives comprises a fixed monetary total, which is not linked to the performance of the Company, although bonuses related to the performance of the Company may be agreed between that Executive and the Company from time to time. The base component of Executive salaries is benchmarked against current market trends and is not linked to Company performance as it serves to attract and retain suitably qualified and experienced staff. Performance incentives that are linked to Company performance are used to reward Executives for exceptional performance that benefits the Company and Shareholders.

Each year the Remuneration Committee sets the KPIs for each key management person. These KPIs typically include people, customer, system, financial, strategic and risk based measures. The Remuneration Committee set these performance hurdles as they are significant profit and cash flow drivers which are linked to Imdex's increased growth and profitability and hence shareholder value. Performance is measured relative to budget and forecast results as these are the most accurate measures available against which to assess the achievement of set hurdles. No bonus is awarded where hurdles are not met.

From time to time options or performance rights may be issued to the Executives and staff as a long term performance incentive. The portion of remuneration package that comprises options or performance rights is linked to the Company's performance. The number of options or performance rights granted are determined with regard to current market trends. The issue of any such options or performance rights requires the approval of Shareholders in General Meeting.

All Executives are employed under permanent contracts. Mr G E Weston's contract provides a twelve month notice period upon termination and a twelve month termination pay out. Mr D J Loughlin's and Mr P A Evan's contracts provide a six month notice period upon termination and a six month termination pay out. No additional benefits above those already entitled to will become payable on termination.

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

### (f) Remuneration Report (audited) (continued)

#### Director and Key Management Personnel details

The Directors of Imdex Limited during the year were:

- (i) Mr R W Kelly (Non Executive Chairman);
- (ii) Mr B W Ridgeway (Managing Director);
- (iii) Mr K A Dundo (Non Executive Director);
- (iv) Mr M Lemmel (Non Executive Director); and
- (v) Ms E Donaghey (Non Executive Director).

The term 'Key Person Management' is used in this remuneration report to refer to the following persons:

- (i) Mr G E Weston (Project General Manager; General Manager: Oil & Gas Division);
- (ii) Mr D J Loughlin (General Manager: Minerals and Mining Division);
- (iii) Mr P A Evans (Company Secretary and Chief Financial Officer).

Except as noted above Directors and Key Management Personnel held their current position for the whole of the financial year and since the end of the financial year.

#### Elements of Director and Key Management Personnel Remuneration

Remuneration packages contain the following key elements:

- (i) Short-term benefits – salary/fees, bonuses and non monetary benefits including principally motor vehicles;
- (ii) Post-employment benefits – superannuation;
- (iii) Equity – share options granted under the Staff Option Scheme (note 32) or performance rights granted under the Performance Rights Plan (note 33) or any other equity related benefits granted as approved by Shareholders in General Meeting; and
- (iv) Other benefits – comprise payments made under the Imdex Loyalty Programme rewarding long term service with the Imdex Group.

#### Earnings and Movements in Shareholder Wealth

The table below sets out summary information about the Consolidated Entity's earnings and movements in shareholder wealth for the five years to June 2013:

	30 June 2013	30 June 2012	30 June 2011	30 June 2010	30 June 2009
Revenue – continuing and discontinued operations (\$000s)	232,921	269,652	205,334	135,625	138,992
Net profit / (loss) before tax from continuing operations (\$000s)	28,510	67,500	38,593	(21,071)	18,195
Net profit / (loss) after tax from continuing operations (\$000s)	19,383	45,777	29,002	(21,548)	12,067
Share price at start of year (cents)	176.0	215.0	73.0	64.5	165
Share price at end of year (cents)	62.0	176.0	215.0	73.0	64.5
Interim dividend (cents) – fully franked	2.50	3.25	1.75	-	1.00
Final dividend (cents) – fully franked	0.40 *	4.00	2.75	-	-
Basic earnings / (loss) per share (cents) – continuing operations	9.24	22.34	14.69	(11.05)	6.37
Diluted earnings / (loss) per share (cents) – continuing operations	9.14	21.85	14.25	(11.05)	6.23

\* - Declared post year end on 16 August 2013 hence the financial effect of this dividend has not been recognised in the financial statements at 30 June 2013.

# DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

## (f) Remuneration Report (audited) (continued)

Year ended 30 June 2013

	Short-term employee benefits				Post Employment		Other long-term employee benefits	Termination Benefits	Share-based payment				Total	
	Salary & fees	Bonus	Non-monetary	Other	Super-annuation	Other			Equity-settled ^			Cash settled		Other
									Shares & Units	Options & Rights	Options & Rights			
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Executive Director														
B W Ridgeway, Managing Director	901,500	-	16,325	-	25,000	-	51,140	-	-	263,206	-	-	1,257,171	
Non Executive Directors														
R W Kelly, Chairman	135,000	-	-	-	12,150	-	-	-	-	-	-	-	147,150	
K A Dundo	90,000	-	-	-	8,100	-	-	-	-	-	-	-	98,100	
M Lemmel	90,000	-	-	-	-	-	-	-	-	-	-	-	90,000	
E Donaghey	90,000	-	-	-	8,100	-	-	-	-	-	-	-	98,100	
	1,306,500	-	16,325	-	53,350	-	51,140	-	-	263,206	-	-	1,690,521	
Group Executives														
G E Weston, General Manager: Oil & Gas Division	503,650	-	-	-	25,000	-	29,759	-	-	44,365	-	-	602,774	
D J Loughlin, General Manager: Minerals Division	454,600	-	-	-	25,000	-	21,356	-	-	41,431	-	-	542,387	
P A Evans, Chief Financial Officer / Company Secretary	443,700	-	-	-	25,000	-	20,687	-	-	39,520	-	-	528,907	
	1,401,950	-	-	-	75,000	-	71,802	-	-	125,316	-	-	1,674,068	

^ - These non-cash entitlements reflect the value of performance rights that are being expensed in the current period to recognise progressive vesting conditions. The issue of shares relating to these performance rights will only occur in future periods if the vesting conditions are met.



# DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

## (f) Remuneration Report (audited) (continued)

Year ended 30 June 2012

	Short-term employee benefits				Post Employment		Other long-term employee benefits	Termination Benefits	Share-based payment				Total
	Salary & fees	Bonus *	Non-monetary	Other	Super-annuation	Other			Equity-settled ^	Cash settled	Other		
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
<b>Executive Director</b>													
B W Ridgeway, Managing Director	700,000	110,000	13,689	2,000	73,080	-	36,443	-	-	142,682	-	1,077,894	
<b>Non Executive Directors</b>													
R W Kelly, Chairman	135,000	-	-	-	12,150	-	-	-	-	-	-	147,150	
K A Dundo	90,000	-	-	-	8,100	-	-	-	-	-	-	98,100	
M Lemmel	90,000	-	-	-	-	-	-	-	-	-	-	90,000	
E Donaghey	90,000	-	-	-	8,100	-	-	-	-	-	-	98,100	
	1,105,000	110,000	13,689	2,000	101,430	-	36,443	-	-	142,682	-	1,511,244	

	Short-term employee benefits				Post Employment		Other long-term employee benefits	Termination Benefits	Share-based payment				Total
	Salary & fees	Bonus *	Non-monetary	Other	Super-annuation	Other			Equity-settled ^	Cash settled	Other		
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
<b>Group Executives</b>													
G E Weston, General Manager: Oil & Gas Division	440,000	62,100	-	230,000	65,889	-	28,043	-	-	83,750	-	909,782	
D J Loughlin, General Manager: Minerals Division	387,500	143,500	-	500	47,835	-	17,030	-	-	79,527	-	675,892	
P A Evans, Chief Financial Officer / Company Secretary	382,500	92,000	-	500	42,750	-	16,036	-	-	75,205	-	608,991	
	1,210,000	297,600	-	231,000	156,474	-	61,109	-	-	238,482	-	2,194,665	

^ - These non-cash entitlements reflect the value of options and performance rights that are being expensed in the current period to recognise progressive vesting conditions. The issue of shares relating to these performance rights will only occur in future periods if the vesting conditions are met.

\* - Other short-term employee benefits comprise cash and voucher bonuses awarded under the Index Loyalty Programme rewarding long term service with the Index Group.

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

### (f) Remuneration Report (audited) (continued)

(i) **Mr B W Ridgeway** is a party to a service contract with Imdex Limited, which sets out a fixed compensation package, reviewable annually. The service contract specifies a twelve month notice period in the event that the contract is terminated. If the contract is terminated without notice, the notice period will become payable in cash. There are no termination benefits specified in this contract. Additional performance incentives may be agreed between Mr Ridgeway and Imdex Limited from time to time. The Managing Director's compensation is reviewed and determined annually by the Remuneration Committee.

In the current year Mr Ridgeway did not earn a cash bonus as specified targets were not met. A bonus of \$320,000 could have been earned by Mr Ridgeway had the targets been met. Mr Ridgeway earned a short term cash bonus of \$110,000 in the prior year upon achievement of specified targets. An additional \$40,000 could have been earned by Mr Ridgeway had the remaining targets been met. Mr Ridgeway also received a loyalty bonus of \$2,000 last year for 10 years of service.

No options were granted to Mr Ridgeway in the current year or in the prior year.

The grant of 264,818 performance rights to Mr Ridgeway in the current year was approved by the shareholders at the Annual General Meeting on 20 October 2012. The Managing Director is subject to two hurdles each with equal weighting. The first is that the Total Shareholder Return (TSR) of Imdex Limited must exceed the average TSR of the ASX300 over the 3 year measurement period. The second is that the Earnings Per Share of Imdex Limited must exceed the average EPS of the ASX300 over the 3 year measurement period. The performance hurdle in relation to these performance rights will be measured after the audit sign off of the FY15 financial statements on or about August 2015. No value has therefore been received by Mr Ridgeway in the current year. Refer note 33 for further details.

The grant of 153,318 performance rights to Mr Ridgeway in the prior year was approved by the shareholders at the Annual General Meeting on 20 October 2011. The Managing Director is subject to two hurdles each with equal weighting. The first is that the Total Shareholder Return (TSR) of Imdex Limited must exceed the average TSR of the ASX300 over the 3 year measurement period. The second is that the Earnings Per Share of Imdex Limited must exceed the average EPS of the ASX300 over the 3 year measurement period. The performance hurdle in relation to these performance rights will be measured after the audit sign off of the FY14 financial statements on or about August 2014. No value was therefore received by Mr Ridgeway in the prior year. Refer note 33 for further details.

(ii) **Mr G E Weston** is party to a service contract with Imdex Limited, which sets out a fixed compensation package, reviewable annually. The service contract stipulates a twelve month notice period in the event that the contract is terminated and a twelve month pay out upon termination. Performance incentives may be agreed between Mr Weston and Imdex Limited from time to time. Additionally, Mr Weston is party to a deed with Imdex Limited, granting Mr Weston the right of first refusal of Australian Mud Company Pty Ltd, a 100% held subsidiary of Imdex Limited, in the event that an offer is received by the directors of Imdex Limited to purchase 100% of the Imdex Limited shares on issue. This 'right' lapses automatically should Mr Weston no longer be employed by Imdex Limited.

In the current year Mr Weston did not earn a cash bonus as specified targets were not met. A bonus of \$194,000 could have been earned by Mr Weston had the targets been met. In the prior year, Mr Weston earned a short term cash bonus of \$62,100 on achievement of specified targets. An additional \$144,900 could have been earned by Mr Weston had the remaining targets been met. Mr Weston also received a loyalty bonus of \$230,000 last year for 25 years of service.

No options were granted to Mr Weston in the current or prior year.

Mr Weston was granted 65,341 performance rights in the current period under the Performance Rights Plan. It is expected that the hurdles applicable to 9,801 of these performance rights will be achieved in the current year. These 9,801 performance rights will be settled via the issue of 9,801 fully paid ordinary shares in Imdex Limited in equal one third tranches annually on or about August each year starting in August 2013 on condition that Mr Weston remains employed by Imdex Limited at that time. Refer note 33 for further details.

Mr Weston was granted 48,611 performance rights in the prior period under the Performance Rights Plan. These 48,611 performance rights will be settled via the issue of 48,611 fully paid ordinary shares in Imdex Limited in equal one third tranches annually on or about August each year starting in August 2012 on condition that Mr Weston remains employed by Imdex Limited at that time. Refer note 33 for further details.

(iii) **Mr D J Loughlin** is a party to a service contract with Imdex Limited, which sets out a fixed compensation package reviewable annually. The service contract specifies a six month notice period in the event that the contract is terminated and a six month pay out upon termination. Additional performance incentives may be agreed between Mr Loughlin and Imdex Limited from time to time.

In the current year Mr Loughlin did not earn a cash bonus as specified targets were not met. A bonus of \$176,000 could have been earned by Mr Loughlin had the targets been met. In the prior year, Mr Loughlin earned a short term cash bonus of \$143,500 on achievement of specified targets. An additional \$28,700 could have been earned by Mr Loughlin had the remaining targets been met. Mr Loughlin also received a loyalty bonus of \$500 last year for 5 years of service.

No options were granted to Mr Loughlin in the current or prior year.

Mr Loughlin was granted 58,239 performance rights in the current period under the Performance Rights Plan. It is expected that the hurdles applicable to 8,736 of these performance rights will be achieved in the current year. These 8,736 performance rights will be settled via the issue of 8,736 fully paid ordinary shares in Imdex Limited in equal one third tranches annually on or about August each year starting in August 2013 on condition that Mr Loughlin remains employed by Imdex Limited at that time. Refer note 33 for further details.

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

### (f) Remuneration Report (audited) (continued)

Mr Loughlin was granted 42,245 performance rights in the prior period under the Performance Rights Plan. These 42,245 performance rights will be settled via the issue of 42,245 fully paid ordinary shares in Imdex Limited in equal one third tranches annually on or about August each year starting in August 2012 on condition that Mr Loughlin remains employed by Imdex Limited at that time. Refer note 33 for further details.

(iv) **Mr P A Evans** is a party to a service contract with Imdex Limited, which sets out a fixed compensation package reviewable annually. The service contract specifies a six month notice period in the event that the contract is terminated and a six month pay out upon termination. Additional performance incentives may be agreed between Mr Evans and Imdex Limited from time to time.

In the current year Mr Evans did not earn a cash bonus as specified targets were not met. A bonus of \$172,000 could have been earned by Mr Evans had the targets been met. In the prior year, Mr Evans earned a short term cash bonus of \$92,000 on achievement of specified targets. An additional \$76,000 could have been earned by Mr Evans had the remaining targets been met. Mr Evans also received a loyalty bonus of \$500 last year for 5 years of service.

No options were granted to Mr Evans in the current or prior year.

Mr Evans was granted 56,818 performance rights in the current period under the Performance Rights Plan. It is expected that the hurdles applicable to 8,523 of these performance rights will be achieved in the current year. These 8,523 performance rights will be settled via the issue of 8,523 fully paid ordinary shares in Imdex Limited in equal one third tranches annually on or about August each year starting in August 2013 on condition that Mr Evans remains employed by Imdex Limited at that time. Refer note 33 for further details.

Mr Evans was granted 42,245 performance rights in the prior period under the Performance Rights Plan. These 42,245 performance rights will be settled via the issue of 42,245 fully paid ordinary shares in Imdex Limited in equal one third tranches annually on or about August each year starting in August 2012 on condition that Mr Evans remains employed by Imdex Limited at that time. Refer note 33 for further details.

#### Bonuses granted to Directors and Key Management Personnel

The table below sets out the bonuses earned by Directors and Key Management Personnel in the current year and includes a long service bonus. Bonuses are paid on the achievement of performance criteria specific to the individual. Where performance hurdles are not met, no bonus is paid. The performance criteria used are chosen by the Remuneration Committee annually and are linked to the financial performance of the company and hence shareholder value. Performance criteria typically revolve around areas of risk management, people development, systems improvement and EBITA performance. Performance criteria are reviewed by the Remuneration Committee against budgeted outcomes before granting bonuses.

	Performance based bonus \$	Loyalty bonus \$	% of possible bonus earned	% of possible bonus forfeited	% of compensation for the year consisting of performance based bonuses
B W Ridgeway	-	-	-	100%	-
G E Weston	-	-	-	100%	-
D J Loughlin	-	-	-	100%	-
P A Evans	-	-	-	100%	-

#### Imdex Loyalty Programme

In the prior year Imdex Limited introduced a new global Loyalty Programme in recognition of employees with long standing years of service.

Employees with 5, 10, 15, 20 or 25 years employment with Imdex will be entitled to rewards for their years of service. Rewards range from a \$500 voucher for 5 years' service through to a cash equivalent of 3 and 6 months' salary for employees who remain with the business for 20 and 25 years respectively.



## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

### (f) Remuneration Report (audited) (continued)

#### Value of options issued to Directors and Key Management Personnel

The following table discloses the value of options granted, exercised or lapsed during the year:

	Options Granted	Options Exercised			Options Lapsed	Number of options vested in the current year	Options granted that have vested in current year	Value of options included in remuneration during the year	Percentage of remuneration for the year that consisted of options
	Value at grant date	Value at exercise date	Number of shares Issued	Value paid for shares issued upon exercise of options	Value at lapsing date				
	\$	\$	Number	\$	\$	Number	%	\$	%
B W Ridgeway	-	-	-	-	-	-	-	-	-
G E Weston	-	-	-	-	625,000	-	-	-	-
D J Loughlin	-	-	-	-	-	-	-	-	-
P A Evans	-	-	-	-	250,000	-	-	-	-

No share options were granted to Directors or Key Management Personnel during or since the end of the financial year.

#### Share based payment arrangements in existence during the current year

2013	Issue Date	Expiry Date	Exercise Price \$	Fair Value at Grant Date \$	Opening balance	Number of Options			Closing balance
						Issued current year	Exercised current year	Lapsed current year	
<b>Staff Options</b>									
Tranche 6	18-Oct-07	17-Oct-12	1.80	0.81	200,000	-	-	(200,000)	-
Tranche 7	28-Mar-08	27-Mar-13	3.00	0.42	3,693,333	-	-	(3,693,333)	-
					3,893,333	-	-	(3,893,333)	-

All staff options exercisable one year after the date of issue, in one-third lots each year thereafter.

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

### (f) Remuneration Report (audited) (continued)

#### Share options held by Directors and Key Management Personnel

2013	Balance at 1 July 2012	Granted as compensation	Exercised	Expired	Balance at 30 June 2013	Vested but not exercisable	Vested and exercisable	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	No.
Mr B W Ridgeway	-	-	-	-	-	-	-	-
Mr R W Kelly	-	-	-	-	-	-	-	-
Mr K A Dundo	-	-	-	-	-	-	-	-
Mr M Lemmel	-	-	-	-	-	-	-	-
Ms E Donaghey	-	-	-	-	-	-	-	-
Mr G E Weston	500,000	-	-	(500,000)	-	-	-	-
Mr D J Loughlin	-	-	-	-	-	-	-	-
Mr P A Evans	200,000	-	-	(200,000)	-	-	-	-
	<b>700,000</b>	<b>-</b>	<b>-</b>	<b>(700,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

2012	Balance at 1 July 2011	Granted as compensation	Exercised	Expired	Balance at 30 June 2012	Vested but not exercisable	Vested and exercisable	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	No.
Mr B W Ridgeway	-	-	-	-	-	-	-	-
Mr R W Kelly	-	-	-	-	-	-	-	-
Mr K A Dundo	-	-	-	-	-	-	-	-
Mr M Lemmel	-	-	-	-	-	-	-	-
Ms E Donaghey	-	-	-	-	-	-	-	-
Mr G E Weston	500,000	-	-	-	500,000	-	500,000	-
Mr D J Loughlin	500,000	-	(500,000)	-	-	-	-	-
Mr P A Evans	500,000	-	(300,000)	-	200,000	-	200,000	-
	<b>1,500,000</b>	<b>-</b>	<b>(800,000)</b>	<b>-</b>	<b>700,000</b>	<b>-</b>	<b>700,000</b>	<b>-</b>

#### Value of performance rights granted to Directors and Key Management Personnel

Performance rights are granted to Key Management Personnel at a fixed percentage of their base salaries depending on seniority. Percentages range from 7.5% to 25%. Each performance right is to be satisfied by the allocation/allotment of one fully paid Index Limited ordinary share for nil consideration should specified profitability targets be met. Shares allocated/allotted in satisfaction of performance rights are done so in 1/3 lots on the anniversary date of the satisfaction of the specified hurdles should employment tenure be ongoing. The following table discloses the value of performance rights granted and expired during the year:

	Granted		Satisfied by the allocation/allotment of shares		Expired (iii)	Value included in remuneration during the year (iv)	Percentage of remuneration for the year that consisted of performance rights
		Value at grant date		Value at allocation/ allotment date			
	Number	\$	Number	\$	Number	\$	%
B W Ridgeway (i)	264,818 (MD Tranche)	382,500	-	-	-	263,206	21%
G E Weston (ii)	65,341 (Tranche 10)	86,925	54,245	78,113	55,540	44,365	8%
D J Loughlin (ii)	58,239 (Tranche 10)	77,478	53,981	77,733	49,503	41,431	7%
P A Evans (ii)	56,818 (Tranche 10)	75,587	49,388	71,119	48,295	39,520	7%

- (i) Approved by the shareholders at the Annual General Meeting on 18 October 2012.
- (ii) Granted per the Performance Rights Plan.
- (iii) Where performance rights expire due to specified targets not being met, no value is received by the performance rights holder.
- (iv) These non-cash entitlements reflect the value of performance rights that are being expensed in the current period to recognise progressive vesting conditions. The issue of shares relating to these performance rights will only occur in future periods if the vesting conditions are met.

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

### (f) Remuneration Report (audited) (continued)

No performance rights were granted to Directors or Key Management Personnel since the end of the financial year. More details on the Performance Rights Plan can be found at note 33.

#### Performance Rights in existence during the current year

2013	Grant Date	Expiry Date	Exercise Price \$	Estimated Fair Value at Grant Date \$	Estimated Number of Performance Rights				
					Opening balance	Granted	Satisfied by the allocation/ allotment of shares	Expired ^	Closing balance
Tranche 1	19-Feb-10	Aug-14	-	0.685	121,199	-	(121,199)	-	-
Tranche 2	3-Dec-10	Aug-15	-	1.395	1,294,474	-	(661,179)	(53,178)	580,117
Tranche 4	10-Jun-11	Aug-16	-	2.160	133,333	-	(66,667)	-	66,666
MD Tranche	14-Oct-10	Oct-15	-	1.140	196,579	-	-	-	196,579
MD Tranche	20-Oct-11	Oct-16	-	1.910	153,318	-	-	-	153,318
Tranche 7	5-Sep-11	Aug-15	-	2.100	615,000	50,000	-	-	665,000
Tranche 8	29-Aug-11	Aug-16	-	2.080	15,000	-	(15,000)	-	-
Tranche 9	7-Oct-11	Aug-16	-	1.790	813,347	-	(256,667)	(118,869)	437,811
Tranche 10	28-Sep-12	Aug-17	-	1.620	-	1,261,991	-	(1,223,528)	38,463
MD Tranche	18-Oct-12	Oct-17	-	1.440	-	264,818	-	-	264,818

^ - Performance rights expire either on failure to maintain employment tenure or on failure to satisfy performance hurdles.

Refer to (h) Performance Rights in the Directors Report for vesting details.



## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

### (g) Share options

- (i) There are no share options on issue at the date of this report.
- (ii) There were no share options exercised during or since the end of the financial year.

### (h) Performance Rights

- (i) Performance rights on issue at the date of this report

Issuing Entity	Class	Class of shares	Exercise price	Grant date	Expiry date	Key terms	Number of shares under performance right
Imdex Limited	Performance Rights (Tranche 2)	Ordinary	Nil	3 Dec 2010	Aug 2015	(aa)	580,117
Imdex Limited	Performance Rights (Tranche 4)	Ordinary	Nil	10 Jun 2011	Aug 2016	(bb)	66,667
Imdex Limited	Performance Rights (Managing Directors' Tranche 1)	Ordinary	Nil	14 Oct 2010	Oct 2015	(cc)	196,579
Imdex Limited	Performance Rights (Managing Directors' Tranche 2)	Ordinary	Nil	20 Oct 2011	Oct 2016	(dd)	153,318
Imdex Limited	Performance Rights (Tranche 7)	Ordinary	Nil	5 Sept 2011	Aug 2016	(ee)	665,000
Imdex Limited	Performance Rights (Tranche 9)	Ordinary	Nil	7 Oct 2011	Aug 2016	(ff)	813,347
Imdex Limited	Performance Rights (Tranche 10)	Ordinary	Nil	28 Sept 2012	Aug 2017	(gg)	38,463
Imdex Limited	Performance Rights (Managing Directors' Tranche 3)	Ordinary	Nil	18 Oct 2012	Oct 2017	(hh)	264,818

(aa) To be satisfied by the issue of fully paid ordinary shares in Imdex Limited in equal 1/3 lots annually with the anniversary date being the day after signature of the FY11 independent audit report. Subject to ongoing employment tenure.

(bb) To be satisfied by the issue of fully paid ordinary shares in Imdex Limited in equal 1/3 lots annually with the anniversary date being the day after signature of the FY12 independent audit report. Subject to ongoing employment tenure.

(cc) To be satisfied by the issue of fully paid ordinary shares in Imdex Limited on or about October 2015. Subject to the achievement of specified performance hurdles and ongoing employment tenure.

(dd) To be satisfied by the issue of fully paid ordinary shares in Imdex Limited on or about October 2016. Subject to the achievement of specified performance hurdles and ongoing employment tenure.

(ee) To be satisfied by the issue of fully paid ordinary shares in Imdex Limited with 1/4 allotted August 2014 and the remaining 3/4 allotted August 2015 with the anniversary date being the day after signature of the FY14 independent audit report. Subject to ongoing employment tenure.

(ff) To be satisfied by the issue of fully paid ordinary shares in Imdex Limited in equal 1/3 lots annually with the anniversary date being the day after signature of the FY12 independent audit report. Subject to ongoing employment tenure.

(gg) To be satisfied by the issue of fully paid ordinary shares in Imdex Limited in equal 1/3 lots annually with the anniversary date being the day after signature of the FY13 independent audit report. Subject to ongoing employment tenure.

(hh) To be satisfied by the issue of fully paid ordinary shares in Imdex Limited on or about October 2017. Subject to the achievement of specified performance hurdles and ongoing employment tenure.

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

### (i) Principal Activities

The Group's principal continuing activities during the course of the financial year were providing drilling fluid products, advanced downhole instrumentation, data solutions and geo-analytics services to exploration, development and production companies in the minerals and oil and gas sectors worldwide.

### (j) Review of Operations

Imdex's performance throughout FY13 was negatively affected by:

- The cyclical slowdown in the minerals sector;
- Continued investment in the development of innovative products and technologies;
- Positioning for substantial growth in the oil and gas sector; and
- The extension of some development projects into FY14.

Due to this cyclical nature of the minerals industry, in recent years Imdex has adopted diversification strategies including plans to grow its business globally, expanding into new markets – specifically oil and gas.

The company has successfully advanced these strategies. As reported in the 3Q13 shareholder newsletter, Imdex is now a business which is increasingly diversified by geography, customer and commodity base, with high exposure to major and intermediate companies engaging in long-term projects as well as a growing presence in the oil and gas sector offering material growth opportunities.

An example of the benefits flowing from these diversification strategies is the strong revenue performance by Imdex's Oil & Gas Division. The Division (inclusive of share of associate's revenue) achieved record revenue for FY13 and continued its trend of year-on-year revenue growth since FY10. It delivered 27% of FY13 Group revenue, representing significant progress towards Imdex's long-term goal of generating 30–40% of revenue from the Oil & Gas Division.

Such diversification strategies do not completely offset cyclical lows in the short-term, however the company's innovative products and technologies position it well as customers increasingly look to reduce costs and improve productivity.

Other important operational achievements in FY13 include the acquisition of ioGlobal, the global deployment of the company's solids removal units (SRUs) and the continued investment in people and equipment to support the growth of Imdex's Oil & Gas Division.

The following is a summary of Imdex's FY13 performance:

- Statutory revenue down 14% to \$232.8 million (FY12: \$269.6 million);
- EBITA down 53% to \$35.2 million (FY12: \$75.2 million), including \$3.0 million of one off restructuring costs, the majority of which were incurred in 4Q13;
- Net profit after tax (NPAT) down 58% to \$19.4 million (FY12: \$45.8 million);
- Net assets \$188.5 million (30 June 2012: \$168.1 million);
- Operating cash-flow up 44% to \$39.0 million (FY12: \$27.1 million);
- Comfortable gearing levels with net debt/equity of 22.3% (FY12: 22.3%);
- Increased investment in product development; and
- Final fully franked dividend of 0.40 cents per share, total FY13 dividend of 2.90 cents per share fully franked (FY12: 7.25 cents per share fully franked).

### (k) Dividends

In the current year a fully franked interim dividend of 2.50 cents per ordinary share was paid on 22 March 2013 to shareholders registered on 8 March 2013. Since 30 June 2013 the Directors have declared a fully franked final dividend of 0.40 cents per ordinary share, the financial effect of which has not been reflected in this Financial Report.

In the prior year a fully franked interim dividend of 3.25 cents per ordinary share was paid on 23 March 2012 to shareholders registered on 9 March 2012, and a fully franked final dividend of 4.00 cents per ordinary share was paid on 26 October 2012 to shareholders registered on 12 October 2012.

### (l) Changes in State Of Affairs

There were no significant changes in the state of affairs of the Group.

### (m) Subsequent Events

Subsequent to year end the Directors declared a 0.40 cent per share fully franked dividend with a record date of 11 October 2013 and a payment date of 25 October 2013. The effect of this dividend has not been reflected in this financial report.

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

### (n) Future Developments

Imdex has been working diligently in recently years to diversify the business by geography, product, customer and commodity base. This has enabled the company to drive growth and also reduce its exposure to slowdowns which are characteristic of the minerals sector. The Oil & Gas Division (inclusive of share of associate's revenue) delivered 27% of FY13 revenue, representing significant progress towards the long term goal of generating 30-40% of combined revenue from oil and gas.

While the company anticipates activity in the mining sector will remain subdued throughout FY14, Imdex is well placed to grow market share in underpenetrated regions and to benefit from the commercialisation of new products and technologies.

The company has historically continued to invest in its growth and diversification strategies through previous cycles, which has positioned the business well for long-term growth.

The company is managing inventory and working capital with care and will continue to look for opportunities to manage costs in a measured and cautious manner. Imdex is also maintaining a disciplined approach to investments in new products and technologies.

The oil and gas sector remains robust with significant opportunities for long-term growth. The investments made to date in equipment, working capital and qualified personnel have driven strong revenue growth and Imdex's Oil & Gas Division is well positioned to continue to deliver top line growth and will be profitable in FY14.

### Key Areas of Focus and Growth Initiatives for FY14

- Strong cost discipline and prudent working capital management;
- Continuing to increase Imdex's market share in previously underpenetrated regions;
- Utilising Imdex's specialist technical expertise and product development capabilities;
- Expanding Imdex's data solution offerings to new and existing customers globally;
- Investing further and growing Imdex's oil and gas market presence to increase return on investment in this Division;
- Continued support of customers as they seek to increase efficiencies and reduce costs; and
- Capitalise on the continued investment in oil and gas and SRUs.

Imdex is becoming a stronger, more diversified business to better meet the challenges presented by downturns in the minerals sector. At the same time, the company is growing its business in the oil and gas sector and is continuing to develop its innovative products and leading technologies. Imdex aims to become the industry standard in providing innovative, simple to use technologies, which improve the effectiveness and efficiency of customers' day to day operations.

### (o) Environmental Regulations

The only entity in the Group that is subject to environmental regulations is Samchem Drilling Fluids and Chemicals (Pty) Ltd. They are required to comply with the South African National Water Act, Act No 36 of 1998 which requires the management of effluent discharge. This is controlled through an effluent system. No known environmental breaches have occurred in relation to the Group's operations.

### (p) Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 6 to the Financial Report.

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the fees paid for services provided as disclosed in note 6 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit and Compliance Committee, for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- None of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

### (q) Auditor's Independence Declaration

The auditor's independence declaration is included in the Annual Report immediately prior to the Audit Report.



## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

### (r) Indemnification of Officers and Auditors

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary, and all Executive Officers of the Company and of any related body corporate against a liability incurred as such a Director, Secretary or Executive Officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

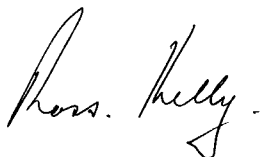
The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

### (s) Rounding Off of Amounts

The Company is a Company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' report and the financial report are rounded off to the nearest thousand dollars unless otherwise indicated.

Signed in accordance with a resolution of the Directors made pursuant to S.298(2) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'Ross. Kelly' with a stylized flourish at the end.

**Mr Ross Kelly AM**

Chairman

PERTH, Western Australia, 16 August 2013.

**Deloitte.**

Deloitte Touche Tohmatsu  
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The Board of Directors  
Imdex Limited  
8 Pitino Court  
Osborne Park WA 6017  
AUSTRALIA

16 August 2013

Dear Board Members

**Imdex Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Imdex Limited.

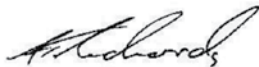
As lead audit partner for the audit of the financial statements of Imdex Limited for the financial year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit;  
and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



**DELOITTE TOUCHE TOHMATSU**



**AT Richards**  
Partner  
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited



Deloitte Touche Tohmatsu  
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## Independent Auditor's Report to the Members of Imdex Limited

### Report on the Financial Report

We have audited the accompanying financial report of Imdex Limited, which comprises the statement of financial position as at 30 June 2013, the income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the 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 year's end or from time to time during the financial year as set out on pages 19 – 82.

### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Member of Deloitte Touche Tohmatsu Limited



## **Deloitte.**

### *Auditor's Independence Declaration*

In conducting our audit, 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 Imdex Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

### *Opinion*

In our opinion, the financial report of Imdex Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### **Report on the Remuneration Report**

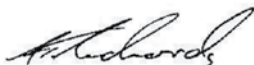
We have audited the Remuneration Report included in paragraph (f) of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### *Opinion*

In our opinion the Remuneration Report of Imdex Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.



**DELOITTE TOUCHE TOHMATSU**



**AT Richards**

Partner

Chartered Accountants

Perth, 16 August 2013

## DIRECTORS' DECLARATION

The Directors declare that:

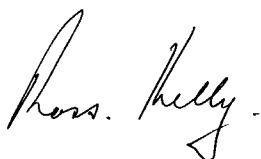
- (a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group;
- (c) in the Directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in note 2 to the financial statements; and
- (d) the Directors have been given the declarations required by s.295A of the Corporations Act 2001.

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in note 24 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001.

Dated at Perth, 16 August 2013.

A handwritten signature in black ink, appearing to read 'Ross. Kelly', with a stylized flourish at the end.

**Mr Ross Kelly AM**  
Chairman

## CORPORATE GOVERNANCE STATEMENT

### ASX Governance Principles and ASX Recommendations

The Australian Securities Exchange Corporate Governance Council sets out best practice recommendations, including corporate governance practices and suggested disclosures. ASX Listing Rule 4.10.3 requires companies to disclose the extent to which they have complied with the ASX recommendations and to give reasons for not following them.

Unless otherwise indicated the best practice recommendations of the ASX Corporate Governance Council, including corporate governance practices and suggested disclosures, have been adopted by the Company for the full year ended 30 June 2013. In addition, the Company has a Corporate Governance section on its website: [www.imdexlimited.com](http://www.imdexlimited.com) (under the "Investors" heading) which includes the relevant documentation suggested by the ASX Recommendations.

The extent to which Imdex has complied with the ASX Recommendations during the year ended 30 June 2013, and the main corporate governance practices in place are set out below.

### Principle 1: Lay solid foundation for management and oversight

The Board has implemented a Board Charter that formalises the functions and responsibilities of the Board. The Charter is published on the Company's website.

The performance of Senior Executives is measured against prescribed criteria as set by the Remuneration Committee. These criteria are set annually and individual performance is assessed annually.

### Principle 2: Structure the Board to add value

Imdex's Board structure is consistent with the ASX Recommendations on Principle 2, with the exception that it does not have a separate nomination committee for the reasons detailed below.

#### (i) Board Structure

The Board consists of a Non Executive Chairman, three Non Executive Directors and one Executive Director. Of the five Board members, four are considered independent.

In accordance with the Company's Constitution the minimum number of Directors is three. There is no maximum number, although it would be expected that the optimal number of Directors would be five or six.

The names of the Directors of the Company in office at the date of this Statement are set out in the Directors' Report and further details concerning the skills, experience, expertise and term of office of each Director is set out in the Director's Profiles in the first section of the Annual Report.

#### (ii) Board Independence

Directors are expected to bring independent judgement to the decision making of the Board. To facilitate this, each Director has the right to seek independent legal advice at the Group's expense with the prior approval of the Chairman, which may not be unreasonably withheld.

In assessing Director independence, materiality has been determined from both a quantitative and qualitative perspective. An amount of over 5% of turnover is considered material. Similarly, a transaction of any amount, or a relationship, is deemed material if knowledge of it impacts, or may impact, the Shareholders' understanding of the Director's performance. The Board has conducted a review of each Director's independence and reports as follows:

Director	Assessment	Existence of any matters contained in ASX Recommendation 2.1 affecting Independence
Mr R W Kelly, Non Executive Chairman	Independent	Nil
Mr B W Ridgeway, Managing Director	Not Independent	Managing Director
Mr K A Dundo, Non Executive Director	Independent	Nil
Mr M Lemmel, Non Executive Director	Independent	Nil
Ms E Donaghey, Non Executive Director	Independent	Nil



## CORPORATE GOVERNANCE STATEMENT

### *(iii) Board Nomination*

The Board does not have a separate nomination committee and, given the Company's size, does not intend to form such a committee. However, the composition of the Board is determined using the following principles:

- The Board should comprise a majority of independent, Non Executive Directors with a broad range of experience, skills and expertise;
- The Chairman of the Board should be an independent, Non Executive Director; and
- The roles of the Chairman and the Managing Director should not be exercised by the same individual.

### *(iv) Procedure for the selection and appointment of new Directors to the Board*

The Company has published on its website, procedures for the selection and appointment of new Directors to the Board. The Company also has terms and conditions which govern the appointment of Non Executive Directors. These are subject to the Company's Constitution and the Corporations Act 2001, and cover: appointment, retirement, Corporate Governance, remuneration, Board meetings, and Board Committees.

The Board does not impose on Directors an arbitrary time limit on their tenure. Under the Company's Constitution and the ASX Listing Rules however, each Director must retire by rotation within a three year period following their appointment. In such cases, the Director's nomination for re-election should be based on performance and the needs of the Company.

### *(v) Process for evaluating the performance of the Board, its committees and individual Directors*

Board performance is measured primarily by means of monitoring Group profitability and share price performance in the market. Individual Director performance is also measured by way of monitoring meeting attendance and individual contributions made at these meetings.

## **Principle 3: Promote ethical and responsible decision-making**

### *Diversity*

The Company has adopted a diversity policy to guide the Company's employees and Board in developing and achieving its diversity objectives. The Company values diversity among its workforce and seeks to employ, retain and develop employees for the long term, assisting in their development and the development of the culture and values of the Company. This is done by promoting the value of different perspectives, ideas and benefits brought by engaging employees from all available talent.

The Company seeks to develop a culture of diversity within the Company whereby a mix of skills and diverse backgrounds are employed by the Company at all levels. This is achieved by:

- developing and maintaining a diverse and skilled workforce through transparent recruitment processes
- promoting an inclusive workplace culture that values and utilises the contributions of all employees backgrounds, experiences and perspective through improved awareness of the benefits of workforce diversity
- facilitating diversity in the workplace by developing programs that promote growth for all employees, so each employee may reach their full potential, and providing maximum benefit for the Company
- reviewing the demographic profile at all levels of the Company (considering any patterns or gaps that are apparent); and
- setting measurable objectives to encourage diversity within the Company.

The Board continues to work on objectives that will work towards achieving these goals. The objectives will be reviewed and analysed regularly to assist the Company to benefit from a diverse workplace.

At 30 June 2013:

- of five Board positions, four (80%) were held by males, and one (20%) was held by a female.
- of seven senior executive positions, six (86%) were held by males, and one (14%) was held by a female.
- Of 604 full time employees, 462 (76%) were male and 142 (24%) were female.

## CORPORATE GOVERNANCE STATEMENT

### Principle 4: Safeguard integrity in financial reporting

#### *(i) Statement by the Managing Director and Chief Financial Officer*

The Managing Director and the Chief Financial Officer have signed a declaration to the Board attesting to the fact that the 2013 Annual Financial Report presents a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

#### *(ii) The Audit and Compliance Committee*

The Audit and Compliance Committee consists of three independent Non Executive Directors and operates under a formal charter approved by the Board. The Charter is published on the Company's website.

The Committee is chaired by an independent Chairperson who is not the Chairman of the Board of Directors.

The role of the Committee is to advise on the establishment and maintenance of a framework of internal control, risk management protocols, appropriate ethical standards for the management of the Company and to approve the annual internal audit plan. It also gives the Board assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies for inclusion in Financial Statements.

The members of the Audit and Compliance Committee during the year and at the date of this Statement were:

Mr K A Dundo (Chairman);  
Mr R W Kelly; and  
Ms E Donaghey.

The experience and qualifications of each committee member is set out in the Directors' Profiles in the first section of the Annual Report. The Company Secretary acts as secretary of this Committee.

The external auditors, the Risk and Compliance Manager, the Managing Director and the Chief Financial Officer are invited to Audit and Compliance Committee meetings at the discretion of the Committee. Details of meetings held by the Audit and Compliance Committee during the year are set out in the Directors' Report.

#### *(iii) External Auditors*

The Board reviews the performance, skills, cost and other matters when assessing the appointment of external auditors. This review is generally undertaken at the completion of the preparation of the Annual Financial Report and involves discussions with the auditors and the Group's senior management. Information concerning the selection and appointment of external auditors is published on the Company's website.

The external auditors are required to attend the Annual General Meeting of the Company and be available to answer questions from Shareholders.

#### *(iv) Internal Audit*

The Group has an internal audit function that reports directly to the Audit and Compliance Committee. The conduct and independence of the internal audit function are governed by the Internal Audit Charter which is approved by the Audit and Compliance Committee. The annual work plan of the internal audit function is approved annually by the Audit and Compliance Committee.

### Principle 5: Make timely and balanced disclosure

#### *(i) Continuous disclosure policies and procedures*

The Company has developed procedures to ensure that it complies with the disclosure requirements of the ASX Listing Rules. The procedures are published on the Company's website.

The procedures set out who is responsible for determining whether information is of a type or nature that requires disclosure, the Board's role in reviewing the information disclosed to ASX and the procedures for ensuring that the information is released to ASX.

All information disclosed to the ASX is published on the Company's website as soon as practicable.

## CORPORATE GOVERNANCE STATEMENT

### Principle 6: Respect the rights of Shareholders

Shareholders Communications Strategy: The Board aims to ensure that Shareholders are informed of all major developments affecting the Group's state of affairs. Information is communicated to Shareholders through:

- the Annual Report is made available to all Shareholders. The Board ensures that the Annual Report includes relevant information about the operations of the Group during the year, changes in the state of affairs of the Group and details of future developments, in addition to the other disclosures required by the Corporations Act 2001;
- the Half-Yearly Report which contains summarised financial information and a review of the operations of the Group during the period. The Half-Year Financial Report is prepared in accordance with the requirements of Accounting Standards and the Corporations Act 2001 and is lodged with the Australian Securities & Investments Commission and the Australian Securities Exchange. The Half-Year Financial Report is made available to all Shareholders;
- regular reports released through the ASX and the media;
- proposed major changes in the Group, which may impact on share ownership rights are submitted to a vote of Shareholders; and
- the Board encourages full participation by Shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Group's strategy and goals. Important issues are presented to the Shareholders as single resolutions. The Shareholders are responsible for voting on the re-appointment of Non Executive Directors.

Further information concerning the Company and the full text of the various announcements and reports referred to above are available on the Company's website: [www.imdexlimited.com](http://www.imdexlimited.com). Further information can also be obtained by emailing the Company at: [imdex@imdexlimited.com](mailto:imdex@imdexlimited.com).

The auditor is also invited to the Company's Annual General Meetings and is available to answer Shareholders questions concerning the conduct of the audit.

The Company's Shareholder Communications Strategy is published on the Company's website.

### Principle 7: Recognise and manage risk

#### *(i) Risk oversight and management policies*

The Board has sought to minimise the business' risks by focusing on the Company's core business. The Board is responsible for ensuring that the Company's risk management systems are adequate and operating effectively.

The Company has an independent internal audit function that operates under a Charter approved by the Audit and Compliance Committee. One of the tasks of the internal audit function is to review and evaluate the Company's and Group's risk management and internal control processes on a continuous basis.

The risk management policy is published on the Company's website.

In addition to receiving Internal Audit Reports, the Audit and Compliance Committee also receives regular reports from the External Audit function.

#### *(ii) Statement by the Managing Director and Chief Financial Officer*

The Managing Director and the Chief Financial Officer have signed a declaration to the Board attesting to the fact that the integrity of Financial Reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board, and that the system is operating efficiently and effectively in all material respects.



## CORPORATE GOVERNANCE STATEMENT

### **Principle 8: Remunerate fairly and responsibly**

#### *(i) Company's remuneration policies*

Details on the remuneration of Directors and Executives as well as the Company's remuneration policies are set out in the Remuneration Report that is contained in the Directors Report.

#### *(ii) Remuneration Committee*

The Remuneration Committee consists of three Non Executive Directors and assists the Board in determining executive remuneration policy, determining the remuneration of Executive Directors and reviewing and approving the remuneration of senior management.

The members of the Committee during the year and at the date of this Statement were:

Mr M Lemmel (Chairman);  
Mr K Dundo; and  
Ms E Donaghey.

The experience and qualifications of each committee member is set out in the Directors' Profiles in the first section of the Annual Report.

The Remuneration Committee operates under a written Charter that is published on the Company's website.

#### *(iii) Structure of Non Executive Director's remuneration*

The terms and conditions governing the remuneration of Non Executive Director's are set out in their appointment letter. All Non Executive Directors are remunerated by way of fixed cash fees. Non Executive Directors are not provided with retirement benefits other than statutory superannuation. The maximum total remuneration payable to Non Executive Directors was approved by Shareholders at the 2006 Annual General Meeting and is currently \$500,000. From time to time additional benefits may be agreed with Directors with due regard to market conditions.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Notes	Year Ended 30 June 2013 \$'000	Year Ended 30 June 2012 \$'000
Revenue from sale of goods and operating lease rental		232,791	269,563
Other revenue from operations		130	89
<b>Total revenue</b>	4	<b>232,921</b>	<b>269,652</b>
Other income	4	46	478
Raw materials and consumables used	4	(101,069)	(104,985)
Employee benefit expense	4	(51,339)	(44,010)
Depreciation expense	4	(7,728)	(6,761)
Amortisation expense	4	(3,364)	(5,957)
Finance costs	4	(3,438)	(1,831)
Share of profit/(loss) of associate	26	1,300	(1,460)
Other expenses	4	(38,819)	(37,626)
<b>Profit before tax</b>		<b>28,510</b>	<b>67,500</b>
Income tax expense	5	(9,127)	(21,723)
<b>Profit for the year</b>		<b>19,383</b>	<b>45,777</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Fair value adjustment on investment in Sino Gas and Energy Holdings Ltd (SEH), (net of income tax)	18	3,527	3,703
Exchange differences arising on the translation of foreign operations	18	6,536	(6,262)
<b>Other comprehensive income for the year, net of income tax</b>		<b>10,063</b>	<b>(2,559)</b>
<b>Total comprehensive income for the year</b>		<b>29,446</b>	<b>43,218</b>
<b>Profit attributable to owners of the parent</b>		<b>19,383</b>	<b>45,777</b>
<b>Total comprehensive income attributable to owners of the parent</b>		<b>29,446</b>	<b>43,218</b>
<b>Earnings per share</b>			
Basic earnings per share (cents)	19	9.24	22.34
Diluted earnings per share (cents)	19	9.14	21.85

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	Notes	30 June 2013 \$'000	30 June 2012 \$'000
<b>Current Assets</b>			
Cash and Cash Equivalents	28	9,979	11,232
Trade and Other Receivables	7	45,231	59,689
Inventories	8	53,356	52,106
Current Tax Assets	5	2,661	-
Other	10	5,909	11,295
		<u>117,136</u>	<u>134,322</u>
Financial Asset Held for Sale	9	26,450	-
<b>Total Current Assets</b>		<u>143,586</u>	<u>134,322</u>
<b>Non Current Assets</b>			
Other Financial Assets	9	-	21,412
Property, Plant and Equipment	11	40,701	19,730
Investment in Associates	26	25,555	24,255
Deferred Tax Assets	5	8,632	13,700
Goodwill	12	61,782	54,577
Other Intangible Assets	13	5,610	6,556
<b>Total Non Current Assets</b>		<u>142,280</u>	<u>140,230</u>
<b>Total Assets</b>		<u>285,866</u>	<u>274,552</u>
<b>Current Liabilities</b>			
Trade and Other Payables	14	25,776	33,349
Borrowings	15	14,738	12,880
Current Tax Liabilities	5	1,900	9,547
Provisions	16	4,681	2,896
<b>Total Current Liabilities</b>		<u>47,095</u>	<u>58,672</u>
<b>Non Current Liabilities</b>			
Borrowings	15	49,248	46,549
Provisions	16	1,071	1,265
<b>Total Non Current Liabilities</b>		<u>50,319</u>	<u>47,814</u>
<b>Total Liabilities</b>		<u>97,414</u>	<u>106,486</u>
<b>Net Assets</b>		<u>188,452</u>	<u>168,066</u>
<b>Equity</b>			
Issued Capital	17	89,269	86,069
Shares Reserved for Performance Rights Plan	17	(952)	(3,740)
Foreign Currency Translation Reserve	18	(11,167)	(17,703)
Investment Revaluation Reserve	18	13,754	10,227
Employee Equity-Settled Benefits Reserve	18	6,087	6,385
Mandatory Issuable Capital	18	990	990
Retained Earnings		90,471	85,838
<b>Total Equity</b>		<u>188,452</u>	<u>168,066</u>

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



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

	Notes	Fully Paid Ordinary Shares \$'000	Shares reserved for Performance Rights Plan \$'000	Foreign Currency Translation Reserve \$'000	Investment Revaluation Reserve \$'000	Employee Equity-Settled Benefits Reserve \$'000	Mandatory Issuable Capital \$'000	Retained Earnings \$'000	Total Attributable to Equity Holders of the Entity \$'000
<b>Balance at 1 July 2011</b>									
Exchange differences on translation of foreign operations after taxation	18	70,059	-	(11,441)	6,524	7,158	-	53,109	125,409
Fair value adjustment on available for sale financial instrument net of taxation		-	-	(6,262)	-	-	-	-	(6,262)
Profit for the year		-	-	-	3,703	-	-	-	3,703
Total comprehensive income for the period		-	-	-	-	-	-	45,777	45,777
Issue of shares as part consideration for the acquisition of Australian Drilling Specialties	17	6,000	-	-	-	-	-	-	6,000
Issue of shares as part consideration for the acquisition of System Mud Industria e Comercio Ltda	17	3,840	-	-	-	-	-	-	3,840
Issue of shares as consideration for the acquisition of Mud Systems Pte Ltd	17	1,200	-	-	-	-	-	-	1,200
Deferred consideration - mandatory issuable capital	18	-	-	-	-	-	990	-	990
Dividend paid		-	-	-	-	-	-	(12,327)	(12,327)
Share based payments - performance rights	18	-	(3,740)	-	-	6,683	-	(721)	2,222
Shares purchased on market to satisfy performance rights	18	-	-	-	-	(5,769)	-	-	(5,769)
Issue of shares under staff option plan	17, 18	4,970	-	-	-	(1,687)	-	-	3,283
<b>Balance at 30 June 2012</b>		86,069	(3,740)	(17,703)	10,227	6,385	990	85,838	168,066
Exchange differences on translation of foreign operations after taxation	18	-	-	6,536	-	-	-	-	6,536
Fair value adjustment on available for sale financial instrument net of taxation		-	-	-	3,527	-	-	-	3,527
Profit for the year		-	-	-	-	-	-	19,383	19,383
Total comprehensive income for the period		-	-	6,536	3,527	-	-	19,383	29,446
Issue of shares as part consideration for the acquisition of ioGlobal	17	3,200	-	-	-	-	-	-	3,200
Dividend paid		-	-	-	-	-	-	(13,591)	(13,591)
Share based payments - performance rights	18	-	-	-	-	1,331	-	-	1,331
Granting/settlement of performance rights	18	-	2,788	-	-	(1,629)	-	(1,159)	-
Issue of shares under staff option plan	17, 18	-	-	-	-	-	-	-	-
<b>Balance at 30 June 2013</b>		89,269	(952)	(11,167)	13,754	6,087	990	90,471	188,452

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

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	Notes	Year Ended 30 June 2013 \$'000	Year Ended 30 June 2012 \$'000
<b>Cash Flows From Operating Activities</b>			
Receipts from customers		278,526	288,004
Payments to suppliers and employees		(216,267)	(229,320)
Interest and other costs of finance paid		(3,219)	(1,745)
Income tax paid		(20,070)	(29,883)
<b>Net cash provided by Operating Activities</b>	28(c)	<b>38,970</b>	<b>27,056</b>
<b>Cash Flows From Investing Activities</b>			
Interest received		130	89
Payment for property, plant and equipment		(23,768)	(11,065)
Proceeds from sale of property, plant and equipment		180	366
Payment for development costs capitalised	13	(996)	(1,254)
Payment for shares in ioGlobal net of cash acquired	25(a)	(3,874)	-
Payment for shares in Australian Drilling Specialties Pty Ltd net of cash acquired	25(b)	-	(7,077)
Payment for shares in System Mud net of cash acquired	25(c)	-	(2,726)
Investment in Associate	26	-	(21,415)
<b>Net cash used in Investing Activities</b>		<b>(28,328)</b>	<b>(43,082)</b>
<b>Cash Flows From Financing Activities</b>			
Cash received on exercise of options		-	3,283
Shares purchased on market to satisfy performance rights		-	(5,769)
Dividend paid to owners of the Company		(13,591)	(12,327)
Hire purchase and lease payments		(581)	(930)
Proceeds from borrowings		13,924	67,112
Repayment of borrowings		(12,314)	(42,252)
<b>Net cash (used in)/ provided by Financing Activities</b>		<b>(12,562)</b>	<b>9,117</b>
<b>Net Decrease in Cash and Cash Equivalents Held</b>		<b>(1,920)</b>	<b>(6,909)</b>
Cash and Cash Equivalents at the Beginning Of The Financial Year		11,232	18,388
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		667	(247)
<b>Cash and Cash Equivalents at the End Of The Financial Year</b>	28(a)	<b>9,979</b>	<b>11,232</b>

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

## NOTES TO THE FINANCIAL REPORT

### 1 Adoption of New and Revised Accounting Standards

#### Adoption of new and revised Accounting Standards

The following new and revised Standards and Interpretations have been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

Standard/Interpretation	Effective for annual reporting periods beginning on or after:	Initially applied in the financial year:
AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013
AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'	1 July 2012	30 June 2013

#### Accounting Standards and Interpretations issued but not yet effective

At the date of authorisation of the financial report, a number of Standards and Interpretations were in issue but not yet effective.

Initial application of the following Standards/Interpretations is not expected to have any material impact on the financial report of the company:

Standard/Interpretation	Effective for annual reporting periods beginning on or after:	Expected to be initially applied in the financial year ending:
AASB 9 'Financial Instruments', and the relevant amending standards <sup>1</sup>	1 January 2015	30 June 2016
AASB 10 'Consolidated Financial Statements', AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'.	1 January 2013	30 June 2014
AASB 127 Separate Financial Statements (2011), AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'.	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements', AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'.	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities' AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'.	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011)	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'	1 January 2013	30 June 2014
AASB 2012-3 'Amendments to Australian Accounting Standards-Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2012-2 'Amendments to Australian Accounting Standards- Disclosures – Offsetting Financial Assets and Financial Liabilities'	1 January 2013	30 June 2014
AASB 2012-10 'Amendments to Australian Accounting Standards- Transition Guidance and Other Amendments'	1 January 2013	30 June 2014

1: The AASB has issued the following versions of AASB 9 and the relevant amending standards:

- AASB 9 'Financial Instruments' (December 2009), AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures'
- AASB 9 'Financial Instruments' (December 2010), AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9' (December 2010), AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures'

## 2 Summary of Significant Accounting Policies

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Group is a for-profit entity.

The financial statements were authorised for issue by the directors on 16 August 2013.

Where applicable comparative numbers have been reclassified to ensure consistent disclosure.

### (a) Basis of preparation

The Financial Report has been prepared on the basis of historical cost except for the revaluation of current assets held for sale and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the Financial Report:

### (b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

### (c) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- (i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the consolidated statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

### (d) Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### (e) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.



## NOTES TO THE FINANCIAL REPORT

### 2 Summary of Significant Accounting Policies (continued)

#### (f) Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is calculated on a straight line basis in order to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements and assets held under finance lease are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The annual depreciation rates used for each class of assets are as follows:

Plant and equipment:	10% to 50%
Equipment rented to third parties:	10% to 50%
Equipment under finance lease:	10% to 50%

Capital works in progress in the course of construction for production or supply purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property, plant and equipment assets, commences when the assets are ready for their intended use.

#### (g) Share-based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by the use of the Black-Scholes Model, Binomial Tree Method and Monte-Carlo Simulation as appropriate. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on the Group's estimate of shares that will eventually vest.

At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the employee equity-settled benefits reserve.

#### (h) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

## NOTES TO THE FINANCIAL REPORT

### 2 Summary of Significant Accounting Policies (continued)

#### (i) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3(2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income Taxes and AASB 119 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share based payment awards are measured in accordance with AASB 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Noncurrent Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

#### (j) Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 'Impairment of Assets' as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

## NOTES TO THE FINANCIAL REPORT

### 2 Summary of Significant Accounting Policies (continued)

#### (k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### (l) Foreign currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of Imdex Limited, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

On consolidation, the assets and liabilities of the Group's foreign operations are translated into Australian dollars at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity on or after the date of transition to A-IFRS are treated as assets and liabilities of the foreign entity and translated at exchange rates prevailing at the reporting date. Goodwill arising on acquisitions before the date of transition to A-IFRS is treated as an Australian dollar denominated asset.

#### (m) Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to interest rate risk. This risk is primarily managed through the use of an interest rate cap. Further details of derivative financial instruments are disclosed in the financial instruments note in the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the profit or loss immediately. The Group has not designated any financial instruments as being hedge accounted.

##### (i) Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

#### (n) Financial assets

All financial assets are recognised and derecognised on trade date where purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as 'at fair value through the profit or loss' which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'current assets held for sale', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

##### (i) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

## NOTES TO THE FINANCIAL REPORT

### 2 Summary of Significant Accounting Policies (continued)

#### (n) Financial assets (continued)

##### (ii) Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates where the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

##### (iii) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss where the financial asset:

- Has been acquired principally for the purpose of selling in the near future;
- Is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- Is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

##### (iv) Available-for-sale financial assets

Available-for-sale assets are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest rate method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period. The fair value of available-for-sale monetary assets held in a foreign currency is determined in that foreign currency and translated at the spot rate at reporting date. The change in fair value attributable to translation differences that results from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity. Available-for-sale financial assets include investments where shareholding is greater than 20% but significant influence is not exerted over the invested company.

##### (v) Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest rate method less impairment. Interest is recognised by applying the effective interest rate.

##### (vi) Impairment of financial assets

Financial assets other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying value of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying value is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

##### (vii) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risk and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.



## NOTES TO THE FINANCIAL REPORT

### 2 Summary of Significant Accounting Policies (continued)

#### (o) Financial liabilities and equity instruments issued by the Group

##### (i) Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

##### (ii) Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.

##### (iii) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised through profit or loss incorporates any interest paid on the financial liability.

A financial liability is held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading is designated as 'at fair value through profit or loss' upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally or on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as 'at fair value through profit or loss'.

##### (iv) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

#### (p) Intangible assets

##### (i) Intangible assets acquired in a business combination

All intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their value can be measured reliably. Identifiable intangible assets comprise intellectual property, technology, contracts, customers, development costs and trade marks. These are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

Estimated useful lives are as follows:

Intellectual property	10 years
Technology	5-7 years
Contracts	1-5 years (term of contract)
Customers	5-6 years
Trade Names and Patents	1-6 years

Each period, the useful life of this asset is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy stated in note 2(u).

## NOTES TO THE FINANCIAL REPORT

### 2 Summary of Significant Accounting Policies (continued)

#### (p) Intangible assets (continued)

##### (ii) Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalised development costs are stated at cost less accumulated amortisation and impairment, and are amortised on a straight-line basis over their useful life of between 3 and 5 years, commencing on commercialisation of the underlying projects.

#### (q) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

##### (i) Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because of items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Company and the Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

##### (ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company and the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company and the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company and the Group intends to settle its current tax assets and liabilities on a net basis.

##### (iii) Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

## NOTES TO THE FINANCIAL REPORT

### 2 Summary of Significant Accounting Policies (continued)

#### (q) Taxation (continued)

##### (iv) Tax consolidation

The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Imdex Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences in the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group). Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in note 5 to the financial statements. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credit in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

#### (r) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### (i) Group as Lessor

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

##### (ii) Group as Lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

##### (iii) Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### (s) Revenue

Revenue is measured at the fair value of the consideration received or receivable.

##### (i) Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownerships of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

##### (ii) Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

##### (iii) Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

##### (iv) Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholders right to receive payment has been established. Interest revenue is accrued on a time basis, by reference to the principle outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

## NOTES TO THE FINANCIAL REPORT

## 2 Summary of Significant Accounting Policies (continued)

**(t) Employee benefits****(i) Provisions**

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

**(ii) Defined contribution plans**

Contributions to defined contribution superannuation plans are expensed when incurred.

**(u) Impairment of other tangible and intangible assets (other than goodwill)**

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

**(v) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive), as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.



## NOTES TO THE FINANCIAL REPORT

### 3 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 2, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### **Critical judgements in applying the entity's accounting policies**

Management have not made any significant critical judgements in the process of applying the Group's accounting policies.

#### **Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

##### Impairment of Goodwill and Intangibles

Determining whether goodwill and intangibles are impaired requires an estimation of the value in use of the cash-generating units to which goodwill and intangibles are attributable. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. A forward looking estimation of this nature is inherently uncertain. Details of the key assumptions made are contained in note 12 (Goodwill) and note 13 (Intangibles). No impairment losses were booked in the current or prior year. A goodwill amount of \$61.8 million and intangible assets of \$5.6 million have been recognised on the face of the consolidated statement of financial position.

##### Recognition of net deferred tax asset

A net deferred tax asset of \$8.6 million has been recognised on the face of the consolidated statement of financial position. The largest component of this asset is the future tax benefit of depreciation of unrealised profits in property, plant and equipment items. This tax benefit will be realised progressively over the next 3-5 years as these assets are depreciated or sold. This net asset has been raised as it is considered more likely than not that it will be realised. In making this assessment of likelihood a forward looking estimation of cash flows and the likelihood of business success needs to be made up to 5 years into the future. A forward looking estimation of this nature over 5 years is inherently uncertain. Details of deferred tax balances are contained in note 5.

##### Fair value of options and performance rights

Options and performance rights as detailed in notes 32 and 33 are inherently complex to value due to their nature and relationship to the share market and its uncertainties. The Imdex Group therefore engaged valuation professionals to perform a valuation. The models used by the valuation professionals, although they are industry standard models, are subject to limitations and uncertainties.

## NOTES TO THE FINANCIAL REPORT

### 4 Profit from Operations

	2013 \$'000	2012 \$'000
<b>(a) Revenue from operations</b>		
<b>Revenue</b>		
Revenue from the sale of goods	165,827	182,416
Operating rental income	66,964	87,147
Interest income - bank deposits	130	89
	<u>232,921</u>	<u>269,652</u>
<b>(b) Profit before income tax</b>		
Other than as disclosed on the face of the income statement, profit before income tax has been arrived at after crediting / (charging) the following gains and losses:		
Loss on disposal of property, plant and equipment	(58)	(27)
<b>Other income</b>		
Foreign exchange gain	-	275
Other	46	203
	<u>46</u>	<u>478</u>
<b>Depreciation and amortisation of Non Current Assets</b>		
Depreciation of Property, Plant and Equipment (note 11)	(7,728)	(6,761)
Amortisation of Intangible Assets (note 13)	(3,364)	(5,957)
	<u>(11,092)</u>	<u>(12,718)</u>
<b>Finance costs</b>		
Interest on hire purchase liabilities	(68)	(102)
Interest on deferred acquisition consideration	-	101
Interest on commercial bills/bank loans	(3,016)	(1,489)
Interest on overdraft	(88)	(110)
Other interest	(266)	(231)
	<u>(3,438)</u>	<u>(1,831)</u>
<b>Other expenses</b>		
Commissions	(2,120)	(3,452)
Consultancy fees	(2,783)	(3,723)
Legal and professional expenses (i)	(4,811)	(4,292)
Foreign exchange loss	(1,061)	-
Rent and premises costs	(5,354)	(4,192)
Travel and accommodation	(5,512)	(4,828)
Freight	(1,973)	(2,764)
Motor vehicle costs	(2,514)	(1,987)
Other expenses	(12,691)	(12,388)
	<u>(38,819)</u>	<u>(37,626)</u>
(i) Includes legal, audit, accounting, share registry and corporate secretarial fees.		
<b>Employee benefits expense</b>		
Post-employment benefits:		
Defined contribution superannuation costs	(2,549)	(2,157)
Share based payments:		
Equity-settled share based payments - performance rights (note 18)	(1,331)	(2,222)
Other employee benefits	(47,459)	(39,631)
	<u>(51,339)</u>	<u>(44,010)</u>
<b>Cost of sales</b>	<u>(101,069)</u>	<u>(104,985)</u>
<b>Movement in provision for doubtful debts</b>	<u>472</u>	<u>142</u>
<b>Operating lease rental (minimum lease payments)</b>	<u>(6,174)</u>	<u>(4,429)</u>

## NOTES TO THE FINANCIAL REPORT

### 5 Income Taxes

	2013 \$'000	2012 \$'000
<b>(a) Income tax recognised in the income statement</b>		
<b>Tax expense comprises:</b>		
Current tax expense	7,853	17,229
Deferred tax expense relating to the origination and reversal of temporary differences	884	2,312
Under provision per prior year	390	2,182
<b>Total tax expense</b>	<b>9,127</b>	<b>21,723</b>

**Prima facie income tax expense on pre-tax accounting profit from operations reconciles to income tax in the financial statements as follows:**

Profit from operations	28,510	67,500
Income tax expense calculated at 30%	8,553	20,250
Non-deductible share based payments	5	667
Deductible net contribution to share trust	-	(1,337)
Non-deductible share of loss/(profit) of Associate	(390)	438
Other non-deductible and non-assessable items	519	122
Tax rate differential arising from foreign entities	50	(599)
Under provision of prior year income tax	390	2,182
	<b>9,127</b>	<b>21,723</b>

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian law. There has been no change in the corporate tax rate when compared with the previous reporting year.

**(b) Income tax recognised directly in equity**

The following current and deferred amounts were charged directly to equity during the year:

Deferred tax: SEH fair value uplift taken directly to reserve	(1,511)	(1,587)
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**(c) Current tax assets and liabilities**

Current tax receivable	2,661	-
Current tax payable	1,900	9,547

## NOTES TO THE FINANCIAL REPORT

### 5 Income Taxes (continued)

	2013 \$'000	2012 \$'000
<b>(d) Deferred tax balances</b>		
Deferred tax assets comprise:		
Provisions	1,464	1,013
Inventory	488	2,312
Property, plant and equipment	7,067	12,062
Carry forward tax losses in subsidiary companies	2,434	791
Accruals	874	1,070
Foreign currency movement	1,634	1,924
Other	1,373	-
	<u>15,334</u>	<u>19,172</u>
Deferred tax liabilities comprise:		
Intangible assets	(1,693)	(1,967)
Available-for-sale non-current assets	(4,584)	(3,072)
Untaxed reserves	(425)	-
Share based payments	-	(433)
	<u>(6,702)</u>	<u>(5,472)</u>
Net deferred tax balances	<u>8,632</u>	<u>13,700</u>
<b>Unrecognised deferred tax assets:</b>		
The following have not been brought to account as assets:		
Temporary differences relating to the translation of investments in subsidiary undertakings	<u>2,802</u>	<u>3,478</u>

#### Tax Consolidation

##### Relevance of tax consolidation to the Group

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. The Company and its wholly-owned Australian resident entities are eligible to consolidate for tax purposes under this legislation and have elected to be taxed as a single entity from 1 July 2003. The head entity in the tax consolidated group for the purposes of the tax consolidation system is Imdex Limited.

##### Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding and a tax-sharing agreement with the head entity. Under the terms of this agreement, Imdex Limited and each of the entities in the tax consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the net accounting profit or loss of the entity and the current tax rate. Such amounts are reflected in amounts receivable from or payable to other entities in the tax consolidated group.

The tax sharing agreement entered into between members of the tax consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax consolidated group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax consolidated group is limited to the amount payable by the head entity under the tax funding arrangement.

The amount of contribution or distribution relating to tax consolidation in the current and prior year amounted to nil.



## NOTES TO THE FINANCIAL REPORT

### 6 Remuneration of Auditors

	2013 \$	2012 \$
<b>Deloitte Touche Tohmatsu (Australia)</b>		
Audit or review of the financial report	326,550	313,110
Taxation services - mainly compliance work, transfer pricing and global restructuring advice	762,501	490,828
	<u>1,089,051</u>	<u>803,938</u>
<b>Deloitte Touche Tohmatsu (overseas affiliates)</b>		
Audit or review of the financial report	81,601	74,732
Taxation services - mainly compliance work, transfer pricing and global restructuring advice	68,131	31,031
Other non-audit services: Other consulting services	-	69,539
	<u>149,732</u>	<u>175,302</u>
<b>Other auditors</b>		
Audit or review of the financial report	<u>25,583</u>	<u>25,718</u>
<b>Total Auditor Remuneration</b>	<u>1,264,366</u>	<u>1,004,958</u>

## NOTES TO THE FINANCIAL REPORT

### 7 Trade and Other Receivables

	Notes	2013 \$'000	2012 \$'000
<b>Current</b>			
Trade receivables	(i)	45,071	59,509
Allowance for doubtful debts	(ii)	(1,269)	(1,463)
		<u>43,802</u>	<u>58,046</u>
Other receivables		1,429	1,643
		<u>45,231</u>	<u>59,689</u>

(i) The average credit period on sales of goods is around 60 days. Trade receivables are interest free. An allowance has been made for estimated irrecoverable amounts from the sale of goods and services, determined by reference to past default experience and specific knowledge of individual

Ageing of past due but not impaired debtors

0 - 30 days past due	2,034	3,475
31 - 60 days past due	8,629	8,686
61 + days past due	<u>2,876</u>	<u>2,895</u>
	<u>13,539</u>	<u>15,056</u>

The above analysis shows debtors that are past due at the end of the reporting date where no provision has been raised as the Group believes that the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

(ii) Movement in the allowance for doubtful debts

Balance at the beginning of the year	1,463	1,321
Amounts written off during the year	(666)	-
Decrease in allowance recognised in profit or loss	<u>472</u>	<u>142</u>
Balance at the end of the year	<u>1,269</u>	<u>1,463</u>

All impaired debtors are in excess of 90 days overdue.

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

### 8 Inventories

	2013 \$'000	2012 \$'000
<b>Current</b>		
Raw materials	7,989	6,984
Work in progress	4,331	1,581
Finished goods	<u>41,036</u>	<u>43,541</u>
	<u>53,356</u>	<u>52,106</u>

A provision for diminution of stock of \$722,000 existed at 30 June 2013 (2012: \$717,000).

## NOTES TO THE FINANCIAL REPORT

### 9 Other Financial Assets

	Notes	2013 \$'000	2012 \$'000
<b>Current</b>			
<b>Financial Asset Held for Sale</b>			
Investment in Sino Gas and Energy Holdings Ltd	(i)	26,450	-
<b>Non-Current</b>			
<b>Available for sale financial asset at fair value</b>			
Investment in Sino Gas and Energy Holdings Ltd	(i)	-	21,412

(i) Comprises 251,908,446 fully paid ordinary shares in Sino Gas and Energy Holdings Ltd (SEH) held at fair value (2012: 251,908,446 shares). This amounts to 20.11% of the issued share capital of SEH (2012: 22.48%). The shareholding percentage dropped in the current year due to additional shares being issued by SEH to third parties.

Despite holding more than 20% of the issued share capital of SEH, the Company does not have significant influence over SEH in the current or prior periods due to its limited Board representation and minimal involvement in strategic planning and day to day management. This asset is non-core and accordingly, this investment has been classified as a Financial Asset Held for Sale and is carried at fair value.

<b>Investment in Sino Gas and Energy Holdings Ltd</b>				
	<b>2013</b>		<b>2012</b>	
	<b>Shares</b>	<b>\$'000</b>	<b>Shares</b>	<b>\$'000</b>
Balance at beginning of financial year	251,908,446	21,412	251,908,446	16,122
Fair value adjustment taken directly to equity (pre-tax)	-	5,038	-	5,290
Balance at end of financial year	251,908,446	26,450	251,908,446	21,412

During the current year the carrying value of this investment was written up to its market value of \$0.105 per share or \$26.4 million in total at 30 June 2013.

During the prior year the carrying value of this investment was written up to its market value of \$0.085 per share or \$21.4 million in total at 30 June 2012.

### 10 Other Assets

	2013 \$'000	2012 \$'000
<b>Current</b>		
Prepayments	5,909	11,295

## NOTES TO THE FINANCIAL REPORT

### 11 Property, Plant and Equipment

	Plant and Equipment at cost \$'000	Equipment Rented to Third Parties at cost \$'000	Equipment under Hire Purchase at cost \$'000	Capital Works in Progress at cost \$'000	<b>TOTAL</b> \$'000
<b>Gross Carrying Value</b>					
Balance at 30 June 2011	16,820	7,203	2,639	911	27,573
Additions	5,501	3,716	-	1,848	11,065
Acquisitions through business combinations	1,028	-	-	-	1,028
Disposals	(2,267)	(689)	-	-	(2,956)
Net foreign currency exchange differences	(791)	(3,224)	-	(39)	(4,054)
Transfer	(2,410)	2,410	-	-	-
Balance at 30 June 2012	17,881	9,416	2,639	2,720	32,656
Additions	4,668	14,611	2,998	2,043	24,320
Acquisitions through business combinations	175	-	-	-	175
Disposals	(488)	(547)	(561)	(292)	(1,888)
Net foreign currency exchange differences	651	4,787	-	188	5,626
Balance at 30 June 2013	22,887	28,267	5,076	4,659	60,889
<b>Accumulated Depreciation</b>					
Balance at 30 June 2011	4,920	4,266	1,043	-	10,229
Disposals	(1,878)	(685)	-	-	(2,563)
Depreciation expense	2,459	3,634	668	-	6,761
Net foreign currency exchange differences	(264)	(1,237)	-	-	(1,501)
Balance at 30 June 2012	5,237	5,978	1,711	-	12,926
Disposals	(51)	(1,384)	(215)	-	(1,650)
Depreciation expense	2,757	3,395	1,576	-	7,728
Net foreign currency exchange differences	246	938	-	-	1,184
Balance at 30 June 2013	8,189	8,927	3,072	-	20,188
<b>Net Book Value</b>					
As at 30 June 2012	12,644	3,438	928	2,720	19,730
As at 30 June 2013	14,698	19,340	2,004	4,659	40,701

	<b>2013</b> \$'000	<b>2012</b> \$'000
Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:		
Plant and equipment	2,757	2,459
Plant and equipment rented to third parties	3,395	3,634
Equipment under hire purchase	1,576	668
	<b>7,728</b>	<b>6,761</b>



## NOTES TO THE FINANCIAL REPORT

### 12 Goodwill

	Notes	2013 \$'000	2012 \$'000
<b>Gross Carrying Amount</b>			
Balance at beginning of the financial year		77,075	61,203
Recognised on acquisition of ioGlobal	(i)	6,357	-
Recognised on acquisition of Australian Drilling Specialties Pty Ltd (ADS)	(ii)	-	10,513
Recognised on acquisition of System Mud Industria e Comercio Ltda (System Mud)	(iii)	338	6,808
Reclassified to Investment in Associate		-	(1,416)
Reassessment of AMC Germany GmbH		-	152
Effect of foreign exchange movements		510	(185)
Balance at end of the financial year		84,280	77,075
<b>Accumulated Impairment Losses</b>			
Balance at beginning of the financial year		(22,498)	(22,498)
Impairment losses for the year		-	-
Balance at end of the financial year		(22,498)	(22,498)
<b>Net Book Value</b>			
At the beginning of the financial year		54,577	38,705
At the end of the financial year		61,782	54,577
<b>Goodwill is allocated to cash-generating units as follows:</b>			
Reflex / Imdex Technology UK / ioGlobal		35,979	29,112
AMC / ADS		18,360	18,360
South America		7,146	6,808
AMC Germany		297	297
		61,782	54,577

- (i) Goodwill arose during the period on the acquisition of ioGlobal by Imdex Limited - (Refer to note 25(a)). The goodwill of ioGlobal forms part of the Reflex CGU since its products have been rebranded as "Reflex" and are now being sold through the existing Reflex sales staff and infrastructure. ioGlobal has been assessed for impairment as part of the Reflex CGU.
- (ii) Goodwill arose during the prior year on the acquisition of Australian Drilling Specialties Pty Ltd (ADS) by Imdex Limited - (Refer to note 25(b)). The goodwill of ADS forms part of the AMC CGU since it is a vertical integration with AMC and has been assessed for impairment as part of the AMC CGU.
- (iii) Goodwill arose in the prior year on the acquisition of System Mud Industria e Comercio Ltda (System Mud) by Imdex Limited - (Refer to note 25(c)). System Mud is considered to be a separate cash generating unit since it operates independently from other Imdex operations in a separate geographical area being the Latin America region concentrating on the supply of drilling fluids and chemical supplies. A true up of System Mud goodwill of \$0.3 million occurred in the current year.

## NOTES TO THE FINANCIAL REPORT

### 12 Goodwill (continued)

At 30 June 2013, the following cash-generating units (CGUs) were identified as requiring a test of impairment of goodwill at balance date, with no write down required.

The key assumptions used in the value in use calculations for those CGUs tested were as follows:

CGU	Forecasted revenue growth	Discount Rate (post tax)	Forecasted net margins	Expected exchange rate fluctuations
<b>AMC</b> (including Fluidstar, Ecospin, ADS and Mud Systems)	Revenue growth has been forecast in line with the expected rate of growth related to the specific growth initiatives around SRU's and equipment, and the expected rate of recovery of the mining and mineral exploration market in Australia. Projections are based on financial budgets approved by the directors covering a one-year period. Cash flows beyond FY14 for a period of four years have been extrapolated using a steady 5% per annum growth rate, and a growth rate of 0% per annum beyond FY18.	7.26% (2012: 7.42%)	Net margins have been forecasted using current period actuals as a base on which operational improvements and economies of scale are expected to be gained, particularly from the introduction of a regionalised reporting structure and improved/expanded product offerings.	Exchange rate fluctuation expectations have been built into the forecasted numbers based on FY14 forecasted exchange rates published by major local and international lending institutions. Discounted cash flow outcomes using these rates are not materially different from having used current spot rates.
<b>AMC Germany</b>	Revenue has been forecast using contracted and committed revenues as a base on which a moderate growth projection has been based. Projections are based on financial budgets approved by the directors covering a one-year period. Cash flows beyond FY14 for a period of four years have been extrapolated using a steady 5% per annum growth rate, and a growth rate of 0% per annum beyond FY18.	6.38% (2012: 6.72%)		
<b>Reflex / Imdex Technology/ ioGlobal</b>	Revenue growth has been forecast in line with the expected rate of recovery of the mining and mineral exploration industry in Australia. Projections are based on financial budgets approved by the directors covering a one-year period. Cash flows beyond FY14 for a period of four years have been extrapolated using a steady 5% per annum growth rate, and a growth rate of 0% per annum beyond FY18.	8.81% (2012: 9.38%)		
<b>South America (formerly System Mud)</b>	Revenue growth has been forecast in line with the expected rate of growth related to the specific growth initiatives around SRU's, and the expected rate of recovery of the mining and mineral exploration markets of South and Latin America. Projections are based on financial budgets approved by the directors covering a one-year period. Cash flows beyond FY14 for a period of four years have been extrapolated using a steady 5% per annum growth rate, and a growth rate of 0% per annum beyond FY18.	11.62% (2012: 10.70%)		

## NOTES TO THE FINANCIAL REPORT

### 13 Other Intangible Assets

		Patents	Intellectual Property	Technology Based	Contract Based	Customer Based	Development Costs	Trade Name	TOTAL
	Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Gross Carrying Value</b>									
Balance at 30 June 2011		761	1,505	14,080	5,229	10,945	8,092	3,895	44,507
Capitalised during the year		-	-	-	943	-	1,254	-	2,197
Reclassified to Investment in Associate		-	(904)	-	-	-	(1,980)	-	(2,884)
Amounts derecognised		-	-	-	(3,914)	-	-	-	(3,914)
Impact of exchange rate changes		-	-	-	-	(52)	-	(8)	(60)
Balance at 30 June 2012		761	601	14,080	2,258	10,893	7,366	3,887	39,846
Capitalised during the year		-	-	-	-	-	996	-	996
Recognition on acquisition of ioGlobal	25(a)	-	1,300	-	-	-	-	-	1,300
Impact of exchange rate changes		-	-	-	-	-	213	-	213
Balance at 30 June 2013		761	1,901	14,080	2,258	10,893	8,575	3,887	42,355
<b>Accumulated Amortisation and Impairment</b>									
Balance at 30 June 2011		634	526	10,389	1,569	8,611	2,362	3,270	27,361
Amortisation expense/ (write back)		127	75	2,102	(254)	1,901	1,403	603	5,957
Impact of exchange rate changes		-	-	-	-	(24)	-	(4)	(28)
Balance at 30 June 2012		761	601	12,491	1,315	10,488	3,765	3,869	33,290
Amortisation expense		-	173	1,589	472	405	707	18	3,364
Impact of exchange rate changes		-	-	-	-	-	91	-	91
Balance at 30 June 2013		761	774	14,080	1,787	10,893	4,563	3,887	36,745
<b>Net Book Value</b>									
As at 30 June 2012		-	-	1,589	943	405	3,601	18	6,556
As at 30 June 2013		-	1,127	-	471	-	4,012	-	5,610

Where relevant, these intangible assets have been tested for impairment as part of the testing of CGUs referred to in note 12.

### 14 Trade and Other Payables

	Notes	2013 \$'000	2012 \$'000
Trade payables	(i)	19,768	17,384
Accruals and other payables		6,008	15,965
		<u>25,776</u>	<u>33,349</u>

(i) Trade payables are interest free for periods ranging from 30 to 180 days. Thereafter interest is charged at commercial rates. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

## NOTES TO THE FINANCIAL REPORT

## 15 Borrowings

	Notes	2013 \$'000	2012 \$'000
<b>Current borrowings</b>			
<b>Secured</b>			
At amortised cost			
Club Facility - AUD Tranche	(i)	7,056	5,580
Club Facility - USD Tranche	(i)	5,372	4,961
Club Facility - CAD Tranche	(i)	2,065	1,943
Hire purchase liabilities	(ii),23	245	396
		<u>14,738</u>	<u>12,880</u>
<b>Non-current borrowings</b>			
<b>Secured</b>			
At amortised cost			
Club Facility - AUD Tranche	(i)	21,089	22,595
Club Facility - USD Tranche	(i)	23,082	17,406
Club Facility - CAD Tranche	(i)	4,817	6,478
Hire purchase liabilities	(ii),23	260	70
		<u>49,248</u>	<u>46,549</u>

- (i) On 7 October 2011 a clubbed banking facility involving Westpac Banking Corporation and HSBC was put in place. This facility replaced commercial bills and Canadian bank loans in place at that date. At inception this facility allowed the Imdex Group access to debt of \$50 million split equally between the two club participants. Westpac Banking Corporation provided AUD denominated borrowings in Australia while HSBC provided CAD and USD denominated borrowings in Chile, South Africa, Canada and Australia. This facility was extended from \$50 million to \$75 million on 19 January 2012 and on 21 September 2012 Westpac Banking Corporation provided an additional capex facility of US\$13.4 million to allow for Imdex's expansion into the solids removal market and \$4.8 million to assist in the funding of the ioGlobal acquisition (originally US\$20 million).

As at 30 June 2013:

- AUD denominated borrowings bear interest at floating rates (currently 5.46% per annum). These borrowings are repayable in equal monthly installments of \$0.6 million to 31 October 2014 on which date the balance is payable.
- USD denominated borrowings bear interest at floating rates (currently between 2.04% and 4.18% per annum depending on the borrowing country). Included in these borrowings are US\$8.8 million drawn under the Westpac Banking Corporation capex facility which has a limit of US\$13.4 million. The balance of USD borrowings are repayable in equal monthly installments of US\$0.4 million to 31 October 2014 on which date the balance is repayable.
- CAD denominated borrowings bear interest at floating rates (currently 4.50% per annum). These borrowings are repayable in equal monthly installments of CAD\$0.2 million to 31 October 2014 on which date the balance is repayable.

The club facility is secured by the assets of entities in Australia, Canada, South Africa and Chile.

- (ii) Hire purchase liabilities are secured over the assets to which they relate, the carrying value of which exceeds the value of the hire purchase liability. The Group does not hold title to the equipment under the hire purchase pledged as security. The weighted average interest rate applicable to these liabilities is 6.52% (2012: 9.67%).

## 16 Provisions

	Notes	2013 \$'000	2012 \$'000
<b>Current provisions</b>			
Employee entitlements	(i)	<u>4,681</u>	<u>2,896</u>
<b>Non-current provisions</b>			
Employee entitlements		<u>1,071</u>	<u>1,265</u>

- (i) The majority of these entitlements are expected to be taken during the coming year.



## NOTES TO THE FINANCIAL REPORT

### 17 Issued Capital and Shares reserved for Performance Rights Plan

	Notes	2013 \$'000	2012 \$'000
Issued and Paid Up Capital - Fully paid ordinary shares	(i)	89,269	86,069

(i) Fully paid ordinary shares carry one vote per share and the right to dividends.

	Notes	2013 Number	2013 \$'000	2012 Number	2012 \$'000
<b>Ordinary shares</b>					
Balance at beginning of the financial year		208,235,426	86,069	199,699,165	70,059
Issue of shares as part consideration for the acquisition of ioGlobal	25(a)	2,237,762	3,200	-	-
Issue of shares as part consideration for the acquisition of Australian Drilling Specialties Pty Ltd	25(b)	-	-	3,206,770	6,000
Issue of shares as part consideration for the acquisition of System Mud Industria e Comercio Ltda	25(c)	-	-	1,306,324	3,840
Issue of shares as part consideration for the acquisition of Mud Systems Pte Ltd	25(d)	-	-	500,000	1,200
Issue of shares under staff option plan	(ii)	-	-	3,523,167	4,970
Closing balance at end of the financial year		210,473,188	89,269	208,235,426	86,069

Changes to the Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

#### (ii) Share options granted under the staff option plan

No options were granted under the staff option plan in the current or prior year.

In accordance with the provisions of the staff option plan, as at 30 June 2013, executives, directors and staff have no options over ordinary shares. As at 30 June 2012, executives, directors and staff had options over 3,893,333 ordinary shares (all of which had vested), in aggregate. These options expired over a range of dates up to March 2013. Share options granted under the employee share option plan carry no rights to dividends and no voting rights.

Details of the Staff Option Plan can be found in note 32.

#### (iii) Shares issued in satisfaction of Performance Rights

No shares were issued in the current or prior years in satisfaction of performance rights. Performance rights obligations were settled by the purchase of existing shares on market. More information on the performance rights plan can be found in note 33.

	Notes	2013 \$'000	2012 \$'000
<b>Shares reserved for Performance Rights Plan</b>			
Balance at beginning of the period		(3,740)	-
Allocation/(purchase) of shares		2,788	(3,740)
Balance at the end of the period		(952)	(3,740)

At balance date, the Company, through a Trustee, holds 384,577 shares in Trust for employees under the Performance Rights Plan.

## NOTES TO THE FINANCIAL REPORT

### 18 Reserves

	Notes	2013 \$'000	2012 \$'000
<b>Foreign Currency Translation Reserve</b>			
Balance at beginning of the financial year		(17,703)	(11,441)
Translation of foreign operations		6,536	(6,262)
Balance at the end of the financial year		<u>(11,167)</u>	<u>(17,703)</u>

Exchange differences relating to the translation from the functional currencies of the Group's foreign controlled entities into Australian dollars are brought to account by entries made directly to the foreign currency translation reserve. This reserve is shown net of deferred tax.

#### Investment Revaluation Reserve

Balance at beginning of the financial year		10,227	6,524
Arising on revaluation of SEH shares to market value		5,038	5,290
Tax thereon	5(b)	<u>(1,511)</u>	<u>(1,587)</u>
Balance at the end of the financial year		<u>13,754</u>	<u>10,227</u>

The investment revaluation reserve records increases in the market value of the SEH investment net of deferred tax. Refer note 9 for details of the SEH investment.

#### Employee Equity-Settled Benefits Reserve

Balance at beginning of the financial year		6,385	7,158
Performance rights expensed	4	1,331	2,222
Shares purchased on market to satisfy performance rights		-	(5,769)
Options exercised during the financial year		-	(1,687)
Amounts transferred to shares reserved for performance rights plan		(2,788)	3,740
Amounts transferred to retained earnings		1,159	721
Balance at the end of the financial year		<u>6,087</u>	<u>6,385</u>

The employee equity-settled benefits reserve arises on the grant of share options and performance rights to Directors and employees. Amounts are transferred out of the reserve and into issued capital when options are exercised. Further information regarding the Staff Option Plan is contained in note 32. Further information regarding the Performance Rights Plan is contained in note 33.

#### Mandatory Issuable Capital

Mandatory Issuable Capital	<u>990</u>	<u>990</u>
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Mandatory issuable capital relates to the future issue of 330,000 fully paid ordinary shares as consideration for the acquisition of System Mud. Refer to note 25(c)(iv).

## NOTES TO THE FINANCIAL REPORT

### 19 Earnings Per Share

	2013 Cents per share	2012 Cents per share
Basic earnings per share	9.24	22.34
Diluted earnings per share	9.14	21.85
<b>(a) Basic earnings per share</b>	<b>2013</b>	<b>2012</b>
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:	<b>\$'000</b>	<b>\$'000</b>
Earnings	19,383	45,777
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>Shares</b>	<b>Shares</b>
	209,712,962	204,879,162
<b>(b) Diluted earnings per share</b>	<b>2013</b>	<b>2012</b>
The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:	<b>\$'000</b>	<b>\$'000</b>
Earnings	19,383	45,777
Weighted average number of ordinary shares for the purposes of diluted earnings per share (i)	<b>Shares</b>	<b>Shares</b>
	212,115,734	209,553,673
(i) The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:	<b>Shares</b>	<b>Shares</b>
Weighted average number of ordinary shares used in the calculation of basic earnings per share	209,712,962	204,879,162
Shares deemed to be issued for no consideration in respect of employee and Director options	-	1,310,518
Shares deemed to be issued for no consideration in respect of performance rights	2,402,772	3,363,993
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	212,115,734	209,553,673
(ii) The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share:	<b>Shares</b>	<b>Shares</b>
Employees share options (tranche 7)	-	3,693,333

## NOTES TO THE FINANCIAL REPORT

### 20 Dividends

	Notes	2013 Cents per share	2013 Total \$'000	2012 Cents per share	2012 Total \$'000
<b>Recognised amounts</b>					
Fully paid ordinary shares - interim dividend franked to 30%	(i)	2.50	5,262	3.25	6,705
<b>Unrecognised amounts</b>					
Fully paid ordinary shares - final dividend franked to 30%	(ii)	0.40	842	4.00	8,329

(i) The interim, fully franked dividend was paid on 22 March 2013. The record date for determining the entitlement to the interim dividend was 8 March 2013. There are no dividend reinvestment plans in operation.

In the prior year, the interim fully franked dividend was paid on 23 March 2012. The record date for determining the entitlement to the interim dividend was 9 March 2012. There were no dividend reinvestment plans in operation.

(ii) The final fully franked dividend was declared on 16 August 2013 with an entitlement date of 11 October 2013 and a payment date of 25 October 2013. The financial effect of this dividend has not been recognised in the financial statements at 30 June 2013.

In the prior year, the final fully franked dividend was declared on 17 August 2012 with an entitlement date of 12 October 2012 and a payment date of 26 October 2012. The financial effect of this dividend was not recognised in the financial statements at 30 June 2012.

	2013 \$'000	2012 \$'000
Adjusted franking account balance	56,112	51,607
Impact on franking account of dividends not recognised	(361)	(3,570)
Income tax consequences of unrecognised dividends	-	-

### 21 Commitments for Expenditure

#### (a) Capital expenditure commitments

At 30 June 2013 the Group had capital expenditure commitments amounting to \$3,145,000 (2012: \$3,690,000). These commitments relate to the purchase of Minerals and Oil and Gas rental equipment.

#### (b) Lease commitment

Hire purchase liabilities and non-cancellable operating lease commitments are disclosed in note 23.

### 22 Contingent Liabilities and Contingent Assets

There are no contingent liabilities or contingent assets at balance date (2012: nil).



## NOTES TO THE FINANCIAL REPORT

### 23 Leases

#### (a) Hire Purchases

##### Hire purchase arrangements

Hire purchase arrangements relate to plant and equipment with terms of up to 5 years. The Group has options to purchase the equipment for a nominal amount at the conclusion of the arrangements.

	Minimum future lease payments		Present value of minimum future lease payments	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
<b>Hire purchase commitments</b>				
Hire purchase commitments are payable as follows. Due:				
Within one year	252	417	245	396
Between one and five years	293	83	260	70
Later than five years	-	-	-	-
Minimum lease payments	545	500	505	466
Less: future finance charges	(40)	(34)	-	-
	505	466	505	466
Hire purchase liabilities provided for in the Financial Report				
Current – Note 15			245	396
Non current – Note 15			260	70
			505	466

#### (b) Operating Leases

##### Operating leasing arrangements

Operating leases relate to premises and equipment (including motor vehicles) used by the Group in its operations, generally with terms between 2 and 5 years. Some of the operating leases contain options to extend for further periods and an adjustment to bring the lease payments into line with market rates prevailing at that time. The leases do not contain an option to purchase the leased property.

	2013	2012
	\$'000	\$'000
<b>Non-cancellable operating lease payments</b>		
Within one year	4,474	2,685
Between one and five years	4,966	3,465
Later than five years	1,560	-
	11,000	6,150

## NOTES TO THE FINANCIAL REPORT

## 24 Subsidiaries

			Ownership Interest	
	Notes	Country of Incorporation	2013 %	2012 %
<b>Parent Entity</b>				
Imdex Limited	(i),(ii),(iii)	Australia		
<b>Controlled Entities</b>				
Australian Mud Company Pty Ltd	(ii),(iii)	Australia	100	100
Samchem Drilling Fluids & Chemicals (Pty) Ltd		South Africa	100	100
Imdex International Pty Ltd	(ii),(iii)	Australia	100	100
Imdex Sweden AB		Sweden	100	100
Reflex Instruments Asia Pacific Pty Ltd	(ii),(iii)	Australia	100	100
Reflex Instrument AB		Sweden	100	100
Reflex Instrument North America		Canada	100	100
Reflex Instrument South America Ltda		Chile	100	100
Reflex Instruments Europe Ltd		United Kingdom	100	100
Drillhole Surveying Instruments (Pty) Ltd		South Africa	100	100
Imdex Technology Sweden AB		Sweden	100	100
Flexit Australia Pty Ltd	(ii)	Australia	100	100
Suay Energy Services LLP		Kazakhstan	100	100
AMC North America Ltd		Canada	100	100
Imdex South America S.A.		Chile	100	100
AMC Chile S.A.		Chile	100	100
Wildcat Chemicals Australia Pty Ltd	(ii),(iii)	Australia	100	100
Reflex Technology International Pty Ltd	(ii),(iii)	Australia	100	100
AMC Reflex Argentina S.A.		Argentina	100	100
AMC Reflex Peru S.A.C.		Peru	100	100
Imdex Technology Germany GmbH		Germany	100	100
AMC Reflex Do Brasil Serviços Para Mineração Ltda		Brazil	100	100
AMC Drilling Fluids Pvt Limited		India	100	100
Fluidstar Pty Ltd	(ii)	Australia	100	100
Ecospin Pty Ltd	(ii)	Australia	100	100
Imdex Nominees Pty Ltd	(ii)	Australia	100	100
AMC Germany GmbH (formerly Mud-Data GmbH)		Germany	100	100
AMC Oil & Gas Rom SRL (formerly Mud-Data-Rom SRL)		Romania	100	100
Australian Drilling Specialties Pty Ltd	(ii),25(b)	Australia	100	100
Imdex USA Inc	(iv)	United States of America	100	100
Imdex Technologies USA LLC	(v)	United States of America	100	100
AMC USA LLC	(v)	United States of America	100	100
Reflex USA LLC	(v)	United States of America	100	100
Mud Systems Pte Ltd	25(d)	Singapore	100	100
System Mud Industria e Comercio Ltda	25(c)	Brazil	100	100
Imdex Global Coöperatie U.A	(vi)	Netherlands	100	100
Imdex Global B.V.	(vi)	Netherlands	100	100
AMC Oil & Gas International Limited	(vii)	British Virgin Islands	100	-
ioGlobal Pty Ltd	25(a),(ii)	Australia	100	-
ioGlobal Solutions Inc	25(a)	Canada	100	-
ioAnalytics Pty Ltd	25(a),(ii)	Australia	100	-

(i) Imdex Limited is the ultimate parent company and is the head entity within the tax consolidated group.

(ii) These companies are part of the Australian tax consolidated group.

(iii) These wholly-owned subsidiaries have entered into a deed of cross guarantee with Imdex Limited pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare and lodge an audited financial report. Australian Mud Company Pty Ltd became a party to the deed on 29 June 2006, Imdex International Pty Ltd on 20 October 2006, Reflex Instruments Asia Pacific Pty Ltd on 14 September 2007, Reflex Technology International Pty Ltd on 28 April 2011 and Wildcat Chemicals Australia Pty Ltd on 7 September 2011.

(iv) This entity was incorporated on 26 July 2011.

(v) These entities were incorporated on 11 August 2011.

(vi) These entities were incorporated on 22 June 2012.

(vii) This entity was incorporated on 20 March 2013.

## NOTES TO THE FINANCIAL REPORT

### 24 Subsidiaries (continued)

The consolidated income statement of income of the entities which are party to the deed of cross guarantee are:

<b>Income Statement</b>	<b>2013 \$'000</b>	<b>2012 \$'000</b>
Revenue from sale of goods and operating lease rental	117,162	168,256
Other revenue from operations	1,420	1,693
<b>Total revenue</b>	<b>118,582</b>	<b>169,949</b>
Other income	2,005	2,563
Foreign exchange gain/(loss)	882	(2,135)
Raw materials and consumables used	(54,143)	(62,126)
Employee benefit expenses	(31,404)	(25,505)
Depreciation and amortisation expense	(13,680)	(13,991)
Finance costs	(2,996)	(1,045)
Auditors and accounting fees	(1,039)	(938)
Commissions	(1,148)	(2,006)
Consultancy fees	(840)	(1,323)
Legal and professional expenses	(3,422)	(3,745)
Rent and premises costs	(2,052)	(1,607)
Travel and accommodation	(2,838)	(2,384)
Motor vehicle costs	(1,082)	(924)
Other expenses	(2,535)	(10,698)
<b>Profit before income tax expense</b>	<b>4,290</b>	<b>44,085</b>
Income tax expense	(6,840)	(14,214)
<b>(Loss)/Profit for the year</b>	<b>(2,550)</b>	<b>29,871</b>
<b>Other comprehensive income</b>		
Fair value adjustment on investment in SEH	5,038	5,290
Income tax relating to components of other comprehensive income	(1,511)	(1,587)
<b>Other comprehensive income for the year</b>	<b>3,527</b>	<b>3,703</b>
<b>Total comprehensive income for the year</b>	<b>977</b>	<b>33,574</b>

## NOTES TO THE FINANCIAL REPORT

### 24 Subsidiaries (continued)

The consolidated statement of financial position of the entities which are party to the deed of cross guarantee are:

<b>Balance Sheet</b>	<b>2013 \$'000</b>	<b>2012 \$'000</b>
<b>Current Assets</b>		
Cash and Cash Equivalents	-	3,286
Trade and Other Receivables	51,507	73,294
Inventories	35,247	30,268
Current Tax Assets	1,749	-
Other	732	3,292
	<u>89,235</u>	<u>110,140</u>
Financial Asset Held for Sale	26,450	-
<b>Total Current Assets</b>	<u>115,685</u>	<u>110,140</u>
<b>Non Current Assets</b>		
Other Financial Assets	164,238	166,842
Property, Plant and Equipment	12,793	16,929
Other Intangible Assets	2,258	1,324
Deferred Tax Assets	6,061	-
<b>Total Non Current Assets</b>	<u>185,350</u>	<u>185,095</u>
<b>Total Assets</b>	<u>301,035</u>	<u>295,235</u>
<b>Current Liabilities</b>		
Trade and Other Payables	28,084	19,795
Borrowings	10,961	9,514
Current Tax Payables	-	4,020
Provisions	3,586	2,042
<b>Total Current Liabilities</b>	<u>42,631</u>	<u>35,371</u>
<b>Non Current Liabilities</b>		
Borrowings	40,972	35,346
Provisions	699	1,265
Deferred Tax Liabilities	7,192	5,629
<b>Total Non Current Liabilities</b>	<u>48,863</u>	<u>42,240</u>
<b>Total Liabilities</b>	<u>91,494</u>	<u>77,611</u>
<b>Net Assets</b>	<u>209,541</u>	<u>217,624</u>
<b>Equity</b>		
Contributed Capital	89,269	86,069
Shares Reserved for Performance Rights Plan	(952)	(3,740)
Employee Equity-Settled Benefits Reserve	6,087	6,385
Investment Revaluation Reserve	13,754	10,227
Retained Earnings *	101,383	118,683
<b>Total Equity</b>	<u>209,541</u>	<u>217,624</u>
* Retained Earnings at the beginning of the financial year	118,683	101,860
Net (Loss)/Profit	(2,550)	29,871
Dividends Paid	(13,591)	(12,327)
Amounts transferred from employee equity-settled benefits reserve	(1,159)	(721)
Retained Earnings at the end of the financial year	<u>101,383</u>	<u>118,683</u>



## NOTES TO THE FINANCIAL REPORT

### 25 Acquisition of Businesses

#### (a) Acquisition of entity - ioGlobal Pty Ltd and ioAnalytics Pty Ltd

With effect from 1 November 2012, Imdex Limited acquired 100% of the issued share capital of ioGlobal Pty Ltd and ioAnalytics Pty Ltd (together ioGlobal). ioGlobal provides innovative cloud-based data management solutions for the mining and mineral exploration industries. The provisional numbers presented below have been accounted for using the acquisition method of accounting.

#### Details of the assets, liabilities and goodwill:

	Notes	Book value \$'000	Fair value adjustments \$'000	Fair value on acquisition \$'000
Trade and other receivables		1,441	-	1,441
Property, plant and equipment		175	-	175
Intangibles (Intellectual Property)	(iii)	-	1,300	1,300
Trade and other payables		(1,654)	-	(1,654)
Deferred tax	(iii)	-	(390)	(390)
Provisions		(155)	-	(155)
Fair value of net identifiable assets acquired		(193)	910	717
Goodwill on acquisition	(i)			6,357
Total purchase consideration				7,074
<b>Total purchase consideration comprises</b>				
Consideration in cash and cash equivalents	(ii)			4,800
Less: Cash and cash equivalents acquired	(ii)			(926)
Issue of ordinary shares	17			3,200
				7,074

		<b>8 months to 30 June 2013 \$'000</b>
Operating results of ioGlobal included in the Consolidated Income Statement of Imdex		
Revenue		2,826
Total expenses (including income tax)		(3,478)
Loss after tax for the period	(iv)	(652)

(i) Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire ioGlobal. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of ioGlobal. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured. There were no acquisition provisions created, nor were there any contingent liabilities assumed in the acquisition.

(ii) The Consolidated Cash Flow Statement for the year ended 30 June 2013 records the payment for the acquisition of ioGlobal as \$3.9 million being the cash purchase consideration of \$4.8 million paid net of the \$0.9 million of cash acquired.

(iii) Intangible assets of \$1.3 million comprise the fair value of the intellectual property and know-how associated with ioGlobal. The discounted present value of expected future cash flows on a relief from royalty method has been used to determine the fair value of this intangible asset. This intangible asset is being amortised over its expected useful life of 5 years. Deferred tax of \$0.4 million was raised on this asset.

(iv) Had the acquisition of ioGlobal been effected on 1 July 2012, the beginning of the current year, the ioGlobal financial results included in the Imdex consolidated results would have been revenue of approximately \$4.2 million with a loss of \$1.0 million. The results of ioGlobal are included in the Minerals segment. The Board considers these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

## NOTES TO THE FINANCIAL REPORT

### 25 Acquisition of Businesses (continued)

#### (b) Acquisition of entity - Australian Drilling Specialties Pty Ltd

With effect from 1 July 2011, Imdex Limited acquired 100% of the issued share capital of Australian Drilling Specialties Pty Ltd (ADS), incorporated in Australia and operating out of premises located in Western Australia. ADS is a drilling fluids and chemical manufacturer that owns the formulations and intellectual property for the products it manufactures. The numbers presented below have been accounted for using the acquisition method of accounting.

#### Details of the assets, liabilities and goodwill:

	Notes	Book value \$'000	Fair value adjustments \$'000	Fair value on acquisition \$'000
Trade and other receivables		2,408	-	2,408
Inventory		352	-	352
Property, plant and equipment		778	-	778
Trade and other payables		(901)	-	(901)
Provisions		(73)	-	(73)
Fair value of net identifiable assets acquired		2,564	-	2,564
Goodwill on acquisition	(i)			10,513
Total purchase consideration				13,077
<b>Total purchase consideration comprises</b>				
Consideration in cash and cash equivalents	(ii)			6,000
Overdraft acquired	(ii)			1,077
Issue of ordinary shares	17			6,000
				13,077

<b>12 months to 30 June 2013 \$'000</b>	<b>12 months to 30 June 2012 \$'000</b>
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Operating results of ADS included in the Consolidated Income Statement of Imdex Limited for the following periods:

Revenue	7,187	11,382
Total expenses (including income tax)	(5,010)	(9,052)
Profit after tax for the period	2,177	2,330

(i) Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire ADS. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of ADS. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured. There were no acquisition provisions created, nor were there any contingent liabilities assumed in the acquisition.

(ii) The Consolidated Cash Flow Statement for the year ended 30 June 2012 records the payment for the acquisition of ADS as \$7.1 million being the cash purchase consideration of \$6.0 million shown above plus \$1.1 million overdraft acquired.

## NOTES TO THE FINANCIAL REPORT

### 25 Acquisition of Businesses (continued)

#### (c) Acquisition of entity - System Mud Industria e Comercio Ltda (System Mud)

Imdex Limited acquired 100% of the issued share capital of System Mud Industria e Comercio Ltda (System Mud), a manufacturer and seller of drilling muds to the mining and mineral exploration market in Brazil. The acquisition was completed on 18 April 2012. The numbers presented below have been accounted for using the acquisition method of accounting.

#### Details of the assets, liabilities and goodwill:

	Notes	Book value \$'000	Fair value adjustments \$'000	Fair value on acquisition \$'000
Inventory		387	-	387
Other debtors		1,068	-	1,068
Property, plant and equipment		250	-	250
Trade and other payables		(1,295)	-	(1,295)
Fair value of net identifiable assets acquired		410	-	410
Goodwill on acquisition	(i)			7,146
Total purchase consideration				7,556
<b>Total purchase consideration comprises</b>				
Consideration in cash and cash equivalents	(ii)			3,350
Less cash and cash equivalents acquired	(ii)			(624)
Issue of Ordinary Shares	(iii), 17			3,840
Deferred consideration - Mandatory Convertible Capital	(iv)			990
				7,556

<b>12 months to 30 June 2013</b>	<b>3 months to 30 June 2012</b>
<b>\$'000</b>	<b>\$'000</b>

Operating results of System Mud included in the Consolidated Income Statement of Imdex Limited for the following periods:

Revenue	5,742	5,413
Total expenses (including income tax)	(5,803)	(4,481)
Profit after tax for the period	(61)	932

(i) Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire System Mud. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of System Mud. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured. There were no acquisition provisions created, nor were there any contingent liabilities assumed in the acquisition. During the current year the fair value of net assets acquired was adjusted by \$0.3 million causing an equivalent change to the value of goodwill recognised.

(ii) The Consolidated Cash Flow Statement for the year ended 30 June 2012 records the acquisition of System Mud as a net cash outflow of \$2.7 million being the cash consideration of \$3.3 million paid net of the \$0.6 million of cash acquired.

(iii) Comprises 1,306,324 fully paid Imdex limited ordinary shares issued on settlement to the four vendors in equal proportions. These shares were issued at the weighted average price of a fully paid Imdex Limited ordinary share for the five days leading up to settlement on 18 April 2012, being \$2.94 per share.

(iv) Comprises 330,000 fully paid ordinary shares in Imdex Limited to be issued on the two year anniversary of completion (18 April 2014). The future issue of these shares is at a guaranteed price of \$3.50 per share. That is, if the share price on the two year anniversary date is below \$3.50 there is a cash top up of the difference. However, in the event that the share price reaches \$3.50 at any time within that two year period, the potential cash top up falls away.

#### (d) Acquisition of entity - Mud Systems Pte Ltd (Mud Systems)

With effect from 1 January 2012, Imdex Limited acquired 100% of the issued share capital of Mud Systems Pte Ltd, a Singapore based company that is involved in the supply, manufacture and rental of equipment, predominately in the oil and gas industry. The purchase consideration for the acquisition was 500,000 fully paid ordinary shares of Imdex Limited issued to the vendor on 8 May 2012 at a fair value of \$2.40 per share. The key reason for the purchase of Mud Systems was to access the exclusive supply agreement and ongoing relationship with the manufacturer of the centrifuges used in Solid Removal Units (SRU's). The excess of fair value of consideration paid over fair value of net assets (\$0.9 million) has been allocated in full to intangible assets.

## NOTES TO THE FINANCIAL REPORT

## 26 Investment in Associates

On 1 July 2011, Imdex Limited acquired 50% of the issued share capital of the joint venture (JV), VES International (VES) (formerly DHS Services), in exchange for granting an exclusive global licence over its oil and gas surveying instruments and technology. VES is registered in the British Virgin Islands and operates an oil and gas services business based in Dubai using the technology licensed to it by Imdex Limited. At that time Imdex Limited accounted for its investment in VES as an associate as it was deemed to have a significant influence over but not control of VES since it held 50% of the issued capital but only 2 out of 5 board positions.

Effective 1 January 2012 the JV purchased the business of Vaughn Energy Services, a US based oil & gas services provider, for US\$100 million. To fund the purchase the JV increased its share capital. On 19 January 2012 Imdex Limited raised additional debt of \$25 million from its club banking facility and applied approximately US\$22.5 million of this debt to purchase additional shares in the JV. Following this transaction Imdex Limited's shareholding in the JV decreased from 50% to 30%. The numbers presented below in relation to the acquisition of Vaughn Energy Services have been accounted for using the acquisition method of accounting.

**Financial information in respect of the Associate is set out below:**

	Note	2013 \$'000	2012 \$'000
Total Revenue	(iii)	55,498	28,901
Total Loss for the Period	(ii),(iii)	(7,114)	(1,639)
Total Assets		126,115	127,838
Total Liabilities		(25,516)	(20,125)
Net Assets		100,599	107,713
Share of Net Assets of Associate		30,180	32,314

**The Investment in Associate comprises the following:**

Opening cost of investment in Associate		24,255	25,715
Share of profit/(loss) of Associate	(i)	1,300	(1,460)
Closing cost of investment in Associate		25,555	24,255

- (i) Imdex's share of profit of Associate for the year to 30 June 2013 reflects 30% of the underlying profit of VES International and the effect of adjustments to eliminate unrealised intercompany profits and the adjustment related to the acquisition of Vaughn Energy Services, predominantly represented by a gain on dilution and amortisation of intangibles.
- (ii) Includes an amount of \$9.3 million of amortisation on intangibles arising on the acquisition of Vaughn Energy Services effective 1 January 2012.
- (iii) The prior period comparative includes the results of Vaughn Energy Services from 1 January 2012.



## NOTES TO THE FINANCIAL REPORT

### 27 Segment Information

#### Reportable Segments

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income earning assets and interest revenue, interest bearing loans, borrowings and expenses, and corporate assets and expenses. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

The Group comprises the following reportable segments which are based on the Group's internal management reporting system:

(i) Minerals Division: This segment comprises the manufacture, sale and rental of down hole instrumentation, the manufacture and sale of drilling fluids and chemicals and related equipment and the provision of innovative cloud-based data management solutions to the mining and mineral exploration industry globally; and

(ii) Oil & Gas Division: This segment comprises the manufacture, sale and rental of down hole instrumentation and manufacture and sale of drilling fluids and chemicals to the oil & gas and geothermal industries globally;

#### (a) Segment Revenues

	2013 \$'000	2012 \$'000
Minerals	182,681	241,655
Oil & Gas	50,110	27,908
Total of all segments	232,791	269,563
Unallocated	130	89
<b>Total revenue</b>	<b>232,921</b>	<b>269,652</b>

#### (b) Segment Results

Minerals	39,755	81,234
Oil & Gas (i)	(4,008)	(7,674)
Total of all segments	35,747	73,560
Eliminations	-	-
Central administration costs (ii)	(7,237)	(6,060)
Profit before income tax expense	28,510	67,500
Income tax expense	(9,127)	(21,723)
<b>Profit attributable to ordinary equity holders of Imdex Limited</b>	<b>19,383</b>	<b>45,777</b>

(i) Includes the share of profit/(loss) of Associate

(ii) Central administration costs comprise net financing costs for the Group and the corporate portion of head office costs. Head office costs attributable to operations are allocated to reportable segments in proportion to the revenues earned from those segments.

#### (c) Segment Assets and Liabilities

	Assets		Liabilities	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Minerals	182,412	201,185	11,616	20,610
Oil & Gas	77,004	51,955	21,812	26,447
Total of all segments	259,416	253,140	33,428	47,057
Unallocated (i)	26,450	21,412	63,986	59,429
<b>Consolidated</b>	<b>285,866</b>	<b>274,552</b>	<b>97,414</b>	<b>106,486</b>

(i) Unallocated assets comprise the investment in Sino Gas & Energy Holdings Ltd. Unallocated liabilities comprise commercial bills, bank loans, hire purchase liabilities and deferred acquisition payments.

## NOTES TO THE FINANCIAL REPORT

### 27 Segment Information (continued)

#### (d) Other segment information

	Minerals		Oil & Gas		Unallocated		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Depreciation	6,171	5,562	1,070	800	487	399	7,728	6,761
Amortisation	2,593	4,510	771	1,447	-	-	3,364	5,957
Acquisition of segment assets	14,856	6,652	8,936	3,750	528	663	24,320	11,065
Significant non cash expenses other than depreciation and amortisation	1,065	1,778	266	444	-	(101)	1,331	2,121

#### Geographical Segments

The Group operates in the following geographical segments:

- (i) Asia Pacific: Manufacture and sale/rental of products to the mining and mineral exploration and oil & gas industries
- (ii) Europe: Manufacture and sale/rental of products to the mining and mineral exploration and oil & gas industries
- (iii) Africa: Manufacture and sale/rental of products to the mining and mineral exploration and oil & gas industries
- (iv) Americas: Manufacture and sale/rental of products to the mining and mineral exploration and oil & gas industries

	Revenue from external customers		Segment assets (non-current)		Acquisition of segment assets	
	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Asia Pacific	113,980	131,486	122,428	106,661	9,568	4,097
Europe	28,300	16,104	6,825	9,606	2,783	4,199
Africa	34,128	47,971	1,505	2,738	1,858	858
Americas	56,513	74,091	11,522	21,225	10,111	1,911
Total	232,921	269,652	142,280	140,230	24,320	11,065

#### (e) Information about major customers

The Group has a broad range of customers across its global operations with no single customer making up more than 10% of revenue.

## NOTES TO THE FINANCIAL REPORT

### 28 Notes to the Statement of Cash Flows

#### (a) Reconciliation of cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and in banks and investment in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:

	2013 \$'000	2012 \$'000
Cash and cash equivalents	9,979	11,232

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is \$9,978,758 (2012: \$11,231,992)

#### (b) Non cash financing and investing activities

During the year the Group provided non cash consideration to acquire the issued share capital for certain acquisitions. These transactions are disclosed in note 25.

#### (c) Reconciliation from the Profit for the Year to Net Cash Provided by Operating Activities

Profit for the year	19,383	45,777
<i>Adjustments for non-cash and non-operational items</i>		
Depreciation of non-current assets	7,728	6,761
Amortisation of intangible assets	3,364	5,957
Non-cash interest on deferred payments	-	(101)
Interest received disclosed as investing activities	(130)	(89)
Share options and performance rights expensed	1,331	2,222
Loss on sale of non-current assets	58	27
Share of (profit)/loss of Associate	(1,300)	1,460
Interest on hire purchase liabilities	68	102
Other	(118)	(74)
<i>Changes in assets and liabilities during the financial year</i>		
(Increase) / decrease in assets:		
Current receivables	20,368	(8,016)
Current inventories	(1,250)	(10,802)
Other current assets	5,386	(6,699)
Increase / (decrease) in liabilities:		
Current payables	(6,680)	(2,222)
Provision for employee entitlements	1,436	828
Current and deferred tax liability	(10,674)	(8,075)
Net Cash Provided by Operating Activities	38,970	27,056

## NOTES TO THE FINANCIAL REPORT

## 28 Notes to the Cash Flow Statement (continued)

	2013 \$'000	2012 \$'000
<b>(d) Financing facilities</b>		
Total facilities available		
Club Facility - AUD Tranche	35,346	34,175
Club Facility - USD Tranche	33,442	22,367
Club Facility - CAD Tranche	6,882	8,421
Equipment finance facility	505	466
	<u>76,175</u>	<u>65,429</u>
Facilities utilised at balance sheet date		
Club Facility - AUD Tranche	31,894	28,175
Club Facility - USD Tranche	28,454	22,367
Club Facility - CAD Tranche	6,882	8,421
Equipment finance facility	505	466
	<u>67,735</u>	<u>59,429</u>
Facilities not utilised at balance sheet date		
Club Facility - AUD Tranche	3,452	6,000
Club Facility - USD Tranche	4,988	-
Club Facility - CAD Tranche	-	-
Equipment finance facility	-	-
	<u>8,440</u>	<u>6,000</u>



## NOTES TO THE FINANCIAL REPORT

### 29 Financial Instruments

#### (a) Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 15, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 17 and 18. Management and the Board review the capital structure regularly. The treasury function presents regular updates to the Board. As a part of these reviews management considers the cost of capital and the risks associated with each class of capital. Based on the outcome of these reviews the Group will balance its overall capital structure through payment of dividends and issue of new shares as well as the issue of new debt or repayment of existing debt. The Board does not have a specific optimum gearing target other than to maintain a competitive weighted average cost of capital.

The Group's overall capital management strategy remains unchanged from prior years.

	2013 \$ 000's	2012 \$ 000's
Debt (i)	63,986	59,429
Cash and bank balances	(9,979)	(11,232)
Net debt	<u>54,007</u>	<u>48,197</u>
Equity (ii)	<u>188,452</u>	<u>168,066</u>
Net debt divided by debt plus equity	<u>22.3%</u>	<u>22.3%</u>

(i) Debt includes commercial bills, bank loans, deferred acquisition liabilities and hire purchase liabilities .

(ii) Equity includes all capital and reserves of the Group that are managed as capital.

#### (b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

#### (c) Categories of financial instruments

	2013 \$ 000s	2012 \$ 000s
<b>Financial Assets</b>		
Cash and cash equivalents	9,979	11,232
Loans and receivables	45,231	59,689
Financial Asset Held for Sale	26,450	-
Available-for-sale financial assets	-	21,412
<b>Financial Liabilities</b>		
Amortised cost	89,762	92,778

## NOTES TO THE FINANCIAL REPORT

## 29 Financial Instruments (continued)

**(d) Financial risk management objectives**

The Group's treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks by using natural hedges where possible and derivative financial instruments to hedge remaining risk exposures where the benefit of the hedge outweighs the cost. The use of financial derivatives is governed by the Group's treasury policies which are approved by the Board of Directors. These policies describe the Group's policies with respect to foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The Group does not enter into or trade financial instruments, including derivative financial instruments for speculative purposes. There are no derivative instruments in operation at year end.

**(e) Market risk**

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (note (f) below) and interest rates (note (g) below). The Group monitors its exposure to these risks on a regular basis and enters into derivative financial instruments to manage these risks where appropriate. There are no derivative financial instruments in operation at year end. At a Group and at a company level market risk exposures are measured by sensitivity analyses and scenario modelling.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

**(f) Foreign currency risk management**

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to foreign exchange rate fluctuations arise. Exchange rate exposures are managed with the use of natural hedges where possible and with the use of financial instruments where benefit outweighs cost within approved policy parameters. During the current and prior year no financial instruments were used to manage foreign exchange risk.

The carrying amount in Australian dollars of the Group's monetary assets and liabilities denominated in currencies other than Australian dollars at the reporting date are as per the table below. Non Australian dollar liabilities include trade creditors, accruals and borrowings recorded in Australian as well as non-Australian entities. Non Australian dollar assets include cash on hand and debtors recorded in Australian as well as non-Australian entities. Any fluctuation in exchange rates relative to the Australian dollar will cause the below assets and liabilities to change in value.

	Liabilities		Assets	
	2013 \$ 000s	2012 \$ 000s	2013 \$ 000s	2012 \$ 000s
United States Dollars	37,078	29,911	23,233	25,151
South African Rand	969	3,571	2,092	2,783
Canadian Dollars	8,642	10,211	1,227	5,916
Swedish Kroner	-	-	43	162
British Pound	969	2,815	1,276	1,311
Euro	2,177	2,002	3,939	6,771
Chilean Pesos	5,792	6,115	2,317	4,414
Other	2,327	1,601	7,217	9,593

## NOTES TO THE FINANCIAL REPORT

### 29 Financial Instruments (continued)

#### (f) Foreign currency risk management (continued)

##### Foreign currency sensitivity

The Group is mainly exposed to United States Dollars, Canadian Dollars, European Dollars and South African Rand.

The following table details the Group's sensitivity to a 10% (2012: 10%) increase and decrease in the Australian Dollar against the relevant foreign currencies. The sensitivity rate of 10% (2012: 10%) is the rate used when performing regular reporting on foreign currency risk internally. Foreign exchange risk is reported regularly to key management personnel and the Board. The estimated movement of 10% (2012: 10%) represents management's assessment of the possible change in foreign currency exchange rates which is based on regular forecasts received from major lending institutions. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjust their translation at the period end for a 10% (2012: 10%) change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss and other equity where the Australian Dollar strengthens against the respective currency. For a weakening of the Australian Dollar against the respective currency there would be an equal and opposite impact on the profit and other equity, and the balances below would carry the opposite sign.

	United States Dollar Impact			South African Rand Impact		
	2013 \$ 000's	2012 \$ 000's		2013 \$ 000's	2012 \$ 000's	
Profit or (loss)	1,586	476	(i)	11	79	(i)
Other equity	(184)	-	(ii)	(121)	-	(ii)

	European Dollar Impact			Canadian Dollar Impact		
	2013 \$ 000's	2012 \$ 000's		2013 \$ 000's	2012 \$ 000's	
Profit or (loss)	206	(477)	(i)	449	430	(i)
Other equity	(378)	-	(ii)	296	-	(ii)

(i) Profit and loss impacts are mainly attributable to exposure on outstanding receivables and payables at year end denominated in the applicable foreign currency

(ii) Equity movements are attributable to the net investment in a foreign operation denominated in the applicable foreign currency

#### (g) Interest rate risk management

The Company and the Group are exposed to interest rate risk as entities in the Group borrow funds at floating interest rates. Interest rate risk is managed within defined treasury policy guidelines. This is achieved by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

The Company and the Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

##### Interest rate sensitivity

The sensitivity data presented in the below paragraph is based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible changes in interest rates based on consultation with appropriately qualified financial professionals.

##### Group sensitivity

At reporting date, if interest rates had been 100 basis points higher and all other variables were held constant, the Group's net profit would decrease by \$0.6 million (2012: \$0.6 million). There would be a nil impact on equity other than via profit. A 100 basis point decrease in interest rates, holding all other variables constant would yield an increase in the Group's net profit of \$0.6 million (2012: \$0.6 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

## NOTES TO THE FINANCIAL REPORT

## 29 Financial Instruments (continued)

**(h) Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are monitored on a weekly basis and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed regularly by management.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group does not have any significant credit risk exposure to any single counterparty or group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of collateral obtained. At 30 June 2013 no such collateral had been obtained (30 June 2012: nil).

**(i) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who monitor short, medium and long term liquidity requirements through the use of financial models. The treasury function reports regularly to key management personnel and the Board on matters affecting liquidity risk. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 28(d) is a listing of additional undrawn facilities that the Company/Group has at its disposal to further reduce liquidity risk.

**Liquidity and interest risk tables**

The following tables detail the Company's and the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	0-3 months \$'000	3 months to 1 year \$'000	1-5 years \$'000	5+ years \$'000	Total \$'000
<b>2013</b>						
Non-interest bearing	-	19,332	6,444	-	-	25,776
Finance lease liability	6.52%	64	188	293	-	545
Variable interest rate instruments	4.25%	3,623	10,870	48,988	-	63,481
		<u>23,019</u>	<u>17,502</u>	<u>49,281</u>	<u>-</u>	<u>89,802</u>
<b>2012</b>						
Non-interest bearing	-	25,012	8,337	-	-	33,349
Finance lease liability	9.67%	127	290	83	-	500
Variable interest rate instruments	5.13%	3,118	9,353	46,492	-	58,963
		<u>28,257</u>	<u>17,980</u>	<u>46,575</u>	<u>-</u>	<u>92,812</u>



## NOTES TO THE FINANCIAL REPORT

### 29 Financial Instruments (continued)

#### (i) Liquidity risk management (continued)

The following tables detail the Company's and the Group's remaining contractual maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted cash flows of financial assets including interest that will be earned on those assets except where the Company/Group anticipates that the cash flow will occur in a different period.

	Weighted average effective interest rate %	0-3 months \$'000	3 months to 1 year \$'000	1-5 years \$'000	5+ years \$'000	Total \$'000
<b>2013</b>						
Non-interest bearing	-	71,681	-	-	-	71,681
Variable interest rate instruments	0.25%	9,979	-	-	-	9,979
		<u>81,660</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,660</u>
<b>2012</b>						
Non-interest bearing	-	59,689	-	21,412	-	81,101
Variable interest rate instruments	0.25%	11,232	-	-	-	11,232
		<u>70,921</u>	<u>-</u>	<u>21,412</u>	<u>-</u>	<u>92,333</u>

#### (j) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices,
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates; and
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The financial statements include holdings in "financial assets held for sale" listed shares which are measured at fair value (note 9).

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximates their fair values.

#### Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 \$ 000's	Level 2 \$ 000's	Level 3 \$ 000's	Total \$ 000's
<b>Financial Asset Held for Sale</b>				
<b>2013 (Current)</b>				
Shares in Sino Gas & Energy Holdings Limited	26,450	-	-	26,450
<b>Available-for-sale financial assets</b>				
<b>2012 (Non Current)</b>				
Shares in Sino Gas & Energy Holdings Limited	21,412	-	-	21,412

## NOTES TO THE FINANCIAL REPORT

## 30 Related Party Disclosures

**(a) Equity interests in related parties**

Details of the percentage ownership of subsidiaries and the wholly owned Group is set out in note 24. The wholly owned Group consists of Imdex Limited and its wholly owned subsidiaries.

**(b) Transactions with key management personnel****(i) Key management personnel compensation**

Details of key management personnel compensation is set out in note 31.

**(ii) Loans to key management personnel**

No loans were made during the current or prior years to key management personnel or their related parties.

**(iii) Key management personnel equity holdings**

2013	Balance at 1 July 2012	Granted as compensation	Received on exercise of options	Net other change #	Balance at 30 June 2013	Balance held nominally
	No.	No.	No.	No.	No.	No.
Mr B W Ridgeway	2,214,630	-	-	-	2,214,630	-
Mr R W Kelly	380,000	-	-	-	380,000	-
Mr K A Dundo	150,000	-	-	-	150,000	-
Mr M Lemmel	730,921	-	-	(82,921)	648,000	-
Ms E Donaghey	210,000	-	-	-	210,000	-
Mr G E Weston	1,040,299	54,245	-	(595,393)	499,151	-
Mr D J Loughlin	253,362	53,981	-	(100,000)	207,343	-
Mr P A Evans	382,269	49,388	-	(85,000)	346,657	-
	5,361,481	157,614	-	(863,314)	4,655,781	-

2012	Balance at 1 July 2011	Granted as compensation	Received on exercise of options	Net other change #	Balance at 30 June 2012	Balance held nominally
	No.	No.	No.	No.	No.	No.
Mr B W Ridgeway	2,435,000	-	-	(220,370)	2,214,630	-
Mr R W Kelly	380,000	-	-	-	380,000	-
Mr K A Dundo	300,000	-	-	(150,000)	150,000	-
Mr M Lemmel	903,921	-	-	(173,000)	730,921	-
Ms E Donaghey	185,000	-	-	25,000	210,000	-
Mr G E Weston	1,000,000	40,299	-	-	1,040,299	-
Mr D J Loughlin	-	41,862	500,000	(288,500)	253,362	-
Mr P A Evans	45,000	37,269	300,000	-	382,269	-
	5,248,921	119,430	800,000	(806,870)	5,361,481	-

# - represent on market transactions

# NOTES TO THE FINANCIAL REPORT

## 30 Related Party Disclosures (continued)

### (iv) Share options issued by Imdex Limited

2013	Balance at 1 July 2012	Granted as compensation	Lapsed	Inception / (cessation) as key management person	Balance at 30 June 2013	Vested but not exercisable	Vested and exercisable	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	No.
Mr B W Ridgeway	-	-	-	-	-	-	-	-
Mr R W Kelly	-	-	-	-	-	-	-	-
Mr K A Dundo	-	-	-	-	-	-	-	-
Mr M Lemmel	-	-	-	-	-	-	-	-
Ms E Donaghey	-	-	-	-	-	-	-	-
Mr G E Weston	500,000	-	(500,000)	-	-	-	-	-
Mr D J Loughlin	-	-	-	-	-	-	-	-
Mr P A Evans	200,000	-	(200,000)	-	-	-	-	-
	<b>700,000</b>	<b>-</b>	<b>(700,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

2012	Balance at 1 July 2011	Granted as compensation	Exercised	Inception / (cessation) as key management person	Balance at 30 June 2012	Vested but not exercisable	Vested and exercisable	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	No.
Mr B W Ridgeway	-	-	-	-	-	-	-	-
Mr R W Kelly	-	-	-	-	-	-	-	-
Mr K A Dundo	-	-	-	-	-	-	-	-
Mr M Lemmel	-	-	-	-	-	-	-	-
Ms E Donaghey	-	-	-	-	-	-	-	-
Mr G E Weston	500,000	-	-	-	500,000	-	500,000	-
Mr D J Loughlin	500,000	-	(500,000)	-	-	-	-	-
Mr P A Evans	500,000	-	(300,000)	-	200,000	-	200,000	-
	<b>1,500,000</b>	<b>-</b>	<b>(800,000)</b>	<b>-</b>	<b>700,000</b>	<b>-</b>	<b>700,000</b>	<b>-</b>

No options were granted to or exercised by key management personnel in the current year.

## NOTES TO THE FINANCIAL REPORT

## 30 Related Party Disclosures (continued)

## (v) Performance rights granted by Imdex Limited

2013

	Balance at 1 July 2012 No.	Granted as compensation No.	Satisfied by the allocation/ allotment of shares No.	Expired No.	Closing balance at 30 June 2013 No.
Mr B W Ridgeway	349,897	264,818	-	-	614,715
Mr R W Kelly	-	-	-	-	-
Mr K A Dundo	-	-	-	-	-
Mr M Lemmel	-	-	-	-	-
Ms E Donaghey	-	-	-	-	-
Mr G E Weston	125,377	65,341	54,245	(55,540)	189,423
Mr D J Loughlin	122,639	58,239	53,981	(49,503)	185,356
Mr P A Evans	113,451	56,818	49,388	(48,295)	171,362
	<u>711,364</u>	<u>445,216</u>	<u>157,614</u>	<u>(153,338)</u>	<u>1,160,856</u>

2012

	Balance at 1 July 2011 No.	Granted as compensation No.	Satisfied by the allocation/ allotment of shares No.	Expired No.	Closing balance at 30 June 2012 No.
Mr B W Ridgeway	196,579	153,318	-	-	349,897
Mr R W Kelly	-	-	-	-	-
Mr K A Dundo	-	-	-	-	-
Mr M Lemmel	-	-	-	-	-
Ms E Donaghey	-	-	-	-	-
Mr G E Weston	120,897	48,611	(40,299)	(3,832)	125,377
Mr D J Loughlin	125,587	42,245	(41,862)	(3,331)	122,639
Mr P A Evans	111,806	42,245	(37,269)	(3,331)	113,451
	<u>554,869</u>	<u>286,419</u>	<u>(119,430)</u>	<u>(10,494)</u>	<u>711,364</u>

Performance rights expired where performance hurdles were not met. No value was received where performance rights expired.

More information on the Performance Rights Plan can be found in note 33.

## (vi) Other transactions with key management personnel (and their related parties) of Imdex Limited

(a) Mr K A Dundo is a Partner of the legal firm HopgoodGanim (formerly QLegal), that provided legal services to the Imdex Group on normal commercial terms and conditions. Total legal costs arising from HopgoodGanim (formerly QLegal) were \$116,619 (2012: \$549,874).

## (b) Transactions with Directors

	Note	2013 \$	2012 \$
Profit from ordinary activities before income tax includes the following items of income and expenses relating to transactions, other than compensation, with Directors or their related entities:			
Legal services expense	vi(a)	<u>116,619</u>	<u>549,874</u>
Total assets and liabilities arising from transactions, other than compensation, with Directors or their related entities:			
Current Liabilities	vi(a)	<u>5,731</u>	<u>39,826</u>

## (c) Parent entity

The ultimate parent entity in the Group is Imdex Limited, a Company incorporated in Western Australia.

## NOTES TO THE FINANCIAL REPORT

### 31 Key Management Personnel Compensation

#### Key management personnel compensation

The aggregate compensation of the key management personnel of the Group and the Company is set out below:

	2013 \$	2012 \$
Short-term employee benefits	2,724,775	2,969,289
Post-employment benefits	128,350	257,904
Other long-term benefits	122,942	97,552
Termination benefits	-	-
Share-based payments	388,522	381,164
	<u>3,364,589</u>	<u>3,705,909</u>

### 32 Staff Option Scheme

#### (a) Share Based Payment Arrangements

##### Staff Option Plan

The Group has in place a Staff Option Scheme (Scheme) to reward employees (including Key Management Personnel) for their past services as well as to provide an incentive for future efforts. The terms and conditions of the Scheme are set out in the Scheme Rules with the Board of Directors responsible for the administration of the Scheme. The options carry no rights to dividends and no voting rights. The options expire on their expiry date and at 30 June 2013 all remaining options have expired. Each employee share option converts to one ordinary share of Imdex Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. Options may be exercised at any time from the date of vesting to the date of expiry. The number of options granted to staff is generally based on an assessment of the performance of that staff member as determined by the Board of Directors. Staff are normally only eligible to receive options when they have been with the Company in excess of 6-12 months. Options expire when the option holder ceases to be employed by the Group.



## NOTES TO THE FINANCIAL REPORT

## 32 Staff Option Scheme (continued)

(b) The following share based payment arrangements were in existence during the current and comparative periods:

2013	Issue Date	Expiry Date	Exercise Price \$	Fair Value at Grant Date \$	Opening balance	Issued current year	Number of Options		Closing balance
							Exercised current year	Lapsed current year	
<b>Staff Options</b>									
Tranche 6	18-Oct-07	17-Oct-12	1.80	0.81	200,000	-	-	(200,000)	-
Tranche 7	28-Mar-08	27-Mar-13	3.00	0.42	3,693,333	-	-	(3,693,333)	-
					3,893,333	-	-	(3,893,333)	-

2012	Issue Date	Expiry Date	Exercise Price \$	Fair Value at Grant Date	Opening balance	Issued current year	Number of Options		Closing balance
							Exercised current year	Lapsed current year	
<b>Staff Options</b>									
Tranche 3 (i)	23-Feb-07	22-Feb-12	0.75	0.56	700,000	-	(700,000)	-	-
Tranche 4 (i)	23-Feb-07	22-Feb-12	1.00	0.48	2,263,167	-	(2,248,167)	(15,000)	-
Tranche 5 (i)	12-Jun-07	11-Jun-12	1.80	0.51	575,000	-	(75,000)	(500,000)	-
Tranche 6 (i)	18-Oct-07	17-Oct-12	1.80	0.81	200,000	-	-	-	200,000
Tranche 7 (i)	28-Mar-08	27-Mar-13	3.00	0.42	4,279,991	-	-	(586,658)	3,693,333
<b>Former Chairman's Options</b>									
Tranche 1 (ii)	19-Oct-06	18-Oct-11	0.75	0.35	500,000	-	(500,000)	-	-
					8,518,158	-	(3,523,167)	(1,101,658)	3,893,333

(i) Exercisable in one third lots in each year commencing one year after issue.

(ii) Expire on their expiry date and may be exercised after 2 years at any time to their expiry date.

## (c) Fair value of options granted during the financial year

No share options were issued in the current or prior year.

## NOTES TO THE FINANCIAL REPORT

### 32 Staff Option Scheme (continued)

#### (d) Exercised during the financial year

##### 2013

There were no options exercised during the year

##### 2012

Option Series	Number Exercised	Exercise Date	Weighted Average Share	Amount Paid (\$)	Amount Unpaid (\$)
			Price at Exercise Date (\$)		
Staff Options Tranche 3	700,000	Various	2.18	525,000	-
Staff Options Tranche 4	2,248,167	Various	2.14	2,218,168	-
Staff Options Tranche 5	75,000	16-Apr-12	2.93	135,000	-
Former Chairman's Options	500,000	08-Jul-11	2.46	375,000	-
	<u>3,523,167</u>				

#### (e) Balance at end of the financial year

There were no outstanding options at the the end of the financial year. The share options outstanding at the end of last year had a weighted average exercise price of \$2.94, and a weighted average remaining contractual life of 262 days.

#### (f) Reconciliation of movements in share options during the year

The following reconciles the outstanding share options granted under the Staff Option Scheme at the beginning and end of the financial year

	2013		2012	
	Number of Options	Weighted Average Exercise Price (\$)	Number of Options	Weighted Average Exercise Price (\$)
Balance at beginning of the financial year	3,893,333	2.04	8,518,158	2.04
Granted during the financial year	-	-	-	-
Exercised during the financial year	-	-	(3,523,167)	0.46
Expired/ forfeited during the financial year	(3,893,333)	2.04	(1,101,658)	1.60
Balance at end of the financial year	<u>-</u>	-	<u>3,893,333</u>	2.04
Exercisable at end of the financial year	-	-	3,893,333	-

## NOTES TO THE FINANCIAL REPORT

### 33 Performance Rights Plan

#### (a) Performance Rights Plan

At the Imdex Limited Annual General Meeting on 15 October 2009 the shareholders approved the formation of a Performance Rights Plan (PRP or Plan). The Plan allows for the issue of performance rights to employees from time to time. The quantum of performance rights granted to employees is at the discretion of the Directors and is generally based on seniority and level of contribution to the strategic goals of Imdex Limited. A performance right is the right to receive one fully paid Imdex Limited ordinary share for nil consideration should set hurdles be achieved and tenure of employment be maintained. The hurdles are set by the Directors when performance rights are issued and are generally linked to the achievement of financial or other strategic goals of Imdex Limited. If hurdles are achieved generally shares will be issued evenly over the 3 year period assuming continuity of employment.

#### (b) Performance rights granted in the current year

##### *Staff Performance Rights*

Tranche 10 comprising 1,261,991 performance rights was issued to employees on 28 September 2012 and are to be allotted in equal 1/3 lots annually beginning in August 2013. These performance rights are subject to profitability related hurdles as well as ongoing employment tenure. 1,223,528 of these performance rights expired due to performance hurdles not being met. The fair value of a performance right at grant date was \$1.62. The expected total cost of the estimated 38,463 fully paid ordinary shares to be issued in Imdex Limited will therefore be \$62,310. This value will be expensed over the vesting period from October 2012 to August 2015, with \$0.03 million expensed in the current year.

An additional 50,000 performance rights were issued under Tranche 7 to Key Management Personnel with 1/4 to be allotted in August 2014 with the remaining 3/4 to be allotted in August 2015. These performance rights are subject to ongoing employment tenure only. The fair value of a performance right at grant date was \$2.10. The expected total cost of the estimated 50,000 fully paid ordinary shares to be issued in Imdex Limited will therefore be \$0.1 million. This value will be expensed over the vesting period to August 2015, with \$0.2 million expensed in the current year.

Since their granting a number of performance rights have expired by virtue of staff leaving the employment of the Imdex Group, details of which are contained in the table below. One fully paid Imdex Limited ordinary shares will be issued in satisfaction of each performance right should specified targets be met.

For the purposes of the FY13 financial statements, the Directors have made an estimate of the likelihood of the achievement of FY13 targets and hence the number of fully paid Imdex Limited ordinary shares that are likely to be issued. An adjustment will be made in the next financial year should the actual number of shares issued be different from those estimated. It is estimated that out of the 1,311,991 performance rights granted, 88,463 will meet the required performance hurdles and will result in 88,463 fully paid Imdex Limited ordinary shares being issued over three years should employment tenure be retained.

##### *Managing Director's Performance Rights*

264,818 performance rights were granted to the Managing Director on 18 October 2012 following approval by the shareholders at the Annual General Meeting. One fully paid Imdex Limited ordinary share will be issued in satisfaction of each performance right should the specified earnings per share and total shareholder return targets be met over the 3 year measurement period from FY13 to FY15. The Managing Director is subject to two hurdles each with equal weighting. The first is that the Total Shareholder Return (TSR) of Imdex Limited must exceed the average TSR of the ASX300 over the 3 year measurement period. The second is that the Earnings Per Share of Imdex Limited must exceed the average EPS of the ASX300 over the 3 year measurement period.

Measurement against targets will only be possible once the FY15 independent audit report is signed in August 2015.

For the purposes of the FY13 financial statements, the Directors have made an estimate of the likelihood of the achievement of the specified targets and hence the number of fully paid Imdex Limited ordinary shares that are likely to be issued. Due to the hurdle being market related, adjustment will not be made in future periods should the actual number of shares issued be different from those estimated. It is estimated that out of the 264,818 performance rights issued, all will meet the required performance hurdles and will result in 264,818 fully paid Imdex Limited ordinary shares being issued on or about August 2015 should employment tenure be retained.

The fair value of a performance right at grant date was \$1.44 per right. The expected total cost of the estimated 264,818 fully paid ordinary shares to be issued in Imdex Limited will therefore be \$0.4 million. This value will be expensed over the vesting period from October 2012 to August 2015, with \$0.1 million expensed in the current year.

## NOTES TO THE FINANCIAL REPORT

### 33 Performance Rights Plan (continued)

#### (c) Performance rights Granted in the prior year

##### **Staff Performance Rights**

1,465,090 performance rights were granted to employees during the prior year in 3 tranches (Tranches 7, 8 and 9 in the table below):

- Tranche 7 – 615,000 performance rights were issued to Key Management Personnel with 1/4 to be allotted in August 2014 with the remaining 3/4 to be allotted in August 2015. These performance rights are subject to ongoing employment tenure only. The fair value of a performance right at grant date was \$2.10. The expected total cost of the estimated 615,000 fully paid ordinary shares to be issued in Imdex Limited will therefore be \$1.3 million. This value will be expensed over the vesting period from September 2011 to August 2015, with \$0.2 million expensed in the prior year.
- Tranche 8 – 15,000 performance rights were issued to an employee and all were allotted in August 2013. The fair value of a performance right at grant date was \$2.08. The expected total cost of the estimated 15,000 fully paid ordinary shares to be issued in Imdex Limited will therefore be \$0.03 million and has been fully expensed in the prior year.
- Tranche 9 – 835,090 performance rights were issued to employees and are to be allotted in equal 1/3 lots annually beginning in August 2012. These performance rights are subject to profitability related hurdles as well as ongoing employment tenure. 21,743 of these performance rights expired due to performance hurdles not being met. The fair value of a performance right at grant date was \$1.79. The expected total cost of the estimated 813,347 fully paid ordinary shares to be issued in Imdex Limited will therefore be \$1.5 million. This value will be expensed over the vesting period from October 2011 to August 2014, with \$0.9 million expensed in the prior year.

Since their granting a number of performance rights have expired by virtue of staff leaving the employment of the Imdex Group, details of which are contained in the table below. One fully paid Imdex Limited ordinary shares will be issued in satisfaction of each performance right should specified targets be met.

##### **Managing Director's Performance Rights**

153,318 performance rights were granted to the Managing Director on 20 October 2011 following approval by the shareholders at the Annual General Meeting. One fully paid Imdex Limited ordinary shares will be issued in satisfaction of each performance right should the specified earnings per share and total shareholder return targets be met over the 3 year measurement period from FY12 to FY14. The Managing Director is subject to two hurdles each with equal weighting. The first is that the Total Shareholder Return (TSR) of Imdex Limited must exceed the average TSR of the ASX300 over the 3 year measurement period. The second is that the Earnings Per Share of Imdex Limited must exceed the average EPS of the ASX300 over the 3 year measurement period.

Measurement against targets will only be possible once the FY14 independent audit report is signed in August 2014.

The fair value of a performance right at grant date was \$1.91 per right. The expected total cost of the estimated 153,318 fully paid ordinary shares to be issued in Imdex Limited will therefore be \$0.3 million. This value will be expensed over the vesting period from October 2011 to August 2014, with \$0.1 million expensed in the prior year.

## NOTES TO THE FINANCIAL REPORT

### 33 Performance Rights Plan (continued)

#### (d) Summary of performance rights outstanding

2013	Grant Date	Expiry Date	Exercise Price \$	Estimated Fair Value at Grant Date	Estimated Number of Performance Rights				
					Opening balance	Granted	Satisfied by the issue of shares	Expired <sup>^</sup>	Closing balance
Tranche 1	19-Feb-10	Aug-14	-	0.685	121,199	-	(121,199)	-	-
Tranche 2	3-Dec-10	Aug-15	-	1.395	1,294,474	-	(661,179)	(53,178)	580,117
Tranche 4	10-Jun-11	Aug-16	-	2.160	133,333	-	(66,667)	-	66,666
MD Tranche	14-Oct-10	Oct-15	-	1.140	196,579	-	-	-	196,579
MD Tranche	20-Oct-11	Oct-16	-	1.910	153,318	-	-	-	153,318
Tranche 7	5-Sep-11	Aug-15	-	2.100	615,000	50,000	-	-	665,000
Tranche 8	29-Aug-11	Aug-16	-	2.080	15,000	-	(15,000)	-	-
Tranche 9	7-Oct-11	Aug-16	-	1.790	813,347	-	(256,667)	(118,869)	437,811
Tranche 10	28-Sep-12	Aug-17	-	1.620	-	1,261,991	-	(1,223,528)	38,463
MD Tranche	18-Oct-12	Oct-17	-	1.440	-	264,818	-	-	264,818

2012	Grant Date	Expiry Date	Exercise Price \$	Estimated Fair Value at Grant Date \$	Estimated Number of Performance Rights				
					Opening balance	Granted	Satisfied by the issue of shares	Expired <sup>^</sup>	Closing balance
Tranche 1	19-Feb-10	Aug-14	-	0.685	253,669	-	(126,835)	(5,635)	121,199
Tranche 2	3-Dec-10	Aug-15	-	1.395	2,072,372	-	(677,001)	(100,897)	1,294,474
Tranche 3	28-Jan-11	Aug-15	-	1.990	200,000	-	(66,667)	(133,333)	-
Tranche 4	10-Jun-11	Aug-16	-	2.160	200,000	-	(66,667)	-	133,333
MD Tranche	14-Oct-10	Oct-15	-	1.140	196,579	-	-	-	196,579
MD Tranche	20-Oct-11	Oct-16	-	1.910	-	153,318	-	-	153,318
Tranche 7	5-Sep-11	Aug-15	-	2.100	-	615,000	-	-	615,000
Tranche 8	29-Aug-11	Aug-16	-	2.080	-	15,000	-	-	15,000
Tranche 9	7-Oct-11	Aug-16	-	1.790	-	835,090	-	(21,743)	813,347

<sup>^</sup> - Performance rights expire either on failure to maintain employment tenure or on failure to satisfy performance hurdles. Reinstatements occur from time to time to correct historical errors when noted.



## NOTES TO THE FINANCIAL REPORT

### 34 Parent Entity Information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 2 for a summary of the significant accounting policies relating to the Group.

#### **Financial Position**

	<b>30 June 2013</b>	<b>30 June 2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>		
Current Assets	75,014	2,744
Non Current Assets	165,298	162,571
<b>Total Assets</b>	<b>240,312</b>	<b>165,315</b>
<b>Liabilities</b>		
Current Liabilities	11,923	64,455
Non Current Liabilities	40,712	23,860
<b>Total Liabilities</b>	<b>52,635</b>	<b>88,315</b>
<b>Net Assets</b>	<b>187,677</b>	<b>77,000</b>
<b>Equity</b>		
Issued Capital	89,269	86,069
Shares Reserved for Performance Rights Plan	(952)	(3,740)
Investment Revaluation Reserve	396	295
Employee Equity-Settled Benefits Reserve	6,087	6,385
Retained Earnings/ (Accumulated Losses)	92,877	(12,009)
<b>Total Equity</b>	<b>187,677</b>	<b>77,000</b>

#### **Financial Performance**

	<b>Year Ended</b>	<b>Year Ended</b>
	<b>30 June 2013</b>	<b>30 June 2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss for the year	(20,672)	(12,686)
Other comprehensive income, net of income tax	102	107
<b>Total comprehensive income</b>	<b>(20,570)</b>	<b>(12,579)</b>
Accumulated Losses at the beginning of the financial year	(12,009)	(16,275)
Loss for the year	(20,364)	(12,686)
Amounts transferred from employee equity-settled benefits reserve	(1,159)	(721)
Dividend received	126,409	17,673
<b>Retained Earnings/ (Accumulated Losses) at the end of the financial year</b>	<b>92,877</b>	<b>(12,009)</b>

## NOTES TO THE FINANCIAL REPORT

### 34 Parent Entity Information (continued)

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*

	30 June 2013 \$'000	30 June 2012 \$'000
Guarantee provided under the deed of cross guarantee	91,494	77,611

*Contingent liabilities of the parent entity*

-	-
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*Commitments for the acquisition of property, plant and equipment by the parent entity*

**Plant and equipment**

Within one year	-	-
Between one and five years	-	-
Later than five years	-	-
	-	-

### 35 Subsequent Events

Subsequent to year end the Directors declared a 0.40 cent per share fully franked dividend with a record date of 11 October 2013 and a payment date of 25 October 2013. The effect of this dividend has not been reflected in this financial report.

## ADDITIONAL SECURITIES EXCHANGE INFORMATION AS AT 28 AUGUST 2013

### (a) Distribution of Shareholders

	Number of Fully Paid Ordinary Shareholders	Number of Performance Rights Holders
1 – 1,000	509	27
1,001 – 5,000	1,312	80
5,001 – 10,000	756	27
10,001 – 100,000	1,130	29
100,001 – and over	112	2
	<b>3,819</b>	<b>165</b>
Holding less than a marketable parcel	299	-

### (b) Substantial Shareholders

#### Ordinary Shareholders

	Fully Paid Number	Percentage
HSBC Custody Nominees (Australia) Limited	53,143,546	25.25%
J P Morgan Nominees Australia Limited	28,860,701	13.71%

### (c) Twenty Largest Holders of Quoted Equity Securities

#### Ordinary Shareholders

	Fully Paid Number	Percentage
HSBC Custody Nominees (Australia) Limited	53,143,546	25.25%
J P Morgan Nominees Australia Limited	28,860,701	13.71%
JP Morgan Nominees Australia Limited (Cash Income Account)	12,028,602	5.72%
RBC Investor Services Australia Nominees Pty Limited (Pi Pooled Account)	10,856,648	5.16%
National Nominees Limited	7,123,053	3.38%
Citicorp Nominees Pty Limited	5,550,787	2.64%
Citicorp Nominees Pty Limited (Colonial First State Inv Account)	5,262,775	2.50%
BNP Paribas Noms Pty Ltd (DRP)	4,298,812	2.04%
Telic Alcatel (Australia) Pty Ltd (Middendorp Directors SuperFund Account)	3,028,152	1.44%
Mr John Andrew Knox + Ms Janice Ann Knox (The JA Family Account)	2,928,627	1.39%
Aust Executor Trustees Ltd (Charitable Foundation)	1,781,067	0.85%
Mr Richard Karl Hill (Icena Account)	1,500,000	0.71%
Mr Petrus Middendorp	1,495,372	0.71%
Keeble Nominees Pty Ltd (Ridgeway Super Fund Account)	1,226,737	0.58%
Wear Services Pty Ltd	987,893	0.47%
Mr David Charles Lawie (COG Family Account)	978,042	0.46%
SAO Group Pty Ltd (The Springbank Family Account)	978,042	0.46%
UBS Nominees Pty Ltd (TP00014 15 Account)	944,050	0.45%
Dimana Holdings Pty Ltd	900,000	0.43%
CS Fourth Nominees Pty Ltd	887,510	0.42%
	<b>144,760,416</b>	<b>68.78%</b>

## ADDITIONAL SECURITIES EXCHANGE INFORMATION AS AT 28 AUGUST 2013

**(d) Director and Company Secretary Shareholdings**

Name	Number of Shares	Number of Options	Number of Performance Rights
Mr R W Kelly	380,000	-	-
Mr B W Ridgeway	2,214,630	-	614,716
Mr K A Dundo	150,000	-	-
Mr M Lemmel	648,000	-	-
Ms E Donaghey	210,000	-	-
Mr P A Evans	346,657	-	179,884
	<b>3,949,287</b>	<b>-</b>	<b>794,600</b>

**(e) Company Secretary**

Mr Paul Anthony Evans

**(f) Registered Office**

8 Pitino Court  
Osborne Park  
Western Australia  
6018  
Phone: (08) 9445 4010

**(g) Share Registry**

Computershare Investor Services  
Level 2  
45 St Georges Terrace  
Perth WA 6000  
Phone: (08) 9323 2000

## Company History

17 December 1980	Australian company Pilbara Gold NL incorporated
21 July 1985	Pilbara Gold NL changed name to Imdex Limited
24 September 1987	Imdex Limited listed on the ASX
1988	Formation of Australian Mud Company
1997	Acquisition of Surtron Technologies Pty Ltd and Ace Drilling Supplies
2001	Joint venture formed with Imdex and Rashid Trading Establishment (RTE) in Saudi Arabia
1 July 2005	Sale of Imdex Minerals
1 August 2005	Acquisition of African based company Samchem
1 August 2006	Acquisition of Swedish based REFLEX Group of Companies and United Kingdom based company Chardec
1 May 2007	Acquisition of Swedish based company Flexit
1 July 2007	Ace merged with REFLEX. Imdex finalised the sale of its interest in Imdex Arabia to RTE. Acquisition of Canadian based Poly-Drill and a 75% interest in Kazakhstan based Suay Energy Services
31 October 2007	Sale of Surtron Technologies
1 November 2007	Acquisition of Chilean based company Southernland



1 January 2008	Acquisition of German based company System Entwicklungs
1 July 2008	Acquisition of the remaining 25% of Kazakhstan based Suay Energy Services
1 September 2008	Acquisition of Australian based company Wildcat Chemicals Australia
1 July 2010	New regional structure implemented and business reporting streamlined into Minerals and Oil & Gas Divisions
1 September 2010	Acquisition of Australian based companies Fluidstar and Ecospin
1 March 2011	Acquisition of German based company Mud-Data
1 July 2011	Formation of DHS Services joint venture
1 July 2011	Acquisition of Australian based company Australian Drilling Specialties Pty Ltd
1 August 2011	Acquisition of Brazilian based company System Mud Indústria e ComércioLtda
1 January 2012	Acquisition of Vaughn Energy Services (VES) by Imdex's DHS Services joint venture
1 November 2012	Acquisition of ioGlobal Pty Ltd, ioAnalytics Pty Ltd and ioGlobal Solutions Inc. (together ioGlobal).
1 December 2012	DHS Services and Vaughn Energy Services rebranded as VES International





Core sample

## Innovative Technologies Integrated Solutions Global Support

Imdex delivers leading innovative technologies to the global minerals industry and niche oil and gas markets, focusing on integrated solutions that enhance customers' operations and deliver value for shareholders. The company achieves this through its extensive industry knowledge and commitment to product development, ensuring innovative, simple to use and fit-for purpose technologies.

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