

IMDEX Limited
ABN 78 008 947 813
216 Balcatta Road, Balcatta WA 6021 Australia
PO Box 1262, Osborne Park WA 6916 Australia

imdexlimited.com
T +61 (0) 8 9445 4010
E imdex@imdexlimited.com



17 February 2020

ASX Limited
Company Announcements Office
Exchange Centre
20 Bridge Street
SYDNEY NSW 2001

BY ELECTRONIC LODGEMENT

Dear Sir / Madam

ASX APPENDIX 4D AND INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2019.

Please find attached Imdex Limited's Appendix 4D and Interim Financial Report for the Half Year Ended 31 December 2019, inclusive of the Auditors Review Report and Independence Declaration.

Yours faithfully
Imdex Limited

A handwritten signature in blue ink, appearing to read "P. Evans", with a long horizontal flourish extending to the right.

Paul Evans
Company Secretary

These have been approved for lodgement by the IMDEX Board of Directors.

IMDEX LIMITED

ABN 78 008 947 813

ASX Appendix 4D “Half Year” Report and Interim Directors’ Report and Financial Report

for the Half Year ended 31 December 2019

The ASX Appendix 4D “Half Year” Report is provided to ASX in accordance with Listing Rule 4.2A for announcement to the market.

Current Reporting Period: 31 December 2019

Previous Corresponding Reporting Period: 31 December 2018

The Financial Report had been subject to review and is not subject to dispute or qualification. The auditors review report is included herein.

The interim Financial Report has been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The interim Financial Report does not include all the notes of the type normally included in an annual Financial Report and hence should be read in conjunction with the latest annual report of Imdex Limited, being for the financial year ended 30 June 2019.

In addition, reference should be made to any public announcements made by Imdex Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 (Cth).

IMDEX LIMITED
and its controlled entities

APPENDIX 4D HALF YEAR REPORT 31 DECEMBER 2019

			Consolidated	
	Notes	% Change up	Half Year Ended 31 Dec 2019 \$'000	Half Year Ended 31 Dec 2018 \$'000
Revenue from ordinary activities	(i)	2%	127,882	125,045
Net profit for the period	(i)	35%	18,221	13,527
Net profit attributable to members	(i)	35%	18,221	13,527
Interim dividend (cents per share)	(ii)		1.0	0.8
Net tangible assets per ordinary security (cents)			42.08	38.06

- (i) The announcement made to ASX on 17 February 2020 provides an explanation of the Group's financial results and operating performance for the half year ended 31 December 2019.
- (ii) The FY20 interim fully franked dividend was declared on 14 February 2020 with a record date of 10 March 2020 and a payment date of 24 March 2020. There are no dividend reinvestment plans in operation.

IMDEX LIMITED
and its controlled entities

DIRECTORS' REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2019

The Directors of Imdex Limited submit herewith the financial report of Imdex Limited and its subsidiaries (the Group or Consolidated Entity) for the half year ended 31 December 2019. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The Directors of the Company during or since the end of the Half Year are:

Name	Period of Directorship
Mr Anthony Wooles, Non-Executive Chairman	Appointed 1 July 2016
Mr Bernie Ridgeway, Managing Director	Appointed 23 May 2000
Mr Kevin Dundo, Non-Executive Director	Appointed 14 January 2004
Mr Ivan Gustavino, Non-Executive Director	Appointed 3 July 2015
Ms Sally-Anne Layman, Non-Executive Director	Appointed 6 February 2017

Review of Operations

	Consolidated	
	Half Year Ended 31 Dec 2019 \$'000	Half Year Ended 31 Dec 2018 \$'000
Total Revenue from ordinary activities	127,882	125,045
Profit from ordinary activities after tax for the half year	18,221	13,527
Total Profit after tax for the half year	18,221	13,527
Basic earnings per share (cents)	4.75	3.65

The profit after tax for the half year ended 31 December 2019 was \$18.2 million (31 December 2018: Profit \$13.5 million) The result was achieved on total revenue of \$127.9 million (31 December 2018: \$125.0 million).

Profit per share from total operations was 4.75 cents per share (31 December 2018: Profit of 3.65 cents per share).

The Group adopted new accounting standard AASB 16 *Leases* from 1 July 2019 using the modified retrospective approach; therefore, any comparative information has not been restated and continues to be reported under AASB 117.

Further details on the operations and overall results are contained in the Financial Report and the announcement made to the ASX on 17 February 2020 regarding the Group's financial results and operating performance for the half year ended 31 December 2019.

IMDEX LIMITED
and its controlled entities

DIRECTORS' REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires the auditor, Deloitte Touche Tohmatsu, to provide the Directors of Imdex Limited with an Independence Declaration in relation to the review of the Half Year Financial Report. The Independence Declaration is on the next page.

Rounding Off of Amounts

The amounts contained in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) where noted (\$'000) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

Signed in accordance with a resolution of the Directors pursuant to s.306(3) of the Corporations Act 2001.

Dated at PERTH, Western Australia, 14 February 2020

A handwritten signature in black ink, appearing to read 'A. Wooles', with a long horizontal flourish extending to the right.

Anthony Wooles
Chairman

The Board of Directors
IMDEX Limited
216 Balcatta Road
Balcatta WA 6021

14 February 2020

Dear Directors

Auditor's Independence Declaration to 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 review of the financial statements of IMDEX Limited for the half year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



D K Andrews
Partner
Chartered Accountants

Independent Auditor's Review Report to the members of IMDEX Limited

We have reviewed the accompanying half-year financial report of IMDEX Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2019 and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the director's declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 6 to 16.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of IMDEX Limited ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte.

Auditor's Independence Declaration

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of IMDEX Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



D K Andrews

Partner

Chartered Accountants

Perth, 14 February 2020

IMDEX LIMITED
and its controlled entities

DIRECTORS' DECLARATION

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (b) in the Directors' opinion, the attached Financial Report 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 Consolidated Entity.

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

Dated at PERTH, Western Australia, 14 February 2020

A handwritten signature in black ink, appearing to read 'A. Wooles', with a long horizontal flourish extending to the right.

Anthony Wooles
Chairman

IMDEX LIMITED
and its controlled entities

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2019**

	Half Year Ended	
	31 Dec 2019 \$'000	31 Dec 2018 \$'000
Revenue from sale of goods and operating lease rental	127,747	124,975
Other revenue from operations	135	70
Total revenue	127,882	125,045
Other income	3,625	300
Raw materials and consumables used	(41,445)	(43,733)
Employee benefit expense	(33,319)	(33,836)
Depreciation expense	(10,632)	(5,950)
Amortisation expense	(104)	(104)
Finance costs	(1,020)	(401)
Other expenses	(21,684)	(22,468)
Profit for the period before tax	23,303	18,853
Income tax expense	(5,082)	(5,326)
Profit for the period	18,221	13,527
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences arising on the translation of foreign operations	(900)	1,773
Other comprehensive income for the period, net of income tax	(900)	1,773
Total comprehensive income for the period	17,321	15,300
Profit attributable to owners of the parent	18,221	13,527
Total comprehensive income attributable to owners of the parent	17,321	15,300
Earnings per share		
From continuing operations		
Basic earnings per share (cents)	4.75	3.65
Diluted earnings per share (cents)	4.61	3.46

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

IMDEX LIMITED
and its controlled entities

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Current Assets			
Cash and Cash Equivalents		31,731	29,476
Trade Receivables		53,079	54,723
Inventories		36,162	37,055
Current Tax Assets		1,019	961
Other		6,572	6,391
Total Current Assets		128,563	128,606
Non-Current Assets			
Property, Plant and Equipment		42,712	39,367
Right-of-Use Assets	1	35,282	-
Deferred Tax Assets		24,763	21,019
Goodwill and other intangibles		59,225	59,531
Other		11,788	10,690
Total Non-Current Assets		173,770	130,607
Total Assets		302,333	259,213
Current Liabilities			
Trade and Other Payables		25,695	25,336
Lease Liabilities	1	5,744	-
Borrowings		9	67
Current Tax Liabilities		3,020	1,362
Provisions		5,041	6,067
Total Current Liabilities		39,509	32,832
Non-Current Liabilities			
Lease liabilities	1	33,939	-
Borrowings		6,198	6,172
Provisions		166	197
Total Non-Current Liabilities		40,303	6,369
Total Liabilities		79,812	39,201
Net Assets		222,521	220,012
Equity			
Issued Capital	2	158,697	156,483
Reserves		4,986	6,820
Retained Earnings		58,838	56,709
Total Equity		222,521	220,012

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

IMDEX LIMITED

and its controlled entities

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Reserves			Reserves Total	Fully Paid Ordinary Shares	Retained Earnings	Total Attributable to Equity Holders of the Entity
	Shares reserved for Performance Rights Plan	Foreign Currency Translation Reserve	Employee Equity- Settled Benefits Reserve				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2018	(18)	(6,110)	8,174	2,046	151,969	32,111	186,126
Exchange differences on translation of foreign operations after taxation	-	1,773	-	1,773	-	-	1,773
Profit for the period	-	-	-	-	-	13,527	13,527
Total comprehensive income for the period	-	1,773	-	1,773	-	13,527	15,300
Granting/settlement of performance rights	-	-	(1,611)	(1,611)	1,611	-	-
Share based payments - performance rights	-	-	1,370	1,370	-	-	1,370
Balance at 31 December 2018	(18)	(4,337)	7,933	3,578	153,580	45,638	202,796
Balance at 1 July 2019 (as previously reported)	-	(2,261)	9,081	6,820	156,483	56,709	220,012
Effect of change in accounting policy for initial application of AASB 16	-	-	-	-	-	(2,898)	(2,898)
Balance at 1 July 2019 (as restated)	-	(2,261)	9,081	6,820	156,483	53,811	217,114
Exchange differences on translation of foreign operations after taxation	-	(900)	-	(900)	-	-	(900)
Profit for the period	-	-	-	-	-	18,221	18,221
Total comprehensive income for the period	-	(900)	-	(900)	-	18,221	17,321
Granting/settlement of performance rights	-	-	(2,214)	(2,214)	2,214	-	-
Share based payments - performance rights	-	-	1,280	1,280	-	-	1,280
Dividends paid	-	-	-	-	-	(13,194)	(13,194)
Balance at 31 December 2019	-	(3,161)	8,147	4,986	158,697	58,838	222,521

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

IMDEX LIMITED
and its controlled entities

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019**

	Half Year Ended	
	31 Dec 2019 \$'000	31 Dec 2018 \$'000
Cash Flows From Operating Activities		
Receipts from customers	140,835	140,773
Payments to suppliers and employees	(111,087)	(118,400)
Interest and other costs of finance paid	(273)	(298)
Income tax paid	(4,621)	(3,094)
Net cash provided by Operating Activities	24,854	18,981
Cash Flows From Investing Activities		
Interest received	135	71
Payment for property, plant and equipment	(11,389)	(6,553)
Investment in Flexidrill	(1,098)	-
Proceeds sale of investment	6,362	-
Net cash used in Investing Activities	(5,990)	(6,482)
Cash Flows From Financing Activities		
Dividends paid	(13,194)	-
Payment of interest on lease liabilities	(724)	-
Repayment of the principal portion of lease liabilities	(2,489)	-
Payments of obligations under finance leases	(19)	(67)
Net cash used in Financing Activities	(16,426)	(67)
Net increase in Cash and Cash Equivalents Held	2,438	12,432
Cash and Cash Equivalents At The Beginning Of The Period	29,476	13,942
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(183)	392
Cash and Cash Equivalents At The End Of The Period	31,731	26,766

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

IMDEX LIMITED
and its controlled entities
NOTES TO THE FINANCIAL REPORT

1. Summary of Significant Accounting Policies

Statement of Compliance

The half year report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting". The half year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Basis of Preparation

The half year condensed consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2019, except for the change in accounting requirements set out below.

New and revised Accounting Standards adopted from 1 July 2019

The Group has adopted all new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to the Group and effective for annual reporting periods beginning on or after 1 July 2019. New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

AASB 16: Leases

The Group adopted AASB 16 on 1 July 2019 using the modified retrospective approach; therefore, any comparative information has not been restated and continues to be reported under AASB 117. On transition to AASB 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases to those contracts that had already been identified as leases under AASB 117. The definition of a lease under AASB 16 has only been applied to contracts entered into, or changed, on or after 1 July 2019.

From 1 July 2019, the following components are recognised in relation to leases:

Balance Sheet component	Description	Measurement at recognition	Subsequent measurement
Right-of-Use asset	The right to use the underlying asset	Cost comprising: <ul style="list-style-type: none"> • Initial measurement of the liability; • Any lease payments pre-commencement date, offset by any lease incentive received; • Initial direct costs; and • Restoration costs. 	The Right-of-Use asset is depreciated over the shorter of the asset's useful life and the term of the lease, on a straight-line basis.
Lease liability	The obligation to make lease payments	Net Present Value of the lease payments, being: <ul style="list-style-type: none"> • Fixed payments, offset by any lease incentives receivable; • Variable lease payments linked to an index or rate; • Exercise price of a purchase option (where the Group is reasonably certain to exercise that option); and • Payment of penalties for terminating the lease (where the life of the lease has assumed termination). 	Payments made are allocated between liability and finance cost, with the finance cost charged to the interest expense over the life of the lease.

INDEX LIMITED
and its controlled entities
NOTES TO THE FINANCIAL REPORT

1. Summary of Significant Accounting Policies (continued)

New and revised Accounting Standards adopted from 1 July 2019 (continued)

AASB 16: Leases (continued)

AASB 16 changes how the Group accounts for leases previously classified as operating leases under AASB 117, which were off balance sheet.

Applying AASB 16, for all leases (except as noted below), the Group:

- a) Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with AASB 16:C8(b)(ii);
- b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and
- c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under AASB 117 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

Under AASB 16, right-of-use assets are tested for impairment in accordance with AASB 136.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by AASB 16. This expense is presented within 'other expenses' in profit or loss.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying AASB 117:

- The Group has not reassessed whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with AASB 117 and Interpretation 4 will continue to be applied to those leases entered or changed before 1 July 2019.
- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 July 2019 is 4.5%.

The following table shows the operating lease commitments disclosed applying AASB 117 at 30 June 2019, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

Impact on retained earnings as at 1 July 2019

	\$'000
Operating lease commitments at 30 June 2019 (as previously reported)	(39,082)
Short-term leases and leases of low-value assets	188
Effect of discounting the above amounts	9,383
Present value of the lease payments due in periods covered by extension options that are included in the lease term and not previously included in operating lease commitments	<u>(2,313)</u>
Lease liabilities recognised at 1 July 2019	(31,824)
Right-of-use assets recognised at 1 July 2019	27,697
Deferred tax effect of above adjustments	<u>1,229</u>
Amount recognised in retained earnings	<u>(2,898)</u>

IMDEX LIMITED
and its controlled entities
NOTES TO THE FINANCIAL REPORT

1. Summary of Significant Accounting Policies (continued)

New and revised Accounting Standards adopted from 1 July 2019 (continued)

AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business

IMDEX has chosen to early adopt “AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business” in the current year which results in the transaction for the acquisition of Flexidrill (see Note 6 – Subsequent Events) being considered an asset acquisition, not a business combination under “AASB 3 Business Combinations”.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group’s accounting policies, 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.

Income tax expense is recognised based on management’s best estimate of the weighted average effective annual income tax rate expected for the full financial year, consistent with AASB 134.28.

2. Issued Capital

	Notes	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Issued and Paid Up Capital - Fully paid ordinary shares	(i)	158,697	156,483

	31 Dec 2019		30 Jun 2019	
	Number	\$'000	Number	\$'000
Issued and Paid Up Capital - Fully paid ordinary shares				
Balance at beginning of the financial year	378,825,085	156,483	369,654,426	151,969
Issue of shares to secure deposit	-	-	2,546,415	2,903
Issue of shares in satisfaction of performance rights	9,232,172	2,214	6,624,244	1,611
Closing balance at end of the financial year	388,057,257	158,697	378,825,085	156,483

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

IMDEX LIMITED
and its controlled entities
NOTES TO THE FINANCIAL REPORT

3. Dividends

	Half Year Ended 31 Dec 2019		Half Year Ended 31 Dec 2018	
	Cents per share	\$'000	Cents per share	\$'000
Recognised amounts				
Fully paid ordinary shares – final dividend franked to 30%	1.4	5,433	-	-
Fully paid ordinary shares – special dividend franked to 30%	2.0	7,761	-	-
Unrecognised amounts				
Fully paid ordinary shares – interim dividend franked to 30%	1.0	3,881	0.8	3,010

The FY20 interim fully franked dividend was declared on 14 February 2020 with a record date of 10 March 2020. The financial effect of the dividend has not been recognised in the financial statements at 31 December 2019.

4. Segment Information

The primary means by which the Board and Management view the business and make key decisions is based on geographical lines. The Segment Information has been amended to align to this reporting structure.

The Group comprises the following reportable segments which are based on the Group's internal management reporting system:

- (i) AM - Americas: This geographical segment covers North and South American countries;
- (ii) APAC – Asia Pacific: This geographical segment covers Australia, Asian and Pacific Ocean countries; and
- (iii) AE – Africa / Europe: This geographical segment covers European, Middle Eastern and African countries.

	Half Year	
	31 Dec 19 \$'000	31 Dec 18 \$'000
(a) Segment Revenues		
AM - Americas	55,653	56,866
APAC – Asia Pacific	41,334	38,460
AE – Africa / Europe	30,760	29,649
Total of all segments	127,747	124,975
Unallocated revenue	135	70
Total revenue	127,882	125,045

IMDEX LIMITED
and its controlled entities
NOTES TO THE FINANCIAL REPORT

4. Segment Information (continued)

	Half Year	
	31 Dec 19 \$'000	31 Dec 18 \$'000
(b) Segment Results		
AM - Americas	8,824	9,852
APAC – Asia Pacific	15,170	14,038
AE – Africa / Europe	9,630	7,926
Total of all segments	33,624	31,816
Engineering and Product Development Costs (i)	(9,197)	(8,166)
Central administration costs (ii)	(4,749)	(4,797)
Net gain on sale of investment	3,625	-
Profit before income tax expense	23,303	18,853
Income tax expense	(5,082)	(5,326)
Profit attributable to ordinary equity holders of Imdex Limited	18,221	13,527

- (i) Engineering and Product Development consists of costs directly associated with the Company's development of products. This includes materials, personnel and related costs (including salaries and benefits) and an allocation of overhead costs.
- (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.

Segment profit represents the profit earned by each segment without the allocation of the corporate portion of head office central administration costs, directors' salaries, net finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

	31 Dec 19 \$'000	30 Jun 19 \$'000
	(c) Segment Assets	
AM - Americas	94,583	87,565
APAC – Asia Pacific	112,246	91,361
AE – Africa / Europe	48,286	45,344
Total of all segments	255,115	224,270
Unallocated	47,218	34,943
Consolidated	302,333	259,213

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments other than deferred tax assets, other intangibles, the corporate portion of the head office Right-of-Use Asset and treasury cash.

IMDEX LIMITED
and its controlled entities
NOTES TO THE FINANCIAL REPORT

5. Contingent Liabilities and Contingent Assets

The Group is party to legal proceedings and claims which arise in the normal course of business. Any liabilities may be mitigated by legal defences, insurance, and third party indemnities. Unless recognised as a provision, management do not consider it to be probable that they will require settlement at the Group's expense.

(i) Contingent Liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non- occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

(ii) Contingent Assets

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non- occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

6. Subsequent Events

With effect from 6 January 2020, Imdex Limited acquired the patent protected drilling technologies, COREVIBE™ and MAGHAMMER™ through the acquisition of 100% of the issued capital of Flexidrill Construction Pty Ltd and Flexidrill Investments Pty Ltd (together "Flexidrill"), incorporated in New Zealand and operating out of premises located in New Zealand.

The agreed acquisition price is NZ\$40 million. The Group has paid \$7.1 million in cash and issued IMDEX Limited ordinary shares to the value \$5.2 million up to and including the settlement date. The balance of the agreed acquisition price will be settled through:

- The issue of NZ\$2.5 million of IMDEX Limited ordinary shares and the payment of NZ\$2.5 million cash upon the successful commercialisation of MAGHAMMER™;
- The payment of royalties on revenues generated from the COREVIBE™ and MAGHAMMER™ technologies;
- The payment of dividends on the IMDEX Limited ordinary shares issued; and
- The share price appreciation on those IMDEX Limited ordinary shares over a 4 year period from the date of their issue.

The allocation of consideration to identifiable assets and liabilities of Flexidrill remains in progress at the date of this report. However, it is expected that the fair value of consideration payable will be concentrated into the intangible assets acquired.

IMDEX has chosen to early adopt "AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business" in the current year which results in this transaction being considered an asset acquisition, not a business combination under "AASB 3 Business Combinations".

Other than the asset acquisition above, there are no other matters or circumstances that have arisen since the end of the half-year which will significantly affect, or may significantly affect the state of affairs or operations of the reporting entity in future financial periods.