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ABN 78 008 947 813

16 February 2015

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

BY ELECTRONIC LODGEMENT

Dear Sirs

**ASX APPENDIX 4D AND INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2014.**

Please find attached Imdex Limited's Appendix 4D and Interim Financial Report for the Half Year Ended 31 December 2014, inclusive of the Auditors Review Report and Independence declaration.

Yours faithfully  
**Imdex Limited**

**Paul Evans**  
Company Secretary



# IMDEX LIMITED

ABN 78 008 947 813

## ASX Appendix 4D "Half Year" Report and Interim Directors' Report & Financial Report

for the Half Year ended 31 December 2014

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

<b>Current Reporting Period:</b>	<b>31 December 2014</b>
<b>Previous Corresponding Reporting Period:</b>	<b>31 December 2013</b>

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 2014.

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 2014

		<b>Consolidated</b>	
		<b>Half Year Ended</b>	<b>Half Year Ended</b>
		<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
		<b>\$ 000's</b>	<b>\$ 000's</b>
	<b>Notes</b>	<b>% Change up / (down)</b>	
Revenue from ordinary activities	(i)	10%	
			<u>101,502</u>
			<u>92,152</u>
Profit from ordinary activities after tax attributable to members	(i),(ii)	(37%)	
			<u>9,677</u>
			<u>15,333</u>
Net profit for the period attributable to members	(i),(ii)	(37%)	
			<u>9,677</u>
			<u>15,333</u>
Interim dividend (cents per share)			
			<u>-</u>
			<u>-</u>
Final dividend (cents per share)			
			<u>-</u>
			<u>0.40</u>
Net tangible assets per ordinary security (cents)			
			<u>58.91</u>
			<u>66.58</u>

(i) The announcement made to ASX on 16 February 2015 provides an explanation of the Group's financial results and operating performance for the half year ended 31 December 2014.

(ii) The Group's profit for the half year ended 31 December 2014 includes a gain on disposal in Sino Gas and Energy Holdings Ltd (SEH) of \$14.2m, net of transaction costs (31 December 2013: \$20.1m) and an expense of \$2.1m relating to the product containment incident (31 December 2013: nil).

# IMDEX LIMITED

*and its controlled entities*

## DIRECTORS' REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2014

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 2014. 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 Ross Kelly AM, Non Executive Chairman	Appointed as Non Executive Director on 14 January 2004 and appointed as Non Executive Chairman on 15 October 2009
Mr Bernie Ridgeway, Managing Director	Appointed 23 May 2000
Mr Magnus Lemmel, Non Executive Director	Appointed 19 October 2006
Mr Kevin Dundo, Non Executive Director	Appointed 14 January 2004
Ms Elizabeth Donaghey, Non Executive Director	Appointed 28 October 2009

### Review of Operations

	Consolidated	
	Half Year Ended 31 Dec 2014 \$'000	Half Year Ended 31 Dec 2013 \$'000
Total Revenue	101,502	92,152
Profit after tax for the half year	9,677	15,333
Basic earnings per share - continuing operations	4.51 ¢	7.29 ¢

The Consolidated Entity's profit after tax was \$9.7 million for the half year ended 31 December 2014 (31 December 2013: \$15.3 million). The result was achieved on total revenue of \$101.5 million (31 December 2013: \$92.2 million).

During the reporting period the Consolidated Entity sold the remaining 91.9 million shares of its Sino Gas and Energy Holdings Ltd shareholdings at a share price of 18.5 cents per share to realise gross cash proceeds of \$17.0 million at a book profit before tax of \$14.2 million.

During the half year ended 31 December 2013 the Consolidated Entity sold 130 million shares of its Sino Gas and Energy Holdings Ltd shareholdings at a share price of 18.5 cents per share to realise gross cash proceeds of \$23.6 million at a book profit before tax of \$20.1 million.

Earnings per share from total operations was 4.51 cents per share (31 December 2013: 7.29 cents per share).

Further details on the operations and overall results are contained in the Financial Report and the announcement made to the ASX on 16 February 2015 regarding the Group's financial results and operating performance for the half year ended 31 December 2014.

# INDEX LIMITED

*and its controlled entities*

## DIRECTORS' REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2014

### **Auditor's Independence Declaration**

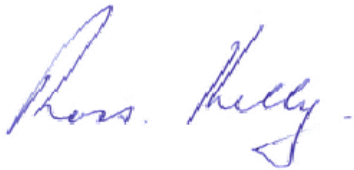
Section 307C of the Corporations Act 2001 requires the auditor, Deloitte Touche Tohmatsu, to provide the Directors of Index Limited with an Independence Declaration in relation to the review of the Half Year Financial Report. The Independence Declaration is on the next page.

### **Rounding of Amounts**

The Company is of a kind referred to in Class Order 98/100 issued by the Australian Investments and Exchange Commission dated 10 July 1998 and in accordance with that Class Order, amounts in the Financial Report and the Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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

Dated at Perth, 13 February 2015



**Ross Kelly AM**  
Chairman

The Board of Directors  
Imdex Limited  
216 Balcatta Road  
BALCATTA WA 6021

13 February 2015

Dear Directors

**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 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



**DELOITTE TOUCHE TOHMATSU**



**AT Richards**  
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 2014, 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, selected explanatory notes and the directors' 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 pages 6 to 22.

### *Directors' Responsibility for the Half-Year Financial Report*

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

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of 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.

## *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 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



**DELOITTE TOUCHE TOHMATSU**



**AT Richards**

Partner

Chartered Accountants

Perth, 13 February 2015



# INDEX LIMITED

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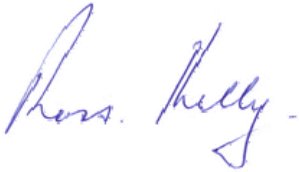
## DIRECTORS' DECLARATION

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, 13 February 2015



**Ross Kelly AM**  
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 2014

	Notes	Half Year Ended 31 Dec 2014 \$'000	Half Year Ended 31 Dec 2013 \$'000
<b>Continuing operations</b>			
Revenue from sale of goods and operating lease rental		101,441	92,116
Other revenue from operations		61	36
<b>Total revenue</b>		<b>101,502</b>	<b>92,152</b>
Other income		36	29
Gain on the disposal of shares in Sino Gas and Energy Holdings Ltd (SEH)	3	14,234	20,139
Raw materials and consumables used		(47,329)	(42,244)
Employee benefit expense		(27,171)	(26,282)
Depreciation expense		(4,736)	(4,112)
Amortisation expense		(825)	(732)
Finance costs		(1,615)	(1,489)
Share of profit of associate	4	517	271
Other expenses	2	(20,984)	(19,878)
<b>Profit before tax</b>		<b>13,629</b>	<b>17,854</b>
Income tax expense		(3,952)	(2,521)
<b>Profit for the period</b>		<b>9,677</b>	<b>15,333</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Fair value adjustment on investment in SEH	3	2,298	21,981
Income tax relating to components of other comprehensive income	3	(689)	(6,594)
Cumulative profit reclassified to profit or loss on sale of SEH shares, net of tax	3	(10,166)	(14,378)
Exchange differences arising upon translation of Associate's net assets	4	4,647	-
Exchange differences arising on the translation of foreign operations		5,026	3,294
<b>Other comprehensive income for the period, net of income tax</b>		<b>1,116</b>	<b>4,303</b>
<b>Total comprehensive income for the period</b>		<b>10,793</b>	<b>19,636</b>
<b>Profit attributable to owners of the parent</b>		<b>9,677</b>	<b>15,333</b>
<b>Total comprehensive income attributable to owners of the parent</b>		<b>10,793</b>	<b>19,636</b>
<b>Earnings per share</b>			
Basic earnings per share (cents)		4.51	7.29
Diluted earnings per share (cents)		4.38	7.22

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

# IMDEX LIMITED

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## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Notes	31 Dec 2014 \$'000	30 Jun 2014 \$'000
<b>Current Assets</b>			
Cash and Cash Equivalents		9,569	10,070
Trade and Other Receivables		45,002	39,744
Inventories		42,957	42,631
Current Tax Assets		-	267
Other		3,621	2,870
		<u>101,149</u>	<u>95,582</u>
Financial Asset Available for Sale	3	-	14,705
<b>Total Current Assets</b>		<u>101,149</u>	<u>110,287</u>
<b>Non Current Assets</b>			
Property, Plant and Equipment		59,201	47,180
Deferred Tax Assets		19,392	15,832
Goodwill		60,669	60,377
Other Intangible Assets		2,762	1,884
Other Receivables		957	957
Investments in Associates	4	31,434	26,270
<b>Total Non Current Assets</b>		<u>174,415</u>	<u>152,500</u>
<b>Total Assets</b>		<u>275,564</u>	<u>262,787</u>
<b>Current Liabilities</b>			
Trade and Other Payables		19,856	17,306
Borrowings	5	6,995	6,902
Other Financial Liabilities		92	80
Current Tax Liabilities		4,430	-
Provisions	6	18,214	16,185
<b>Total Current Liabilities</b>		<u>49,587</u>	<u>40,473</u>
<b>Non Current Liabilities</b>			
Borrowings	5	32,956	43,239
Provisions	6	2,215	2,153
<b>Total Non Current Liabilities</b>		<u>35,171</u>	<u>45,392</u>
<b>Total Liabilities</b>		<u>84,758</u>	<u>85,865</u>
<b>Net Assets</b>		<u>190,806</u>	<u>176,922</u>
<b>Equity</b>			
Issued Capital	7	93,259	90,259
Shares Reserved for Performance Rights Plan	7	(76)	-
Foreign Currency Translation Reserve		(2,089)	(11,762)
Investment Revaluation Reserve	3	-	8,557
Employee Equity-Settled Benefits Reserve		5,042	6,266
Retained Earnings		94,670	83,602
<b>Total Equity</b>		<u>190,806</u>	<u>176,922</u>

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

# INDEX LIMITED

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## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	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 2013</b>		89,269	(952)	(11,167)	13,754	6,087	990	90,471	188,452
Exchange differences on translation of foreign operations after taxation		-	-	3,294	-	-	-	-	3,294
Fair value adjustment on investment in SEH		-	-	-	21,981	-	-	-	21,981
Income tax relating to components of other comprehensive income		-	-	-	(6,594)	-	-	-	(6,594)
Cumulative profit reclassified to profit or loss on sale of SEH shares, net of tax		-	-	-	(14,378)	-	-	-	(14,378)
Profit for the period		-	-	-	-	-	-	15,333	15,333
Total comprehensive income for the period		-	-	3,294	1,009	-	-	15,333	19,636
Share based payments - performance rights		-	-	-	-	340	-	-	340
Granting/settlement of performance rights		-	1,352	-	-	(640)	-	(712)	-
Shares purchased on market to satisfy performance rights		-	(464)	-	-	-	-	-	(464)
Dividend Paid	8	-	-	-	-	-	-	(842)	(842)
<b>Balance at 31 December 2013</b>		89,269	(64)	(7,873)	14,763	5,787	990	104,250	207,122
<b>Balance at 1 July 2014</b>		90,259	-	(11,762)	8,557	6,266	-	83,602	176,922
Exchange differences on translation of foreign operations after taxation		-	-	5,026	-	-	-	-	5,026
Exchange differences arising upon translation of Associate's net assets	4	-	-	4,647	-	-	-	-	4,647
Fair value adjustment on investment in SEH	3	-	-	-	2,298	-	-	-	2,298
Income tax relating to components of other comprehensive income	3	-	-	-	(689)	-	-	-	(689)
Cumulative profit reclassified to profit or loss on sale of SEH shares, net of tax	3	-	-	-	(10,166)	-	-	-	(10,166)
Profit for the period		-	-	-	-	-	-	9,677	9,677
Total comprehensive income for the period		-	-	9,673	(8,557)	-	-	9,677	10,793
Issue of shares as consideration for the acquisition of 2iC Australia Pty Ltd	7	3,000	-	-	-	-	-	-	3,000
Share based payments - options		-	-	-	-	66	-	-	66
Share based payments - performance rights		-	-	-	-	332	-	-	332
Granting/settlement of performance rights		-	231	-	-	(1,622)	-	1,391	-
Shares purchased on market to satisfy performance rights		-	(307)	-	-	-	-	-	(307)
<b>Balance at 31 December 2014</b>		93,259	(76)	(2,089)	-	5,042	-	94,670	190,806

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

# IMDEX LIMITED

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## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Notes	Half Year Ended 31 Dec 2014 \$'000	Half Year Ended 31 Dec 2013 \$'000
<b>Cash Flows From Operating Activities</b>			
Receipts from customers		107,196	112,537
Payments to suppliers and employees		(101,434)	(106,863)
Interest and other costs of finance paid		(1,615)	(1,470)
Income tax refunded		223	2,243
<b>Net cash provided by Operating Activities</b>		<b>4,370</b>	<b>6,447</b>
<b>Cash Flows From Investing Activities</b>			
Interest received		61	36
Proceeds from the sale of SEH shares, net of costs	3	17,003	23,649
Payment for property, plant and equipment		(9,681)	(5,535)
Overdraft acquired on acquisition of 2iC Australia Pty Ltd	9	(163)	-
<b>Net cash provided by Investing Activities</b>		<b>7,220</b>	<b>18,150</b>
<b>Cash Flows From Financing Activities</b>			
Shares purchased on market to satisfy performance rights		(307)	(464)
Hire purchase and lease payments		(90)	(133)
Proceeds from borrowings		4,000	-
Repayment of borrowings		(16,268)	(18,664)
Dividend paid to owners of the Company	8	-	(842)
<b>Net cash used in Financing Activities</b>		<b>(12,665)</b>	<b>(20,103)</b>
<b>Net (decrease)/increase in Cash and Cash Equivalents Held</b>		<b>(1,075)</b>	<b>4,494</b>
Cash and Cash Equivalents At The Beginning Of The Period		10,070	9,979
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		574	404
<b>Cash and Cash Equivalents At The End Of The Period</b>		<b>9,569</b>	<b>14,877</b>

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

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## 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 2014, other than for the impact of the adoption of new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to the consolidated entity and effective for annual reporting periods beginning on or after 1 July 2014.

#### **Adoption of new and revised Accounting Standards**

There have been no new and revised standards that have had a significant impact on the measurement or disclosure requirements of the Group.

#### **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.

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

Management has 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:

##### **Use of forecasts**

The directors have considered a number of factors in regard to any forward looking estimates. Imdex's results for the period ended 31 December 2014 reflected the subdued activity levels within the minerals industry due to the cyclical downturn however positive signs of improvement were evident. The recent subdued activity in the oil and gas industry due to the drop in oil prices has also been considered. The use of estimates is inherently uncertain and requires a significant level of judgement. Forward looking estimates have been used in the preparation of the financial report in respect of impairment of assets, recognition of deferred tax assets, the appropriate level of provisions and preparation of the financial report on a going concern basis. Management and the Directors have concluded that appropriate assessments have been made with respect to the use of forecasts in the preparation of the financial report.

### 1. Summary of Significant Accounting Policies (continued)

- 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. A goodwill amount of \$60.7 million and intangible assets of \$2.8 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 \$19.4 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.

#### Fair value of performance rights

Performance rights 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.

#### Provisions and contingent liabilities

The Group exercises judgement in measuring and recognising provisions and the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

As announced to the market on 13 March 2014, Imdex's subsidiary the Australian Mud Company Pty Ltd (AMC), undertook precautionary measures for the containment of an imported product used in some drilling operations within Queensland, Australia. The measures were taken following notification that certain batches were contaminated. Costs relating to the product containment incident are unlikely to be recoverable. As a result, management has made an estimate of the costs to remediate and has provided for these costs (refer to note 6).

# IMDEX LIMITED

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## NOTES TO THE FINANCIAL REPORT

### 2. Other Expenses

		Half Year Ended 31 Dec 2014 \$'000	Half Year Ended 31 Dec 2013 \$'000
	Notes		
<b>Other expenses for the period include:</b>			
Bad debts		431	1,807
Foreign exchange loss		259	654
Obsolete stock		295	548
Product containment	6	2,142	-

### 3. Financial Asset Available for Sale

		31 Dec 2014 \$'000	30 Jun 2014 \$'000
	Notes		
<b>Current</b>			
<b>Financial Asset Available for Sale</b>			
Investment in Sino Gas and Energy Holdings Ltd (SEH)	(i)	-	14,705

- (i) At 31 December 2014, Imdex had disposed of its entire shareholding in SEH. At 30 June 2014, Imdex held 91.9 million fully paid ordinary shares in SEH. This amounted to 6.01% of the issued share capital of SEH.

This asset was non-core and accordingly, this investment was classified as a Financial Asset Held for Sale and carried at fair value in prior periods.

During the current period Imdex sold the remaining 91.9 million shares of its SEH shareholdings at a share price of 18.5 cents per share to realise gross cash proceeds of \$17.0 million at a book profit before tax of \$14.2 million.

During the half year ended 31 December 2013, Imdex sold 130 million shares of its SEH shareholdings at a share price of 18.5 cents per share to realise gross cash proceeds of \$23.6 million at a book profit before tax of \$20.1 million.

SEH shares have previously been accounted for as a financial asset held for sale, with revaluation gains/losses recorded within other comprehensive income (net of tax). Historical revaluation gains up to the date of disposal of \$10.2m (net of tax) have been reclassified at the date of disposal from Other Comprehensive Income to the Statement of profit or loss.

The above transaction has had the following impact on the Investment Revaluation Reserve:

	31 Dec 2014 \$'000	30 Jun 2014 \$'000
<b>Investment Revaluation Reserve</b>		
Balance at beginning of the financial period	8,557	13,754
Net gain arising on revaluation of SEH shares to market value	2,298	17,107
Income tax relating to gain arising on revaluation of SEH shares to market value	(689)	(5,132)
Cumulative profit reclassified to profit or loss on sale of SEH shares, net of tax	(10,166)	(17,172)
Balance at the end of the financial period	-	8,557



# IMDEX LIMITED

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## NOTES TO THE FINANCIAL REPORT

### 4. Investment in Associate

VES International (VES) is registered in the British Virgin Islands and operates an oil and gas services business using the technology licensed to it by Imdex Limited. The shares of VES are not publicly listed on a stock exchange and hence published priced quotes are not available.

The investment is accounted for under the equity method and has a reporting date of 31 December 2014.

Financial information in respect of the Associate is set out below:

	Half Year Ended 31 Dec 2014 \$'000	Half Year Ended 31 Dec 2013 \$'000
Total Revenue	41,455	32,384
Total profit for the Period	1,228	437
Total profit for the Period includes the following:		
Depreciation	(4,411)	(4,071)
Amortisation	(4,482)	(4,083)
Income Tax Expense	(4,490)	(2,668)
	31 Dec 2014 \$'000	30 Jun 2014 \$'000
Current Assets	30,024	23,321
Non Current Assets	112,712	96,968
Total Assets	142,736	120,289
Current Liabilities	(4,437)	(6,269)
Non Current Liabilities	(15,259)	(11,996)
Total Liabilities	(19,696)	(18,265)
Net Assets	123,040	102,024
Share of Net Assets of Associate	37,650	31,219

The Investment in Associate comprises the following:

Opening cost of investment in Associate	26,270	25,555
Share of profit of Associate	517	715
Exchange differences arising upon translation of Associate's net assets	4,647	-
Closing cost of investment in Associate	31,434	26,270

During the period VES paid no dividends.

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## NOTES TO THE FINANCIAL REPORT

### 5. Borrowings

	Notes	31 Dec 2014 \$'000	30 Jun 2014 \$'000
<b>Current borrowings</b>			
<b>Secured</b>			
At amortised cost			
Club Facility - AUD Tranche	(i.a)	4,476	4,476
Club Facility - USD Tranche	(i.b)	293	255
Club Facility - CAD Tranche	(i.c)	2,101	1,983
Hire purchase liabilities	(ii)	125	188
		<u>6,995</u>	<u>6,902</u>
<b>Non-current borrowings</b>			
<b>Secured</b>			
At amortised cost			
Club Facility - AUD Tranche	(i.a)	17,444	26,004
Club Facility - USD Tranche	(i.b)	13,617	14,420
Club Facility - CAD Tranche	(i.c)	1,751	2,643
Hire purchase liabilities	(ii)	144	172
		<u>32,956</u>	<u>43,239</u>

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. In December 2013, this facility was renewed for a further three years.

As at 31 December 2014:

- (i.a) AUD denominated borrowings includes an amortising facility that is repayable in equal monthly instalments of \$373,000 to 31 December 2016 on which date the balance remaining is payable, and a revolving facility that is fully repayable on 31 December 2016. Both facilities bear interest at floating rates.
- (i.b) USD denominated borrowings includes an amortising facility that is repayable in equal monthly instalments of USD\$20,000 to 31 December 2016 on which date the balance remaining is payable, and a revolving facility that is fully repayable on 31 December 2016. Both facilities bear interest at floating rates.
- (i.c) CAD denominated borrowings include an amortising facility that bears interest at a floating rate and is repayable in equal monthly instalments of CAD\$167,000 to 31 December 2016 on which date the balance remaining is payable.

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

At 31 December 2014, the Group had unused banking facilities totaling AUD\$12.8 million, comprising AUD\$11.7 million and ZAR10.3 million (AUD\$1.1 million). The above unused facility includes an amount that has been quarantined in relation to the product containment incident – refer to note 6.

- (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 5.96% (30 June 2014: 5.98%).

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NOTES TO THE FINANCIAL REPORT

## 6. Provisions

	Notes	31 Dec 2014 \$'000	30 Jun 2014 \$'000
<b>Current provisions</b>			
Employee entitlements	(i)	3,800	4,011
Other provisions	(ii)	14,414	12,174
		<u>18,214</u>	<u>16,185</u>

(i) The provision for employee entitlements represents annual leave with the majority of these entitlements expected to be taken during the coming year.

### (ii) Other provisions

	Kazakhstan business closure provision (iii) \$'000	Office closure provision (iv) \$'000	Origin product containment provision (v) \$'000	Total \$'000
Balance at 1 July 2014	2,434	1,240	8,500	12,174
Net movement	<u>363</u>	<u>(265)</u>	<u>2,142</u>	<u>2,240</u>
Balance at 31 December 2014	<u>2,797</u>	<u>975</u>	<u>10,642</u>	<u>14,414</u>

(iii) The Kazakhstan business closure provision relates to the estimated costs of the closure of the Kazakhstan business (Suay Energy Services LLP). The movement for the period relates to foreign exchange movements.

(iv) The office closure provision relates to the estimated costs of the closure of the Osborne Park premises.

(v) As announced to the market on 13 March 2014, Imdex's subsidiary the Australian Mud Company Pty Ltd (AMC), undertook precautionary measures for the containment of an imported product used in some drilling operations within Queensland, Australia. The measures were taken following notification that certain batches were contaminated. Costs relating to the product containment incident are unlikely to be recoverable. During the period management has determined that a further \$2.1m be provided for.

	31 Dec 2014 \$'000	30 Jun 2014 \$'000
<b>Non-current provisions</b>		
Employee entitlements	<u>2,215</u>	<u>2,153</u>

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## NOTES TO THE FINANCIAL REPORT

### 7. Issued Capital and Shares reserved for Performance Rights Plan

	Notes	31 Dec 2014 \$'000	30 Jun 2014 \$'000
Issued and Paid Up Capital - Fully paid ordinary shares	(i)	93,259	90,259

	Notes	31 Dec 2014 Number	31 Dec 2014 \$'000	30 Jun 2014 Number	30 Jun 2014 \$'000
<b>Ordinary shares</b>					
Balance at beginning of the period		212,110,368	90,259	210,473,188	89,269
Issue of shares as consideration for the acquisition of 2iC Australia Pty Ltd	9	4,092,768	3,000	-	-
Issue of shares as part consideration for the acquisition of System Mud Industria e Comercio Ltda		-	-	1,637,180	990
Closing balance at end of the period		216,203,136	93,259	212,110,368	90,259

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

#### (ii) 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.

	31 Dec 2014 \$'000	30 Jun 2014 \$'000
<b>Shares reserved for Performance Rights Plan</b>		
Balance at beginning of the period	-	(952)
Net movement	(76)	952
Balance at the end of the period	(76)	-

At balance date, the Company, through a Trustee, holds 103,775 shares in Trust for employees under the Performance Rights Plan (30 June 2014: nil).

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## NOTES TO THE FINANCIAL REPORT

### 8. Dividends

Notes	Half Year Ended 31 Dec 2014		Half Year Ended 31 Dec 2013	
	Cents per share	Total \$'000	Cents per share	Total \$'000
<b>Recognised amounts</b>				
Fully paid ordinary shares - final dividend franked to 30%	-	-	0.40	842
<b>Unrecognised amounts</b>				
Fully paid ordinary shares - interim dividend franked to 30%	-	-	-	-

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## NOTES TO THE FINANCIAL REPORT

### 9. Acquisitions

#### Acquisition of entity - 2iC Australia Pty Ltd

With effect from 1 September 2014, Index Limited acquired 100% of the issued share capital of 2iC Australia Pty Ltd (2iC), an Australian based developer and supplier of exploration, production and technical products. 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		307	-	307
Inventories		457	(160)	297
Property, plant and equipment	(ii)	293	2,058	2,351
Intangibles	(iii)	-	1,517	1,517
Trade and other payables		(709)	(118)	(827)
Deferred tax	(ii, iii)	(33)	(989)	(1,022)
Provisions		(110)	-	(110)
Fair value of net identifiable assets acquired		205	2,308	2,513
Goodwill on acquisition	(i)			649
Total purchase consideration				3,162
<b>Total purchase consideration comprises</b>				
Issue of ordinary shares	7			3,000
Overdraft acquired				162
				3,162

4 months to  
31 Dec 2014  
\$'000

Operating results of 2iC included in the Consolidated Income Statement of Index Limited for the following periods:

Revenue		418
Total expenses (including income tax)		(412)
Profit after tax for the period	(iv)	6

(i) Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire 2iC. 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 2iC. 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) Property, plant and equipment of \$2.3 million comprises the fair value of the rental equipment. A discount of approximately 50% - 60% to list price was used to determine the fair value of the rental tools, as this discount recognises the risk to a third party to manage the realisation of value via rental or sale of the equipment. Deferred tax of \$0.6 million was raised on this asset.

(iii) Intangible assets of \$1.5 million comprise the fair value of the patents owned by 2iC. The Ezy Latch & Posi-Connect patents have been licensed out and have been valued at \$0.2 million by using a discounted cash flow of the licence fee in place of 50,000 Euro per annum. The EM3 Patent has been valued at \$1.3 million based on the excess earnings potential for Index in relation to the ACT IV tool. These intangible assets are being amortised over their expected useful lives of 6 years. Deferred tax of \$0.5 million was raised on these assets.

(iv) Had the acquisition of 2iC been effected on 1 July 2014, the beginning of the current year, the 2iC financial results included in the Index consolidated results for the half year would have been revenue of approximately \$0.6 million with breakeven result. The results of 2iC 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.

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## NOTES TO THE FINANCIAL REPORT

### 10. Segment Information

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

	Notes	Total	
		Half Year	Half Year
		31 Dec 14 \$'000	31 Dec 13 \$'000
Minerals		70,761	63,653
Oil & Gas		30,680	28,463
Total of all segments		101,441	92,116
Interest income		61	36
<b>Total revenue</b>		<b>101,502</b>	<b>92,152</b>

#### (b) Segment Profit/(Loss)

Minerals		8,260	4,900
Oil & Gas (i)		(4,155)	(2,671)
Total of all segments		4,105	2,229
Central administration costs (ii)		(4,710)	(4,514)
Gain on the disposal of shares in SEH	3	14,234	20,139
Profit before income tax expense		13,629	17,854
Income tax expense		(3,952)	(2,521)
<b>Profit attributable to ordinary equity holders of Imdex Limited</b>		<b>9,677</b>	<b>15,333</b>

(i) Includes the share of profit of Associate of \$0.5 million (31 December 2013: \$0.3 million) and the net movement in the Origin product containment provision of \$2.1million (31 December 2013: nil) as detailed in note 6.

(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 allocation of 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.

#### (c) Segment Assets

	Assets	
	31 Dec 14 \$'000	30 Jun 14 \$'000
Minerals	190,848	176,001
Oil & Gas	84,716	72,081
Total of all segments	275,564	248,082
Unallocated (i)	-	14,705
<b>Consolidated</b>	<b>275,564</b>	<b>262,787</b>

(i) Unallocated assets in the prior period comprised of the investment in Sino Gas & Energy Holdings Ltd.

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## NOTES TO THE FINANCIAL REPORT

### 11. Financial Instruments

The fair value of the Group's financial assets and liabilities are determined on the following basis:

#### Financial Assets and Financial Liabilities that are measured at fair value on a recurring basis

Subsequent to initial recognition, at fair value financial instruments are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Levels are defined as follows:

- 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 with 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).

At 31 December 2014, the Group has an interest rate swap liability which is classified as level 2. There were no transfers between levels in the period.

Financial Instruments	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	31/12/2014	30/06/2014		
Interest rate swap liability	\$92,000	\$80,000	Level 2	Valued using discounted cash flow techniques based on forward interest rates from observable yield curves at the end of the reporting period, discounted at a rate that reflects the credit risk of the counterparties
Financial asset held for sale	Nil	Listed equity securities in Sino Gas and Energy Holdings Ltd (SEH) - \$14,705,000	Level 1	Quoted bid prices in an active market

#### Financial Assets and Financial Liabilities that are measured at fair value on a non-recurring basis

At 31 December 2014, the carrying amount of financial assets and financial liabilities for the Group is considered to approximate their fair values.



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## NOTES TO THE FINANCIAL REPORT

### 12. 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 (refer Note 6), management do not consider it to be probable that they will require settlement at the Group's expense. Whilst the outcome of these claims are, by their nature, uncertain, the directors do not currently anticipate that the outcome of the proceedings either individually, or in aggregate, will have a material adverse effect upon the Group's financial position.

A provision is recognised related to pending litigation or other outstanding claims where probable and estimable. Actual costs can differ from estimates for many reasons. For instance, settlement costs for claims and litigation can vary from estimates based on differing interpretations of laws, opinions on responsibility and assessments of the amount of damages. Our in-house legal counsel regularly assesses contingent liabilities and in certain circumstances, outside legal counsel is utilised.

As at 31 December 2014, the main contingent liability relates to potential costs associated with the product containment incident which have been provided for based on management's estimate of the costs to remediate (as detailed in note 6). In making this assessment a forward looking estimate has been made of future cash flows and the likely outcome of remediation negotiations. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

### 13. Subsequent Events

There are no 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.