

22 August 2016

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

BY ELECTRONIC LODGEMENT

Dear Sir/Madam

ASX APPENDIX 4E, 4G AND FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

Please find attached Imdex Limited's Appendix 4E and audited Financial Report for the Year Ended 30 June 2016. Also attached is the requisite Appendix 4G.

The audited Annual Report, which will include the Financial Report, for the Year Ended 30 June 2016 together with the Notice of Annual General Meeting is expected to be mailed to those shareholders who have requested a hardcopy in October 2016.

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

IMDEX LIMITED

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

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 2016.

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 A Wooles (Appointed 1 July 2016)	Non Executive Chairman	55	<ul style="list-style-type: none"> Corporate Advisor and Executive Member of the Audit, Risk and Compliance Committee Appointed Director and Chairman on 1 July 2016 Chairman of Bhagwan Marine Pty Ltd and HighPeak Royalties Limited Has held executive and advisory roles in diverse industries including mining, oil and gas, power generation, manufacturing, telecommunications, food and beverages and retail
Mr B W Ridgeway	Managing Director	62	<ul style="list-style-type: none"> Chartered Accountant Director since 23 May 2000 Over 26 years experience with public and private companies as owner, director and manager Member of the Institute of Chartered Accountants in Australia and Australian Institute of Company Directors Director of Sino Gas and Energy Holdings Ltd
Mr K A Dundo	Independent, Non Executive Director	64	<ul style="list-style-type: none"> Lawyer Chairman of the Audit, Risk and Compliance Committee Member of the Remuneration Committee Director since 14 January 2004 Director of Red 5 Limited and Cash Converters International Limited
Ms E Donaghey	Independent, Non Executive Director	58	<ul style="list-style-type: none"> Civil Engineer Director since 28 October 2009 Member of the Audit, Risk and Compliance Committee from 14 December 2009 Member of the Remuneration Committee from 14 December 2009 and appointed as Chairperson of the Remuneration Committee on 9 July 2015 Currently an Executive with EnergyAustralia and previously a Non Executive Director of Australian Renewable Energy Agency Previously held a range of commercial and senior management positions in Woodside Petroleum and BHP Petroleum
Mr I Gustavino	Independent, Non Executive Director	57	<ul style="list-style-type: none"> Corporate Advisor Appointed as a Director on 3 July 2015 Member of the Remuneration Committee from 9 July 2015 Prior to his role as a corporate advisor, Mr. Gustavino was a co-founding shareholder and Director of Surpac Software, now Dassault Systèmes GEOVIA Inc.
Mr J Hegyi (Resigned 21 July 2016)	Independent, Non Executive Director	39	<ul style="list-style-type: none"> Investment Manager Appointed as a Director on 1 December 2015 Partner and co-founder of Iron Compass LLC, an investment management company in the USA Previously served as a Director of numerous companies in diverse industries including telecommunications, media and financial services
Mr R W Kelly AM (Resigned 30 June 2016)	Non Executive Chairman	78	<ul style="list-style-type: none"> Engineer Appointed Director 14 January 2004 and Chairman on 15 October 2009 Member of the Audit, Risk and Compliance Committee Chairman of the Remuneration Committee until 14 December 2009 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

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

(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 Cash Converters International Limited ORH Limited	Non Executive Director Non Executive Director Non Executive Director	2010 – Current 2015 – Current 2013 – 2014
Ms E Donaghey	St Barbara Limited	Non Executive Director	2011 – 2014
Mr A Wooles	HighPeak Royalties Limited	Non Executive Chairman	2012 – Current

(c) Company Secretary

Mr P A Evans

Mr Evans, a Chartered Accountant, joined Index 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, sixteen Board meetings, four Audit, Risk and Compliance Committee meetings and two Remuneration Committee meetings were held.

	Board of Directors (Number)		Audit, Risk and Compliance Committee (Number)		Remuneration Committee (Number)	
	Held	Attended	Held	Attended	Held	Attended
R W Kelly	16	16	4	4	-	-
B W Ridgeway	16	15	-	-	-	-
K A Dundo	16	16	4	4	2	2
E Donaghey	16	15	4	3	2	2
I Gustavino	16	16	-	-	2	2
J Hegyi	8	8	-	-	-	-

(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 Indirectly (#)	Performance Rights Held Directly (#)
R W Kelly	-	380,000	-	-
B W Ridgeway	128,876	2,214,630	-	2,581,694
K A Dundo	-	150,000	-	-
E Donaghey	260,000	-	-	-
I Gustavino	-	62,077	900,000	-

Details of performance rights on issue at the end of the financial year are disclosed in note 5.3.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

(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 2015 Annual General Meeting and is currently \$700,000. In the current year remuneration to Non Executive Directors totalled \$495,975, 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.

For FY16, the Managing Director has a short term incentive bonus that is related to key performance indicators (KPIs) set each year by the Remuneration Committee. 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 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 performance rights is linked to the Company's performance. The number of performance rights granted is determined with regard to current market trends. The issue of any such performance rights requires the approval of Shareholders at the Annual 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 performance rights may be issued to Executives and staff as a long term performance incentive. The portion of remuneration package that comprises performance rights is linked to the Company's performance. The number of performance rights granted is determined with regard to current market trends. The issue of any such performance rights requires the approval of Shareholders at the Annual General Meeting.

All Executives are employed under permanent contracts. Mr D J Loughlin's and Mr P A Evans's contracts provide a six month notice period upon termination and a six month termination pay out. Mr S Maikranz's, Mr D Stevenson's, Mr Oliver's and Mr Price's contracts specify a 12 week notice period upon termination.

No additional benefits above those already entitled to will become payable on termination.

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

(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) resigned 30 June 2016;
- (ii) Mr B W Ridgeway (Managing Director);
- (iii) Mr K A Dundo (Non Executive Director);
- (iv) Ms E Donaghey (Non Executive Director);
- (v) Mr I Gustavino (Non Executive Director) appointed 3 July 2015; and
- (vi) Mr J Hegyi (Non Executive Director) appointed 1 December 2015 and resigned 21 July 2016.

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

- (i) Mr D J Loughlin (Chief Executive - Reflex);
- (ii) Mr P A Evans (Company Secretary and Chief Financial Officer);
- (iii) Mr S Maikranz (Chief Executive AMC Oil & Gas);
- (iv) Mr D Stevenson (General Manager - Reflex Geosciences) appointed 1 March 2016;
- (v) Mr C Oliver (General Manager AMC Minerals) appointed 15 December 2015;
- (vi) Mr T Price (General Manager Engineering Product Development) appointed 25 January 2016; and
- (vii) Ms P Italiano (Chief Executive AMC Minerals) ceased employment on 15 December 2015.

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 5.3) or performance rights granted under the Performance Rights Plan (note 5.3) or any other equity related benefits granted as approved by Shareholders at the Annual 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 movements in shareholder wealth for the five years to June 2016 for the continuing and discontinued operations:

	30 June 2016	30 June 2015	30 June 2014	30 June 2013	30 June 2012
Revenue – (\$'000)	173,943	188,332	183,557	232,921	269,652
Net (loss) / profit before tax (\$'000)	(56,788)	(18,644)	(7,062)	28,510	67,500
Net (loss) / profit after tax (\$'000)	(56,253)	(22,503)	(5,277)	19,383	45,777
Share price at start of year (cents)	30.0	63.0	62.0	176.0	215.0
Share price at end of year (cents)	21.0	30.0	63.0	62.0	176.0
Interim dividend (cents) – fully franked	-	-	-	2.50	3.25
Final dividend (cents) – fully franked	-	-	-	0.40	4.00
Basic (loss) / earnings per share (cents)	(23.11)	(10.44)	(2.50)	9.24	22.34
Diluted (loss) / earnings per share (cents)	NA	NA	NA	9.14	21.85

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

(f) Remuneration Report (audited) (continued)

Year ended 30 June 2016

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			
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
925,730	-	14,572	-	30,000	-	18,100	-	-	53,492	-	-	1,041,894
135,000	-	-	-	12,825	-	-	-	-	-	-	-	147,825
90,000	-	-	-	8,550	-	-	-	-	-	-	-	98,550
90,000	-	-	-	8,550	-	-	-	-	-	-	-	98,550
90,000	-	-	-	8,550	-	-	-	-	-	-	-	98,550
52,500	-	-	-	-	-	-	-	-	-	-	-	52,500
1,383,230	-	14,572	-	68,475	-	18,100	-	-	53,492	-	-	1,537,869

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			
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
464,370	-	-	-	30,000	-	8,387	-	-	56,658	-	-	559,415
453,120	-	-	-	30,000	-	8,015	-	-	55,285	-	-	546,420
525,574	-	159,857	-	-	-	-	-	-	70,395	-	-	755,826
101,538	-	-	-	9,646	-	-	-	-	-	-	-	111,184
151,014	-	-	-	12,645	-	18,420	-	-	11,451	-	-	193,530
243,407	-	-	4,297	14,831	-	-	-	-	18,539	-	-	281,074
190,769	-	-	-	15,000	-	-	116,350	-	(14,638)	-	-	307,481
2,129,792	-	159,857	4,297	112,122	-	34,822	116,350	-	197,690	-	-	2,754,930

^ - 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.

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

(f) Remuneration Report (audited) (continued)

Year ended 30 June 2015

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			
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	

Executive Director

B W Ridgeway, Managing Director

925,475	-	11,769	-	30,000	-	24,159	-	-	6,928	-	-	998,331
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Non Executive Directors

R W Kelly, Chairman

135,000	-	-	-	12,825	-	-	-	-	-	-	-	147,825
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K A Dundo

90,000	-	-	-	8,550	-	-	-	-	-	-	-	98,550
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M Lemmel

90,000	-	-	-	-	-	-	-	-	-	-	-	90,000
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E Donaghey

90,000	-	-	-	8,550	-	-	-	-	-	-	-	98,550
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1,330,475	-	11,769	-	59,925	-	24,159	-	-	6,928	-	-	1,433,256
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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			
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	

Group Executives

D Loughlin

464,270	-	-	-	30,000	-	11,080	-	-	27,025	-	-	532,375
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P Evans

453,024	-	-	-	30,000	-	10,814	-	-	26,370	-	-	520,208
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S Maikranz

488,165	-	71,668	-	-	-	-	-	-	128,895	-	-	688,728
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P Italiano

181,538	-	-	-	14,515	-	-	-	-	40,633	-	-	236,686
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M Parsons

155,683	-	-	-	13,114	-	-	-	-	-	-	-	168,797
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1,742,680	-	71,668	-	87,629	-	21,894	-	-	222,923	-	-	2,146,794
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^ - 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.

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

(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 and prior year Mr Ridgeway did not earn a cash bonus as specified targets were not met.

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

The grant of 1,558,468 performance rights to Mr Ridgeway in the current year was approved by the Shareholders at the Annual General Meeting on 20 November 2015. The hurdles relating to these performance rights are detailed at note 5.3 under the Managing Director's Performance Rights.

The grant of 723,226 performance rights to Mr Ridgeway in the prior year was approved by the Shareholders at the Annual General Meeting on 16 October 2014. The hurdles relating to these performance rights are detailed at note 5.3 under the Managing Director's Performance Rights.

(ii) **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 and prior year Mr Loughlin did not earn a cash bonus as specified targets were not met.

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

Mr Loughlin was granted 547,237 performance rights (tranche 17) in the current period under the Performance Rights Plan. The hurdles relating to these performance rights are detailed at note 5.3 under employee level 7 and 8.

Mr Loughlin was granted 253,952 performance rights in 2015 under the Performance Rights Plan. The hurdles relating to these performance rights are detailed at note 5.3 under employee level 7 and 8.

During the prior year Mr Loughlin was allocated 12,120 shares upon the successful achievement of hurdles relating to performance rights granted in prior years.

(iii) **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 and prior year Mr Evans did not earn a cash bonus as specified targets were not met.

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

Mr Evans was granted 533,979 performance rights (tranche 17) in the current period under the Performance Rights Plan. The hurdles relating to these performance rights are detailed at note 5.3 under employee level 7 and 8.

Mr Evans was granted 247,800 performance rights in 2015 under the Performance Rights Plan. The hurdles relating to these performance rights are detailed at note 5.3 under employee level 7 and 8.

During the prior year Mr Evans was allocated 12,120 shares upon the successful achievement of hurdles relating to performance rights granted in prior years.

(iv) **Mr S Maikranz** is a party to a service contract with Imdex Limited, which sets out a fixed compensation package reviewable annually. The service contract specifies a 12 week notice period in the event that the contract is terminated.

In the current year Mr Maikranz did not earn a cash bonus as specified targets were not met. A bonus of \$111,137 could have been earned by Mr Maikranz had the targets been met. Mr Maikranz did not earn a cash bonus in the prior year as specified targets were not met. A bonus of \$111,137 could have been earned by Mr Maikranz had the targets been met.

No performance rights were granted to Mr Maikranz in the current year.

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

Mr Maikranz was granted 518,750 performance rights in the prior period under the Performance Rights Plan. The hurdles relating to these performance rights are detailed at note 5.3 under employee level 7 and 8. For hurdles relating to the tranche 12 performance rights also refer to note 5.3.

No performance rights were granted to Mr Maikranz in the current year.

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

(f) Remuneration Report (audited) (continued)

(v) **Ms P Italiano** ceased employment on 15 December 2015.

No cash bonus was earned in the current or prior year.

No options were granted to Ms Italiano in the current or prior year.

Ms Italiano was granted 471,380 performance rights in the current period under the Performance Rights Plan. The hurdles relating to these performance rights are detailed at note 5.3 under employee level 7 and 8. Upon cessation of employment with Imdex Limited, all of these performance rights have subsequently been cancelled.

Ms Italiano was granted 318,750 performance rights in the prior period under the Performance Rights Plan. Upon cessation of employment with Imdex Limited, all of these performance rights have subsequently been cancelled.

(vi) **Mr D Stevenson** commenced as the General Manager - Reflex Geosciences on 1 March 2016.

No cash bonus was earned in the current year.

No options or performance rights were granted to Mr Stevenson in the current year.

(vii) **Mr C Oliver** commenced as the General Manager – AMC Minerals on 15 December 2015.

No cash bonus was earned by Mr Oliver in the current year.

No options were granted to Mr Oliver in the current year.

Mr Oliver was granted 190,715 performance rights in the current period under the Performance Rights Plan. The hurdles relating to these performance rights are detailed at note 5.3 under employee level 5 and 6.

(viii) **Mr T Price** commenced as the General Manager – Engineering Product Development on 25 January 2016.

No cash bonus was earned by Mr Price in the current year.

No options were granted to Mr Price in the current year.

Mr Price was granted 425,618 performance rights in the current period under the Performance Rights Plan. The hurdles relating to these performance rights are detailed at note 5.3 under employee level 5 and 6.

Bonuses granted to Directors and Key Management Personnel

During the current year there were no bonuses earned by Directors and Key Management Personnel. Bonuses are paid on the achievement of performance criteria specific to the individual and as performance hurdles were not met in the current year then no bonus was 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 EBITDA and EVA performance. Performance criteria are reviewed by the Remuneration Committee against budgeted outcomes before granting bonuses.

Imdex Loyalty Programme

Imdex Limited has in place a 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 bonus of \$5,000 for employees who remain with the business for 25 years.

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

(f) Remuneration Report (audited) (continued)

Key Management Personnel Equity Holdings

2016	Balance at 1 July 2015	Granted as compensation	Received on exercise of options	Net other change #	Balance at 30 June 2016	Balance held nominally
	No.	No.	No.	No.	No.	No.
Mr B W Ridgeway	2,343,506	-	-	-	2,343,506	-
Mr R W Kelly ⁴	380,000	-	-	-	380,000	-
Mr K A Dundo	150,000	-	-	-	150,000	-
Ms E Donaghey	260,000	-	-	-	260,000	-
Mr I Gustavino ¹	62,077	-	-	-	62,077	-
Mr J Hegyi ²	21,205,979	-	-	-	21,205,979	-
Mr P A Evans	408,164	-	-	-	408,164	-
	24,809,726	-	-	-	24,809,726	-

2015	Balance at 1 July 2014	Granted as compensation	Received on exercise of options	Net other change #	Balance at 30 June 2015	Balance held nominally
	No.	No.	No.	No.	No.	No.
Mr B W Ridgeway	2,343,506	-	-	-	2,343,506	-
Mr R W Kelly ⁴	380,000	-	-	-	380,000	-
Mr K A Dundo	150,000	-	-	-	150,000	-
Mr M Lemmel ³	562,000	-	-	70,000	632,000	-
Ms E Donaghey	210,000	-	-	50,000	260,000	-
Mr D J Loughlin	-	12,120	-	(12,120)	-	-
Mr P A Evans	396,044	12,120	-	-	408,164	-
	4,041,550	24,240	-	107,880	4,173,670	-

- represent on market transactions

¹ Appointed 3/07/2015

² Appointed 1/12/2015 and resigned 21/07/16

³ Resigned 30/06/2015

⁴ Resigned 30/06/2016

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 20% to 50%. Each performance right is to be satisfied by the allocation/allotment of one fully paid Index Limited ordinary share for nil consideration should specified performance hurdles be met. The following table discloses the value of performance rights granted and allocated as shares during the year:

	Granted		Satisfied by the allocation/allotment of shares		Percentage of remuneration for the year that consisted of performance rights
		Value at grant date		Value at allocation/allotment date	
	Number	\$	Number	\$	%
B W Ridgeway (i)	1,558,468 (MD Tranche)	276,394	-	-	5%
D J Loughlin (ii)	547,237 (Tranche 17)	127,068	-	-	10%
P A Evans (ii)	533,979 (Tranche 17)	123,990	-	-	10%
S Maikranz (ii)	-	-	100,000	28,500	9%
C Oliver (ii)	190,715 (Tranche 17)	46,515	37,500	6,938	6%
T Price (ii)	425,618 (Tranche 17)	103,808	-	-	7%

(i) Approved by the Shareholders at the Annual General Meeting on 20 November 2015.

(ii) Granted per the Performance Rights Plan.

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

(f) Remuneration Report (audited) (continued)

Key Management Personnel Performance Rights Holdings

2016

	Balance at 1 July 2015 No.	Granted as compensation No.	Satisfied by the allocation/ allotment of shares No.	Expired No. #	Closing balance at 30 June 2016 No.
Mr B W Ridgeway	1,288,044	1,558,468	-	(564,818)	2,281,694
Mr D J Loughlin	253,952	547,237	-	-	801,189
Mr P A Evans	247,800	533,979	-	-	781,779
Mr S Maikranz	518,750	-	(100,000)	-	418,750
Mr C Oliver ²	126,004	190,715	(37,500)	-	279,219
Mr T Price ³	162,870	425,618	-	-	588,488
Ms P Italiano ¹	318,750	471,380	-	(790,130)	-
	2,916,170	3,727,397	(137,500)	(1,354,948)	5,151,119

2015

	Balance at 1 July 2014 No.	Granted as compensation No.	Satisfied by the allocation/ allotment of shares No.	Expired No. #	Closing balance at 30 June 2015 No.
Mr B W Ridgeway	718,136	723,226	-	(153,318)	1,288,044
Mr D J Loughlin	12,120	253,952	(12,120)	-	253,952
Mr P A Evans	12,120	247,800	(12,120)	-	247,800
Ms P Italiano ¹	-	318,750	-	-	318,750
Mr S Maikranz	-	518,750	-	-	518,750
	742,376	2,062,478	(24,240)	(153,318)	2,627,296

¹ Ceased employment on 15/12/15

² Commenced in the role on 15/12/15

³ Commenced in the role on 25/01/16

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 5.3.

Share options held by Directors and Key Management Personnel

No options were issued to, granted to or exercised by Key Management Personnel in the current financial year.

In the prior year, Mr I Gustavino was indirectly issued 900,000 options through Atrico Pty Ltd, a consulting company whom he is a Partner in.

At the end of the current financial year and the prior financial year, Mr I Gustavino indirectly held 900,000 options through Atrico Pty Ltd, a consulting company whom he is a Partner in.

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

(f) Remuneration Report (audited) (continued)

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, that provided legal services to the Imdex Group on normal commercial terms and conditions. Total legal costs arising from HopgoodGanim were \$280,935 (2015: \$440,534).

Transactions with Directors

	2016 \$	2015 \$
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	280,935	440,354

Total assets and liabilities arising from transactions, other than compensation, with Directors or their related entities:

Current Liabilities	-	131,346
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(b) Mr I Gustavino is a Partner of the consulting company Atrico Pty Ltd, that provided consulting services to the Imdex Group on normal commercial terms and conditions. Total consulting costs arising from Atrico Pty Ltd were \$78,650 (2015: \$85,520).

Transactions with Directors

	2016 \$	2015 \$
Profit from ordinary activities before income tax includes the following items		
Consultancy expense	78,650	85,520

Total assets and liabilities arising from transactions, other than compensation, with Directors or their related entities:

Current Liabilities	12,760	-
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(g) Performance Rights

Performance Rights in existence during the current year

2016	Grant Date	Expiry Date	Exercise Price \$	Market Value at Grant Date \$	Estimated Number of Performance Rights				
					Opening balance	Granted	Satisfied by the allocation/ allotment of shares	Expired ^	Closing balance
Tranche 7	5-Sep-11	Aug-15	-	2.100	492,500	-	(417,500)	(56,250)	18,750
MD Tranche	1-Jul-14	Jun-16	-	0.600	264,818	-	-	(264,818)	-
MD Tranche	17-Oct-13	Jun-16	-	0.780	300,000	-	-	(300,000)	-
Tranche 12	1-Jul-14	Oct-18	-	0.600	300,000	-	(100,000)	-	200,000
Tranche 13	1-Jul-14	Oct-18	-	0.600	153,730	-	(51,243)	-	102,487
Tranche 14	1-Jul-14	Jun-17	-	0.600	4,151,372	-	-	(543,362)	3,608,010
MD Tranche	16-Oct-14	Jun-17	-	0.630	723,226	-	-	-	723,226
Tranche 15	12-Jan-15	Jan-18	-	0.380	100,000	-	-	(100,000)	-
Tranche 16	12-Jan-15	Jan-17	-	0.380	75,000	-	(75,000)	-	-
Tranche 17	1-Jul-15	Jun-18	-	0.285	-	7,882,573	-	(1,188,173)	6,694,400
MD Tranche	20-Nov-15	Jun-18	-	0.235	-	1,558,468	-	-	1,558,468

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

Refer below for vesting details.

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

(g) Performance Rights (continued)

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 7)	Ordinary	Nil	5 Sept 2011	Aug 2016	(aa)	18,750
Imdex Limited	Performance Rights (Tranche 12)	Ordinary	Nil	1 Jul 2014	Jun 2017	(bb)	200,000
Imdex Limited	Performance Rights (Tranche 13)	Ordinary	Nil	1 Jul 2014	Jun 2017	(cc)	102,487
Imdex Limited	Performance Rights (Tranche 14)	Ordinary	Nil	1 Jul 2014	Jun 2017	(dd)	3,608,010
Imdex Limited	Performance Rights (Managing Directors' Tranche 5)	Ordinary	Nil	16 Oct 2014	Jun 2017	(ee)	723,226
Imdex Limited	Performance Rights (Tranche 15)	Ordinary	Nil	1 Jul 2015	Jun 2018	(ff)	6,694,400
Imdex Limited	Performance Rights (Managing Directors' Tranche 6)	Ordinary	Nil	20 Nov 2015	Jun 2018	(gg)	1,558,468

(aa) To be satisfied by the issue of fully paid ordinary shares in Imdex Limited with the final tranche being satisfied in August 2016. 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 commencing on or about July 2015. Subject to ongoing employment tenure.

(cc) To be satisfied by the issue of fully paid ordinary shares in Imdex Limited in equal 1/3 lots annually commencing on or about July 2015. Subject to ongoing employment tenure.

(dd) To be satisfied by the issue of fully paid ordinary shares in Imdex Limited on or about July 2017. A combination of Performance Rights subject to the achievement of specified performance hurdles and ongoing employment tenure, and Performance Rights subject only to ongoing employment tenure.

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

(ff) To be satisfied by the issue of fully paid ordinary shares in Imdex Limited on or about July 2018. A combination of Performance Rights subject to the achievement of specified performance hurdles and ongoing employment tenure, and Performance Rights subject only to ongoing employment tenure.

(gg) To be satisfied by the issue of fully paid ordinary shares in Imdex Limited on or about July 2018. Subject to ongoing employment tenure.

More information on the Performance Rights Plan can be found in note 5.3

(h) Share options

Share options on issue at the date of this report

Issuing Entity	Class	Class of shares	Exercise price	Issue date	Expiry date	Key terms	Number of shares under option
Imdex Limited	Consultant's Options	Ordinary	100 cents	26 August 2014	Sep 2017	(aa)	900,000

(aa) exercisable in equal 1/3 lots annually commencing on or about August 2015.

There were no share options exercised during or since the end of the financial year. More information on the share options can be found in note 5.3.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

(i) Principal Activities

The Group's principal 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 minerals business performed well throughout another challenging year, achieving a 13% increase in normalized EBITDA. Normalized EBITDA excludes impairments and restructure and other costs.

Conditions within the minerals market improved during the fourth quarter and the upward trend continued into the new financial year. This increase in activity was reflected in the Company's REFLEX rental fleet, which was the highest it has been in three years with further increases forecast.

During FY16, Imdex successfully upgraded its existing product range, commercialised new instrumentation and continued to progress its pipeline of new technologies for the global minerals market. The Company also continued to diversify its client base to include additional resource companies and non-mining applications.

As anticipated, Imdex's Group revenue and earnings were impacted negatively by further deterioration within the energy sector. The Company is, however, divesting its oil and gas assets via closure and sale, which will eliminate the losses associated with this business. Proceeds from these divestments will be applied to debt reduction.

Weaker conditions within the energy sector, together with Imdex's decision to focus on growing its minerals business where the Company has a competitive advantage, resulted in significant non-recurring impairment, restructuring and other one-off costs. These charges were largely brought to account in FY16 and will not materially affect FY17 results.

Imdex restructured its minerals business and implemented a cost reduction programme to ensure it has the most efficient operating model to capitalise on the industry upswing. The full benefits of this programme will be progressively realized throughout FY17.

During the year, the company raised \$6.5m from a share issue and refinanced borrowing facilities with Bain Capital. Bain Capital was formerly known as Sankaty and the facility was put in place in September 2015 and finalized in December 2015 to replace the Westpac / HSBC Club facility. This facility is a three year, interest only, \$54m fully drawn facility. Interest is at 10.75% being 8% cash and 2.75% PIK. The borrowings of \$54m are offset by the cost of the 37.1 million warrants issued to Bain Capital and fees associated with this funding facility. These costs will be amortized to the profit and loss over the period of the loan.

Financial results for FY16:

- Normalized EBITDA of \$20.3 million from continuing operations, up 30% (FY15: \$15.6 million);
- Statutory revenue from continuing operations¹ of \$143.3 million, up 1% (FY15: \$142.3 million);
- EBITDA of \$15.1 million from continuing operations, down 45% (FY15: \$27.6 million). The FY15 result includes \$14.2 million profit on sale of Imdex's remaining interest in Sino Gas and Energy Holdings Ltd (SEH);
- EBITDA loss of \$36.3 million (FY15: \$3.8 million loss), including discontinued operations² and non-recurring impairment, restructuring and other costs of \$50 million³;
- Net loss after tax of \$56.2 million (FY15: a loss of \$22.5 million), including discontinued operations and non-recurring impairment, restructuring and other costs;
- Gearing ratio of 21% (27% based on total net debt), (FY15: 17%);
- Normalized operating cash flow (excluding financing costs) of \$9.4 million;
- Normalized EBITDA interest cover of 2.0 times (FY15: 5.2 times); and
- Restructuring and cost out programme implemented with the full benefits progressively realised in FY17.

Key operational highlights included:

- Commercialisation of new instrumentation and technologies;
- Industry recognition of Imdex's leading technologies including winning the *Most Innovative Collaborative Technology* and *The Minister's Award for Excellence in Innovation* for REFLEX HUB-IQ at the 2016 WAITTA INCITE Awards;
- Expansion of client base, together with greater exposure to resource companies and the production phase of the mining cycle;
- Greater exposure to non-mining applications, particularly horizontal directional drilling; and
- Further product development with the design and manufacture of new capabilities that will be released to the market in FY17.

¹ Continuing operations includes Minerals and Engineering and Product Development

² Discontinued operations includes AMC Oil & Gas

³ VES impairment, restructuring and other one-off items principally associated with the Company's decision to divest its oil and gas assets via sale and closure

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

(k) Dividends

No dividend was paid during the current or prior year.

(l) Changes in State Of Affairs

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

(m) Subsequent Events

On 1 July 2016, Mr Anthony Wooles was appointed as Non-Executive Chairman.

On 21 July 2016, Mr James Hegyi resigned as a Non-Executive Director.

(n) Future Developments

Conditions within the global minerals market remain encouraging for Imdex.

Strengthening commodity prices, particularly gold, is driving additional capital raisings and further expenditure on greenfield and brownfield projects.

The use of innovative technologies to increase efficiencies and reduce costs is also continuing to gain momentum within the global minerals industry. Imdex's strategic investment in driller operated instrumentation, real-time data solutions and geoscience expertise throughout the industry downturn, complement its traditional product offering and provide the company with first mover advantage.

Imdex has simplified its business model and cost structure in a meaningful way and has the ability to leverage its fixed costs as conditions improve.

Key Areas of Focus and Growth Initiatives for FY17

Imdex remains focused on reducing debt and borrowing costs, while continuing to grow sustainable revenue and earnings via its minerals business. Its broader strategy is to:

- Focus on markets where the Company has a clear competitive advantage;
- Develop leading technologies and Imdex solutions;
- Expand and diversify its global client base;
- Engage, develop and retain talented people; and
- Build a resilient business by becoming an integral part of clients' operations.

Operationally the Company's objectives are to:

- Achieve or exceed financial targets for FY17;
- Achieve or exceed sales targets for FY17;
- Prioritize product development priorities and capabilities and commercialize new products; and
- Improve systems and process to assist the business with its growth strategy.

(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.

(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 6.7 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.

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

The Directors are of the opinion that the fees paid for services provided as disclosed in note 6.7 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit, Risk 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.

(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 2016/191, 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



Mr Anthony Wooles

Chairman

PERTH, Western Australia, 19 August 2016.

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

19 August 2016

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 2016, 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



A T Richards
Partner
Chartered Accountants

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 2016, the statement of profit or loss and other comprehensive income (loss), 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 20, and 26 to 78.

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 1.2, 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.

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:

- (a) the financial report of Imdex Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.2.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 3 to 11 of the directors' report for the year ended 30 June 2016. 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 2016, complies with section 300A of the *Corporations Act 2001*.

DELOITTE TOUCHE TOHMATSU

A T Richards

Partner

Chartered Accountants

Perth, 19 August 2016

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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;
- (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 1.2 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 2016/191. 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 6.3 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, 19 August 2016.

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

Mr Anthony Wooles
Chairman

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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 Recommendations**). 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 ASX Recommendations including corporate governance practices and suggested disclosures, have been adopted by Imdex Limited (**Imdex or Company**) for the full year ended 30 June 2016. In addition, the Company has a Corporate Governance section on its website: www.imdexlimited.com (under the "Investors" heading) which includes the relevant documentation suggested by the ASX Recommendations.

The Imdex Group's Corporate Governance Statement (**Statement**) for the financial year ending 30 June 2016 is dated as at 30 June 2016 and was approved by the Board of Imdex Limited (**Board**) on 19 August 2016. The extent to which Imdex has complied with the ASX Recommendations during the year ended 30 June 2016, and the main corporate governance practices in place are set out below.

Principle 1: Lay solid foundation for management and oversight

(i) Roles and Responsibilities of Board and Management

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.

(ii) 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.

All Directors are subject to a written agreement which sets out the terms of their appointment.

(iii) Company Secretary

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

(iv) Diversity

The Company has adopted a Diversity Policy to guide the Company's employees and Board in developing and achieving its diversity objectives. The policy is published on the Company's website.

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.

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CORPORATE GOVERNANCE STATEMENT

At 30 June 2016:

- of the Board positions, five (83%) were held by males, and one (17%) was held by a female.
- of eight senior executive* positions, seven (87%) were held by males, and one (13%) was held by a female.
- of 468 full time employees, 367 (78%) were male and 101 (22%) were female.

*Senior executives are defined as being persons within two reporting levels to the Managing Director

(v) Evaluating Performance

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. During the reporting period the performance of the Board was evaluated in accordance with this process.

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. A review of senior executives' performance was conducted in the reporting period.

Principle 2: Structure the Board to add value

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

(i) 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.

(ii) Board Structure

The Board consists of a Non Executive Chairman, three (four as at 30 June 2016) Non Executive Directors and one Executive Director. Of the six Board members at 30 June 2016, five are considered independent.

On 30 June 2016, Mr R Kelly resigned as a Non Executive Chairman and on 1 July 2016 Mr A Wooles was appointed as Non Executive Chairman. On 21 July 2016 Mr J Hegyi resigned as a Non Executive Director.

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 2016 Annual Financial Report (**Annual Report**).

(iii) 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:

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Director	Assessment	Existence of any matters contained in ASX Recommendation 2.1 affecting Independence
Mr A Wooles, Non Executive Chairman (appointed 1 July 2016)	Independent	Nil
Mr B W Ridgeway, Managing Director	Not Independent	Managing Director
Mr K A Dundo, Non Executive Director	Independent	Nil
Ms E Donaghey, Non Executive Director	Independent	Nil
Mr I Gustavino Non Executive Director (appointed 3 July 2015)	Independent	Nil
Mr J Hegyi Non Executive Director (appointed 1 December 2015 and resigned 21 July 2016)	Not Independent	Nil
Mr R W Kelly, Non Executive Chairman (resigned 30 June 2016)	Independent	Nil

(iv) Induction and Training

The Company has a program for inducting new Directors which includes providing all new Directors with an induction pack which ensures that they understand the Company's financial position, strategies, operations, culture, values and risk management policies. It also sets out the respective rights, duties, responsibilities and roles of the Board and senior executives and the Board committees. Additionally all new Directors are encouraged to meet with other Directors, senior executives and senior managers to gain insight into relevant operational and corporate matters.

Directors are offered ongoing professional development and training programs to enable them to develop and maintain their skills and knowledge.

Principle 3: Act ethically and responsibly

Code of Conduct

Both the Board and the Company's employees are expected to maintain the highest level of corporate ethics and personal behaviour. The Company's Code of Conduct (**Code**) provides all of its employees with an ethical and legal framework for their decisions and actions in relation to the conduct of their employment by establishing the minimum standard of conduct expected.

The Code provides guidance to employees on carrying out their duties and includes:

- acting ethically, honestly and with integrity
- ensuring work is carried out efficiently, economically and effectively; and
- follow the policies of the Company and encourage fellow employees to exercise similar qualities of personal and professional integrity as those outlined in the Code.

The Code provides clear directions on conducting business internationally, interacting with governments, communities, and general workplace behaviour having regard to the best practice corporate governance models and is available on the Company's website under the "Corporate Governance" section.

Principle 4: Safeguard integrity in corporate reporting

(i) The Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee (**ARC 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 ARC Committee is chaired by an independent Chairperson who is not the Chairman of the Board.

The role of the ARC 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.

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

- Mr K A Dundo (Chairman);
- Mr R W Kelly (resigned 30 June 2016);
- Ms E Donaghey; and
- Mr A Wooles (appointed 19 August 2016)

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

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

(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 Annual 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.

(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 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.

Principle 5: Make timely and balanced disclosure

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.

Principle 6: Respect the rights of Shareholders

Shareholders Communications Policy

The Company has established a Shareholder Communications Policy which is published on the Company's website.

The aim of the policy is 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 which 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 including Quarterly Shareholder newsletters;
- 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; and
- the Company's website also contains detailed information concerning the Company and each of its operating business units.

All Shareholders have the option of receiving communications electronically and can contact the Company by email at: imdex@imdexlimited.com or its security registry, Computershare, directly at: www.computershare.com.au. 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.

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Principle 7: Recognise and manage risk

(i) Audit, Risk and Compliance Committee

As set out above, the Board has an Audit, Risk and Compliance Committee (**ARC Committee**) to oversee risk, which 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 ARC Committee is chaired by an independent Chairperson who is not the Chairman of the Board.

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

- Mr K A Dundo (Chairman);
- Mr R W Kelly (resigned 30 June 2016);
- Ms E Donaghey; and
- Mr A Wooles (appointed 19 August 2016)

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

(ii) 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 ARC Committee. The committee reviews the risk management framework on an annual basis and after undergoing a review in this reporting period covered by Appendix 4G does not believe it has any material exposure to economic, environmental and social sustainability risks.

The Company has established a Risk Management Policy which is published on the Company's website.

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

(iii) Internal Audit

The Group has an internal audit function that reports directly to the ARC Committee. The internal audit function is completed by the Group Risk Manager and provides independent and objective evaluation in regard to the Company's risk management, internal controls and governance processes. The conduct and independence of the internal audit function are governed by the Internal Audit Charter which is approved by the ARC Committee. The annual work plan of the internal audit function is approved annually by the ARC Committee.

Principle 8: Remunerate fairly and responsibly

(i) Remuneration Committee

The Remuneration Committee consists of three Non Executive Directors (four at the date of this report) 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:

- Ms E Donaghey (member for the full year and was appointed Chairperson 9 July 2015)
- Mr K Dundo;
- Mr I Gustavino (appointed 9 July 2015); and
- Mr A Wooles (appointed 19 August 2016)

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.

(ii) 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.

(iii) Structure of Non Executive Director's remuneration

The terms and conditions governing the remuneration of Non Executive Directors 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 2015 Annual General Meeting and is currently \$700,000. From time to time additional benefits may be agreed with Directors with due regard to market conditions.

(iv) Equity-based remuneration scheme

The Company has a Security Trading Policy which imposes trading restrictions when dealing with Index securities, specifically limiting key management and employees of the Company or persons who have access to inside information relating directly or indirectly to the Company, from trading in the Company's securities. The policy can be found on the Company's website.

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR ENDED 30 JUNE 2016

		Year Ended 30 June 2016 \$'000	Year Ended 30 June 2015 \$'000
CONTINUING OPERATIONS	Notes		
Revenue from sale of goods and operating lease rental	2.2	143,346	142,299
Other income	2.3	521	251
Gain on the disposal of shares in Sino Gas and Energy Holdings Ltd (SEH)	2.3	-	14,234
Raw materials and consumables used		(50,708)	(54,495)
Employee benefit expense	2.4	(48,905)	(46,100)
Depreciation expense		(8,830)	(7,570)
Amortisation expense	3.6	(592)	(1,506)
Impairment of fixed assets		-	(814)
Finance costs	2.4	(10,160)	(3,030)
Other expenses	2.4	(29,068)	(28,461)
Profit/(loss) before tax		(4,396)	14,808
Income tax benefit/(expense)	2.5	535	(3,859)
Profit/(loss) for the year from continuing operations		(3,861)	10,949
Discontinued operations			
Loss for the period from discontinued operations	2.6	(52,392)	(33,452)
Loss for the period		(56,253)	(22,503)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Fair value adjustment on investment in SEH	5.3	-	2,298
Income tax relating to components of other comprehensive income	5.3	-	(689)
Exchange differences arising upon translation of investment in Associate	5.3	-	7,242
Exchange differences arising on the translation of foreign operations	5.3	(3,698)	3,996
<i>Items reclassified to profit or loss</i>			
Cumulative profit reclassified to profit or loss on sale of SEH shares, net of tax	5.3	-	(10,166)
Other comprehensive income/(loss) for the year, net of income tax		(3,698)	2,681
Total comprehensive loss for the year		(59,951)	(19,822)
Loss attributable to owners of the parent		(56,253)	(22,503)
Total comprehensive loss attributable to owners of the parent		(59,951)	(19,822)
Earnings/(Loss) per share			
From continuing and discontinued operations			
Basic loss (cents)	2.8	(23.11)	(10.44)
Diluted loss (cents)	2.8	(23.11)	(10.44)
From continuing operations			
Basic earnings/(loss) per share (cents)	2.8	(1.59)	50.81
Diluted earnings/(loss) per share (cents)	2.8	(1.59)	49.31

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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Notes	30 June 2016 \$'000	30 June 2015 \$'000
Current Assets			
Cash	3.1	12,977	8,417
Trade and Other Receivables	3.2	28,803	31,133
Inventories	3.3	27,383	37,304
Current Tax Assets	3.8	534	847
Other		5,166	6,132
		<u>74,863</u>	<u>83,833</u>
Assets classified as Held for Sale	4.2	3,153	32,217
Total Current Assets		<u>78,016</u>	<u>116,050</u>
Non Current Assets			
Property, Plant and Equipment	3.4	38,156	42,001
Deferred Tax Assets	3.8	19,325	15,630
Goodwill	3.5	59,363	59,326
Other Intangible Assets	3.6	1,475	3,297
Total Non Current Assets		<u>118,319</u>	<u>120,254</u>
Total Assets		<u>196,335</u>	<u>236,304</u>
Current Liabilities			
Trade and Other Payables		20,774	23,415
Borrowings	3.9	9,462	35,731
Other Financial Liabilities		-	91
Current Tax Liabilities	3.8	2,290	2,397
Provisions	3.7	12,223	4,600
Total Current Liabilities		<u>44,749</u>	<u>66,234</u>
Non Current Liabilities			
Borrowings	3.9	34,697	6,109
Deferred Tax Liabilities	3.8	340	460
Provisions	3.7	956	2,685
Total Non Current Liabilities		<u>35,993</u>	<u>9,254</u>
Total Liabilities		<u>80,742</u>	<u>75,488</u>
Net Assets		<u>115,593</u>	<u>160,816</u>
Equity			
Issued Capital	5.2	99,174	93,259
Warrants Reserve	5.3	7,964	-
Shares Reserved for Performance Rights Plan	5.3	-	(105)
Foreign Currency Translation Reserve	5.3	(4,222)	(524)
Employee Equity-Settled Benefits Reserve	5.3	5,344	5,407
Retained Earnings		7,333	62,779
Total Equity		<u>115,593</u>	<u>160,816</u>

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

		Fully Paid Ordinary Shares	Warrants Reserve	Shares reserved for Performance Rights Plan	Foreign Currency Translation Reserve	Investment Revaluation Reserve	Employee Equity-Settled Benefits Reserve	Retained Earnings	Total Attributable to Equity Holders of the Entity
	Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2014		90,259	-	-	(11,762)	8,557	6,266	83,602	176,922
Exchange differences on translation of foreign operations after taxation	5.3	-	-	-	3,996	-	-	-	3,996
Exchange differences arising upon translation of investment in Associate		-	-	-	7,242	-	-	-	7,242
Fair value adjustment on investment in SEH	5.3	-	-	-	-	2,298	-	-	2,298
Income tax relating to components of other comprehensive income	5.3	-	-	-	-	(689)	-	-	(689)
Cumulative profit reclassified to profit or loss on sale of SEH shares, net of tax		-	-	-	-	(10,166)	-	-	(10,166)
Loss for the year		-	-	-	-	-	-	(22,503)	(22,503)
Total comprehensive income/(loss) for the year		-	-	-	11,238	(8,557)	-	(22,503)	(19,822)
Issue of shares as consideration for the acquisition of 2iC Australia Pty Ltd	5.2	3,000	-	-	-	-	-	-	3,000
Share based payments - options	5.3	-	-	-	-	-	131	-	131
Share based payments - performance rights		-	-	-	-	-	906	-	906
Granting/settlement of performance rights	5.3	-	-	216	-	-	(1,896)	1,680	-
Shares purchased on market to satisfy performance		-	-	(321)	-	-	-	-	(321)
Balance at 30 June 2015		93,259	-	(105)	(524)	-	5,407	62,779	160,816
Exchange differences on translation of foreign operations after taxation	5.3	-	-	-	(3,698)	-	-	-	(3,698)
Loss for the year		-	-	-	-	-	-	(56,253)	(56,253)
Total comprehensive income/(loss) for the year		-	-	-	(3,698)	-	-	(56,253)	(59,951)
Issue of shares under share placement, net of transaction costs	5.2	5,915	-	-	-	-	-	-	5,915
Issue of warrants under new debt facility	5.3	-	7,964	-	-	-	-	-	7,964
Share based payments - options	5.3	-	-	-	-	-	34	-	34
Share based payments - performance rights		-	-	-	-	-	915	-	915
Granting/settlement of performance rights	5.3	-	-	205	-	-	(1,012)	807	-
Shares purchased on market to satisfy performance		-	-	(100)	-	-	-	-	(100)
Balance at 30 June 2016		99,174	7,964	-	(4,222)	-	5,344	7,333	115,593

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

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

CONTINUING AND DISCONTINUED OPERATIONS	Notes	Year Ended 30 June 2016 \$'000	Year Ended 30 June 2015 \$'000
Cash Flows From Operating Activities			
Receipts from customers		191,033	217,212
Payments to suppliers and employees		(185,416)	(205,002)
Interest and other costs of finance paid		(9,778)	(3,008)
Income tax paid		(2,406)	(388)
Net cash (used in)/provided by Operating Activities	3.1	<u>(6,567)</u>	<u>8,814</u>
Cash Flows From Investing Activities			
Interest received		108	105
Payment for property, plant and equipment	3.4	(3,442)	(15,998)
Payment for development costs capitalised	3.6	(1,863)	(1,282)
Proceeds from sale of SEH shares, net of transaction costs		-	17,003
Proceeds from sale of property, plant and equipment		536	137
Acquisition of 2iC Australia Pty Ltd	4.1	-	(162)
Net cash used in Investing Activities		<u>(4,661)</u>	<u>(197)</u>
Cash Flows From Financing Activities			
Shares purchased on market to satisfy performance rights		(100)	(321)
Hire purchase and lease payments		(555)	(290)
Hire purchase debt raised		85	1,378
Proceeds from borrowings		11,665	11,749
Repayment of borrowings		(1,326)	(23,941)
Proceeds from share placement, net of costs	5.2	5,915	-
Net cash provided by/(used in) Financing Activities		<u>15,684</u>	<u>(11,425)</u>
Net Increase/(Decrease) in Cash		<u>4,456</u>	<u>(2,808)</u>
Cash at the Beginning Of The Financial Year		8,417	10,070
Effects of exchange rate changes on the balance of cash held in foreign currencies		104	1,155
Cash at the End Of The Financial Year	3.1	<u>12,977</u>	<u>8,417</u>

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

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NOTES TO THE FINANCIAL REPORT

1 General Notes

1.1 General Information

Index Limited (the Company) is a listed public company, incorporated in Western Australia and operating in Asia-Pacific, Africa, Europe and the Americas. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Principal Registered Office: 216 Balcatta Road,
Balcatta, WA, 6021
Telephone: (08) 9455 4010

Principal Place of Business: 216 Balcatta Road,
Balcatta, WA, 6021
Telephone: (08) 9455 4010

The principal activities of the Company and its subsidiaries (collectively referred to as the Group) are described in note 2.1.

1.2 Basis of Presentation

This section sets out the basis of preparation and the Group accounting policies that relate to the consolidated financial statements as a whole. Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements to which it relates.

The Financial Report has been prepared on the basis of historical cost except for the revaluation of current assets held for sale. 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 2016/191, 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 Financial Report is a general purpose financial report which:

- has been prepared in accordance with Australian Accounting Standards (AASBs), including Australian Accounting Interpretations adopted by the Australian Accounting Standards Board, and the *Corporations Act 2001*. The Financial Report of the Group also complies with International Financial Reporting Standards (IFRSs) and Interpretations as issued by the International Accounting Standards Board (IASB);
- presents reclassified comparative information where appropriate to enhance comparability with the current period presentation.
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2015. Refer to note 1.5 for further details;
- does not early adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective. Refer to note 1.5 for further details; and
- has applied the Group accounting policies consistently to all periods presented.

The financial statements were authorised for issue by the Directors on 19 August 2016.

1.3 Going Concern

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

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1.4 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Group has power over an entity and is exposed to, or has rights over, the variable returns of the entity, as well as the ability to use this power to affect the variable returns of the entity.

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.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss, and;
- reclassifies to profit or loss or transfers directly to retained earnings, as appropriate, the parent's share of components previously recognised in other comprehensive income.

Interests in associates are equity accounted and are not part of the consolidated Group (see note 3.4).

Transactions and balances between the Company and its associates were eliminated in the preparation of consolidated financial statements of the Group to the extent of the Group's share in profits and losses of the associate resulting from these transactions.

1.5 Changes to Accounting Policies

Adoption of new and revised Accounting Standards and Interpretations

The Group has adopted all new and amended Australian Accounting Standards and Interpretations mandatory as at 1 July 2015 including:

AASB 2014-1 Amendments to Australian Accounting Standards [Part A – Annual Improvements 2010-2012 and 2011-2013 Cycles]	AASB 2014-1 amend a number of accounting standards including: clarification of the definitions in AASB 2 <i>Share-based Payment</i> and AASB 124 <i>Related Party Disclosures</i> ; additional disclosures requirements in AASB 8 <i>Operating Segments</i> ; clarification of the portfolio exception in AASB 13 <i>Fair Value Measurement</i> ; clarification of items in AASB 140 <i>Investment Property</i> and other editorial corrections.
AASB 2014-1 Amendments to Australian Accounting Standards [Part C – Materiality]	AASB 2014-1 Part C makes amendments to particular Australian Accounting Standards to delete references to AASB 1031.

Standards and Interpretations issued but not yet effective

The following new or amended accounting standards issued by the AASB are relevant to current operations and may impact the Group in the period of initial application. They are available for early adoption but have not been applied in preparing this Financial Report.

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Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 <i>Financial Instruments</i> , AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> (December 2010), AASB 2014-1 <i>Amendments to Australian Accounting Standards [Part E – Financial Instruments]</i> , AASB 2014-7 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> (December 2014)	1 January 2018	30 June 2019
AASB 15 <i>Revenue from Contracts with Customers</i> , AASB 2014-5 <i>Amendments to Australian Accounting Standards arising from AASB 15</i> , AASB 2015-8 <i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i>	1 January 2018	30 June 2019
AASB 2014-3 <i>Amendments to Australian Accounting Standards – Accounting for Acquisitions if Interests in Joint Operations</i>	1 January 2016	30 June 2017
AASB 2014-4 <i>Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016	30 June 2017
AASB 2014-10 <i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> AASB 2015-10 <i>'Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128'</i>	1 January 2018	30 June 2019
AASB 2015-1 <i>Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle</i>	1 January 2016	30 June 2017
AASB 2015-2 <i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101</i>	1 January 2016	30 June 2017
AASB 16 <i>Leases</i>	1 January 2019	30 June 2020
AASB 2016-2 <i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</i> . Effective 1 Jan 17	1 January 2017	30 June 2018

1.6 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 other factors that are considered to be relevant. 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. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

Significant accounting judgements

The following are the critical judgements (apart from those involving estimations, which are dealt with below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- Going concern- refer note 1.3

Significant accounting estimates and assumptions

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, 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 long lived assets– refer note 3.5;
- Impairment of assets held for sale– refer note 4.2;
- Share based payments' valuation – refer note 5.3;
- Warrants valuation- refer note 3.9; and
- Deferred tax asset recoverability– refer note 3.8.

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2 Financial Performance

This section focuses on the results and performance of the Group and includes disclosures explaining the Group's results for the year, significant items, taxation, earnings per share and dividends.

2.1 Segment Information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group), whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Management will also consider other factors in determining operating segments such as the existence of a division manager and the level of segment information presented to the board of directors.

Information reported to the CODM for the purposes of resource allocation and assessment of segment performance focuses on the types of markets serviced. The directors of the Company have chosen to organise the Group around different markets services by the entity's products and services.

No operating segments have been aggregated in arriving at the reportable segments of the Group. Operating and reportable segments for the group are:

- (i) Minerals: 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: This segment has been discontinued in the current year and comprised the manufacture and sale of downhole instrumentation and manufacture and sale of drilling fluids and chemicals to the oil & gas and geothermal industries globally.

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 following is an analysis of the revenue and results for the year, analysed by reportable segment.

Segment Revenues

	2016 \$'000	2015 \$'000
Minerals (continuing operations)	143,346	142,299
Oil & Gas (discontinued operations)	30,489	45,928
Total of all segments	<u>173,835</u>	<u>188,227</u>
Unallocated	108	105
Total revenue	<u>173,943</u>	<u>188,332</u>

Segment Results

Minerals (continuing operations) (iii)	15,648	13,652
Oil & Gas (discontinued operations) (i)	(55,279)	(36,318)
Total of all segments	<u>(39,631)</u>	<u>(22,666)</u>
Central administration costs (ii)	(17,157)	(10,212)
Gain on the disposal of shares in SEH	-	14,234
Loss before income tax	<u>(56,788)</u>	<u>(18,644)</u>
Income tax benefit/(expense)	535	(3,859)
Loss attributable to ordinary equity holders of Index Limited	<u>(56,253)</u>	<u>(22,503)</u>

(i) The year ended 30 June 2016 includes an impairment writedown of \$32.2m to the Investment in VES and an expense of \$12.6m relating to closure costs of the AMC Oil & Gas business. The year ended 30 June 2015 includes an expense of \$2.1m relating to the product containment incident and an impairment write down of fixed assets of \$17.1m.

The year ended 30 June 2016 includes costs of \$2.8m (30 June 2015: \$2.9m) that relates to Oil & Gas product development activities that are to be transferred to the Minerals segment upon completion of the sale of the discontinued operations.

(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.

(iii) The year ended 30 June 2016 includes \$3.5m of restructuring and provisioning costs (2015: nil)

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Segment Assets and Liabilities

	Assets	
	2016 \$'000	2015 \$'000
Minerals	182,343	186,656
Oil & Gas	10,839	17,431
Assets classified as Held for Sale	3,153	32,217
Total of all segments	196,335	236,304
Unallocated	-	-
Consolidated	196,335	236,304

	Liabilities	
	2016 \$'000	2015 \$'000
Minerals	24,556	26,168
Oil & Gas	12,027	7,480
Total of all segments	36,583	33,648
Unallocated	44,159	41,840
Consolidated	80,742	75,488

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

- All assets are allocated to reportable segments other than financial assets and current and deferred tax assets. Goodwill is allocated to reportable segments as described in note 3.6. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- All liabilities are allocated to reportable segments other than borrowings, other financial liabilities, current and deferred tax liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Other segment information

	Minerals (continuing operations)		Unallocated		Total continuing operations		Oil & Gas (discontinued operations)		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Depreciation	7,615	6,866	1,215	704	8,830	7,570	1,007	2,717	9,837	10,287
Amortisation	592	1,506	-	-	592	1,506	-	157	592	1,663
Impairment (i)	-	814	-	-	-	814	33,670	17,148	33,670	17,962
Acquisition of segment assets	2,320	11,606	1,122	906	3,442	12,512	-	3,486	3,442	15,998
Significant non cash expenses other than depreciation and amortisation	483	538	284	217	767	755	182	282	949	1,037

(i) Impairment in the Oil & Gas segment in 2016 relates to the writedown of \$32.2m in the VES investment (2015: nil) and \$1.5m relates to the write down of fixed assets (2015: 17.1m) - refer to note 2.6.

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Revenue from Major Products and Services

The following is an analysis of the Group's revenue from continuing operations from its major products and services:

	2016	2015
	\$'000	\$'000
Fluids	81,167	99,174
Rentals	62,179	43,125
Discontinued operations	30,489	45,928
	<u>173,835</u>	<u>188,227</u>

Geographical Segments

The Group's continuing operations operate in the following geographical segments:

- (i) Asia Pacific: Manufacture and sale/rental of products to the mining and mineral exploration industry
- (ii) Europe: Manufacture and sale/rental of products to the mining and mineral exploration industry
- (iii) Africa/Middle East: Manufacture and sale/rental of products to the mining and mineral exploration industry
- (iv) Americas: Manufacture and sale/rental of products to the mining and mineral exploration industry

The Group's revenue from from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue from external customers		Segment assets (non-current)	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Asia Pacific	50,644	55,071	83,620	86,094
Europe	14,713	11,668	6,108	5,634
Africa/Middle East	20,967	21,533	6,175	4,062
Americas	57,022	54,027	22,416	24,464
Discontinued operations	30,489	45,928	-	-
Total	<u>173,835</u>	<u>188,227</u>	<u>118,319</u>	<u>120,254</u>

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.

2.2 Revenue from continuing operations

	2016	2015
	\$'000	\$'000
Revenue from operations		
Revenue from the sale of goods	81,167	99,174
Revenue from services (including operating rental income)	62,179	43,125
	<u>143,346</u>	<u>142,299</u>

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.

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(ii) Revenue from services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. These contracts are predominately of a short term nature.

(iii) Rental Income

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

2.3 Other income from continuing operations

	2016 \$'000	2015 \$'000
Interest income - bank deposits (i)	108	105
Gain on disposal of property, plant and equipment	105	-
Gain on the disposal of shares in SEH (ii)	-	14,234
Foreign exchange gain	254	-
Other	54	147
	<u>521</u>	<u>14,486</u>

(i) Interest income is accrued on a time basis, by reference to the principal 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.

(ii) At 30 June 2015, the Group had disposed of its entire shareholding in SEH (91.9m fully paid ordinary shares). 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 2015, the Group sold the remaining 91.9m shares of its SEH shareholdings at a share price of 18.5 cents per share to realise gross cash proceeds of \$17.0m at a book profit before tax of \$14.2m.

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.

2.4 Expenses from continuing operations

Expense analysis by nature

	2016 \$'000	2015 \$'000
Finance costs		
Interest on hire purchase liabilities	(35)	(28)
Interest on loans	(5,597)	(2,767)
Amortisation of borrowing costs	(2,613)	-
Costs relating to capital raising not completed	(1,460)	-
Interest on overdraft	(41)	(101)
Other interest and financing costs	(414)	(134)
	<u>(10,160)</u>	<u>(3,030)</u>
Other expenses		
Commissions	(1,526)	(1,361)
Consultancy fees	(2,863)	(2,556)
Legal and professional expenses (i)	(2,820)	(4,085)
Foreign exchange loss	-	(577)
Rent and premises costs	(5,721)	(5,264)
Travel and accommodation	(3,065)	(3,359)
Motor vehicle costs	(1,735)	(1,780)
Obsolete stock	(2,320)	(1,250)
Doubtful debts (note 3.2)	(793)	(1,771)
Office closure costs	(377)	-
Other expenses	(7,848)	(6,457)
	<u>(29,068)</u>	<u>(28,460)</u>

(i) Includes legal, audit, accounting, share registry and corporate secretarial fees.

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	2016 \$'000	2015 \$'000
Employee benefits expense		
Post-employment benefits:		
Defined contribution superannuation costs	(2,655)	(2,411)
Share based payments:		
Equity-settled share based payments - performance rights (note 5.3)	(733)	(635)
Equity-settled share based payments - options (note 5.3)	(34)	(131)
Termination benefits	(116)	-
Other employee benefits	(45,367)	(42,923)
	<u>(48,905)</u>	<u>(46,100)</u>

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

2.5 Taxation

	2016 \$'000	2015 \$'000
Income tax expense/(benefit) recognised in the income statement		
Tax expense/(benefit) comprises:		
Current tax expense	4,060	3,855
Deferred tax benefit relating to the origination and reversal of temporary differences	(4,697)	517
Over provision in prior year	102	(513)
Total tax (benefit)/expense	<u>(535)</u>	<u>3,859</u>

Prima facie income tax expense/(benefit) on pre-tax accounting loss from operations reconciles to income tax expense/(benefit) in the financial statements as follows:

Loss from operations	<u>(56,253)</u>	<u>(18,644)</u>
Income tax benefit calculated at 30% (i)	(16,876)	(5,593)
Impairment of assets and investments (ii)	9,505	4,028
Tax losses not recognised or impaired for deferred tax purposes (iii)	4,878	4,709
Capital losses on sale of investments	-	1,445
Non-deductible share of loss of Associate	-	388
Other non-deductible and non-assessable items	1,620	(432)
Tax rate differential arising from foreign entities	235	(173)
Under/(over) provision in prior year income tax	103	(513)
	<u>(535)</u>	<u>3,859</u>

(i) 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.

(ii) Deferred tax impact of impairment expenses recorded to the extent they create permanent differences (including impairment in investments, impairment of goodwill, impairments in jurisdictions where losses have not been recognised and the impact of tax rate differentials for impairments included in jurisdictions with tax rates other than 30%).

(iii) Oil & Gas non-deductible provisioning and Tax losses not recognised or impaired for deferred tax purposes.

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

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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.

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.

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.

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2.6 Discontinued operations

During the year the Directors resolved to discontinue the AMC Oil & Gas business. This, along with the announced intention to sell the investment in VES, is consistent with the Group's strategic focus to concentrate its activities in the minerals business.

The results of the AMC Oil & Gas business is set out below.

	Year Ended 30 June 2016 \$'000	Year Ended 30 June 2015 \$'000
Discontinued operations		
Revenue	30,489	45,928
Other income	54	2
Impairment of VES Investment	(32,218)	-
Impairment of property, plant and equipment and goodwill	(1,452)	(17,100)
Business closure costs	(11,148)	-
Amortisation	-	(157)
Expenses (i)	(38,117)	(62,125)
Loss for the period after tax (tax effect nil)	(52,392)	(33,452)

(i) The year ended 30 June 2015 includes an expense of \$2.1m (2016: nil) relating to the product containment incident.

Cash Flows from Discontinued Operations

Net cash (outflows)/inflows from operating activities (ii)	(11,594)	(4,046)
Net cash outflows from investing activities	(134)	(3,486)
Net cash outflows from financing activities	(164)	(97)
Net cash outflows	(11,892)	(7,629)

(ii) The year ended 30 June 2016 includes a cash outflow of \$3.7m relating to the product containment incident (2015: \$3.7m)

2.7 Dividends

	2016 \$'000	2015 \$'000
Adjusted franking account balance	52,733	52,733
Impact on franking account of dividends not recognised	-	-
Income tax consequences of unrecognised dividends	-	-

No dividend was paid during the current or prior year.

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2.8 Loss per share

	2016 Cents per share	2015 Cents per share
From continuing and discontinued operations		
Basic loss per share	(23.11)	(10.44)
Diluted loss per share	(23.11)	(10.44)

From continuing operations		
Basic earnings/(loss) per share (a)	(1.59)	50.81
Diluted earnings/(loss) per share (b)	(1.59)	49.31

(a) Basic loss per share	2016	2015
The loss and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:	\$'000	\$'000
Continuing and discontinued operations - Loss	(56,253)	(22,503)
Continuing operations - Earnings/ (Loss)	(3,861)	10,949

	Shares	Shares
Weighted average number of ordinary shares for the purposes of basic loss per share	243,454,643	215,496,713

(b) Diluted loss per share	2016	2016
The loss and weighted average number of ordinary shares used in the calculation of diluted loss per share are as follows:	\$'000	\$'000
Continuing and discontinued operations - Loss	(56,253)	(22,503)
Continuing operations - Earnings/ (loss)	(3,861)	10,949

The weighted average number of ordinary shares for the purposes of diluted loss per share reconciles to the weighted average number of ordinary shares used in the calculation of basic loss per share as follows:

	Shares	Shares
Weighted average number of ordinary shares used in the calculation of basic loss per share	243,454,643	215,496,713
Shares deemed to be issued for no consideration in respect of performance rights (i)	-	6,560,646
Shares deemed to be issued for no consideration in respect of Warrants (i)	-	-
Weighted average number of ordinary shares used in the calculation of diluted loss per share	243,454,643	222,057,359

(i) The impact of performance rights and warrants in 2016 has not been factored in the calculation of the diluted earnings per share as the Group is in a loss position.

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3 Assets and Liabilities

3.1 Cash

Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investment in money market instruments, net of outstanding bank overdrafts. Cash 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:

	Notes	2016 \$'000	2015 \$'000
Cash		12,977	8,417

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

Reconciliation from the Loss for the Year to Net Cash (Used in)/Provided by Operating Activities

Loss for the year	(56,253)	(22,503)
<i>Adjustments for non-cash items</i>		
Gain on the disposal of shares in SEH	-	(14,234)
Depreciation of non-current assets	9,837	10,287
Amortisation of intangible assets	592	1,663
Impairment expense	33,476	17,962
Closure costs provided for relating to discontinued operations	10,522	-
Interest received disclosed as investing activities	(108)	(105)
Share options and performance rights expensed	949	1,037
Write down of obsolete stock	2,320	2,782
(Gain)/ loss on sale of non-current assets	(105)	469
Inventory utilised into property, plant and equipment	3,900	-
Share of loss of associate	-	1,295
Interest on hire purchase liabilities	35	38
Movement in product containment provision and Kazakhstan business closure provision (note 3.7)	-	(11,484)
Other	350	-
<i>Changes in assets and liabilities during the financial year</i>		
(Increase) / decrease in assets:		
Current receivables	(636)	9,091
Current inventories	258	2,842
Other current assets	(1,865)	(431)
Increase / (decrease) in liabilities:		
Current payables	(6,124)	6,313
Provision for employee entitlements	(774)	321
Current and deferred tax liability	(2,941)	3,471
Net Cash (used in)/provided by Operating Activities	(6,567)	8,814

Non cash financing and investing activities

During the year the Group acquired equipment under a finance lease of \$0.1m (2015: \$1.4m). This equipment acquisition will be reflected in the cash flow statement over the term of the finance lease via lease repayments.

During the year \$3.9m of inventory (2015: nil) was transferred in to property, plant and equipment.

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3.2 Trade and other receivables

	Notes	2016 \$'000	2015 \$'000
Current			
Trade receivables	(i)	33,170	36,039
Allowance for doubtful debts	(ii)	(4,405)	(4,906)
		<u>28,765</u>	<u>31,133</u>
Other receivables		38	-
		<u>28,803</u>	<u>31,133</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 debtors circumstances.

Ageing of past due but not impaired debtors

0 - 30 days past due	1,509	1,203
31 - 60 days past due	4,139	4,565
61 + days past due	1,380	1,522
	<u>7,028</u>	<u>7,290</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	4,906	4,771
Amounts written off during the year	(1,294)	(2,097)
Increase in allowance recognised in profit or loss	793	2,232
Balance at the end of the year	<u>4,405</u>	<u>4,906</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.

3.3 Inventories

	2016 \$'000	2015 \$'000
Current		
Raw materials	4,836	8,569
Work in progress	340	957
Finished goods	<u>22,207</u>	<u>27,778</u>
	<u>27,383</u>	<u>37,304</u>

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.

An allowance for diminution of stock of \$2,683,701 existed at 30 June 2016 (2015: \$956,666).

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3.4 Property, plant and equipment

		Plant and Equipment at cost	Leasehold Improvements at cost	Capital Works in Progress at cost	TOTAL
	Notes	\$'000	\$'000	\$'000	\$'000
Gross Carrying Value					
Balance at 30 June 2014		61,434	8,166	5,239	74,839
Additions		12,314	771	2,913	15,998
Recognition on acquisition of 2iC Australia	4.1	2,351	-	-	2,351
Disposals		(620)	-	-	(620)
Impairment of fixed assets	3.5	(14,763)	-	(2,902)	(17,665)
Net foreign currency exchange differences		5,326	626	694	6,646
Balance at 30 June 2015		66,042	9,563	5,944	81,549
Additions	(i)	6,430	8	856	7,294
Impairment of fixed assets relating to discontinued operations	3.5	(1,259)	(193)	-	(1,452)
Disposals		(1,465)	(56)	-	(1,521)
Net foreign currency exchange differences		(1,643)	17	247	(1,379)
Transfer		1,268	-	(1,268)	-
Balance at 30 June 2016		69,373	9,339	5,779	84,491
Accumulated Depreciation					
Balance at 30 June 2014		25,012	2,647	-	27,659
Disposals		(364)	-	-	(364)
Depreciation expense	2.1	9,558	729	-	10,287
Net foreign currency exchange differences		1,814	152	-	1,966
Balance at 30 June 2015		36,020	3,528	-	39,548
Disposals		(1,061)	(29)	-	(1,090)
Depreciation expense	2.1	8,838	999	-	9,837
Net foreign currency exchange differences		(1,960)	-	-	(1,960)
Balance at 30 June 2016		41,837	4,498	-	46,335
Net Book Value					
As at 30 June 2015		30,022	6,035	5,944	42,001
As at 30 June 2016		27,536	4,841	5,779	38,156

(i) Includes \$3.9m utilised and capitalised from inventory into property, plant and equipment.

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.

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.

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.

Capital works in progress

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.

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Depreciation

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 are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

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

Plant and equipment:	10% to 50%
Leasehold improvements:	10% to 50%

Depreciation of capital works in progress, on the same basis as other property, plant and equipment assets, commences when the assets are ready for their intended use.

3.5 Goodwill

	Notes	2016 \$'000	2015 \$'000
Gross Carrying Amount			
Balance at beginning of the financial year		83,621	84,375
Recognised on acquisition of 2iC Australia	4.1	-	73
Effect of foreign exchange movements		37	(827)
Balance at end of the financial year		<u>83,658</u>	<u>83,621</u>
Accumulated Impairment Losses			
Balance at beginning of the financial year		(24,295)	(23,998)
Impairment losses for the year		-	(297)
Balance at end of the financial year		<u>(24,295)</u>	<u>(24,295)</u>
Net Book Value			
At the beginning of the financial year		59,326	60,377
At the end of the financial year		<u>59,363</u>	<u>59,326</u>

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.

Goodwill is subsequently measured at its cost less any accumulated impairment losses.

Significant accounting estimates and assumptions

Determining whether goodwill, intangibles and fixed assets are impaired requires an estimation of the value in use of the cash-generating units to which these assets 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.

Allocation of Goodwill to Cash Generating Units

Index monitors for impairment at the cash generating unit level (CGU) being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGUs identified are at a lower level (based on regional hubs).

Goodwill and intangible assets not yet available for use are not amortised but tested for impairment annually and whenever there is an indication that the asset may be impaired. Impairments recognised for goodwill are not reversed.

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

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The carrying amount of goodwill at year end is as follows:

	2016 \$'000	2015 \$'000
Reflex	36,013	35,996
AMC Minerals Asia Pacific	18,360	18,360
AMC Minerals South America	4,990	4,970
	<u>59,363</u>	<u>59,326</u>

Cash-generating units or groups of cash-generating units to which goodwill has been allocated are tested for impairment annually or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets (other than goodwill) 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.

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 the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or groups of cash-generating units), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or groups of cash-generating units) and then to the other assets of the cash generating units pro-rata on the basis of the carrying amount of each asset in the cash-generating unit (or groups of cash-generating units). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period. On disposal of an operation within a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

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 immediately in profit or loss, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Impairment losses recognised by cash-generating unit:

	Property, Plant & Equipment		Goodwill	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
AMC Oil & Gas Europe	(646)	(2,303)	-	(297)
AMC Oil & Gas Asia Pacific	(563)	(5,020)	-	-
AMC Oil & Gas Africa/Middle East	(243)	(9,528)	-	-
AMC Minerals Africa/Middle East	-	(51)	-	-
AMC Minerals North America	-	(250)	-	-
AMC Minerals Asia Pacific	-	(513)	-	-
	<u>(1,452)</u>	<u>(17,665)</u>	<u>-</u>	<u>(297)</u>

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Significant accounting estimates and assumptions

The determination of impairment involves the use of judgements and estimates that include, but are not limited to, the cause, timing and measurement of the impairment.

Goodwill is tested at least annually and where there is an indicator of impairment through testing of the CGUs to which the goodwill has been allocated. Goodwill and property, plant and equipment and other intangible assets are grouped into CGUs that have been identified as being the smallest identifiable group of assets that generate cash flows, which are independent of cash flows of other assets or groups of assets. The determination of these CGUs is based on management's judgement in regards to shared infrastructure, geographical proximity, and similar exposures to market risk and materiality.

Management is required to make significant judgements concerning the identification of impairment indicators, such as changes in competitive positions, expectations of growth, increased cost of capital, and other factors that may indicate impairment such as a business restructuring. In addition, management is also required to make significant estimates regarding future cash flows and the determination of fair values when assessing the recoverable amount of assets (or group of assets). Inputs into these valuations require assumptions and estimates to be made about forecast earnings before interest and tax and related future cash flows, growth rates, applicable discount rates, useful life and residual values.

Index's forecasted results reflect the subdued activity levels within the minerals and oil and gas industries due to the cyclical downturn. The judgements, estimates and assumptions used in assessing impairment are management's best estimates based on current and forecast market conditions. Changes in economic and operating conditions impacting these assumptions could result in changes in the recognition of impairment charges in future periods.

Annual Assessment for Impairment Indicators

CGUs

Index monitors for impairment at the cash generating unit level (CGU) being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGUs identified are at a lower level (based on regional hubs) than Index's two main divisions (Minerals and Oil & Gas).

Annual impairment testing

Goodwill exists in relation to three CGUs and is tested annually for impairment:

- AMC Minerals Asia Pacific
- AMC Minerals South America
- Reflex

In addition as required by AASB 136, impairment tests are performed for CGUs with indicators of impairment.

Assessment of impairment indicators

In accordance with AASB 136 (paragraph 12) management has considered a range of external, internal and other indicators that may indicate some level of impairment at the individual asset level. These include evidence of obsolescence or physical damage of an asset, and evidence available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected. This has resulted in the identification of impairment indicators in relation to specific CGUs (as outlined below), as well as the write down of a number of specific individual assets.

CGUs with indicators of impairment

AMC Minerals North America, AMC Minerals Asia Pacific and AMC Minerals Europe

Indicators of impairment have been identified in relation to these CGUs given the underperformance versus budget in the year in all CGUs arising as a result of challenges in the business environment within which these CGUs operates.

Value in use assessments and sensitivities:

Inputs to impairment calculations

For value in use calculations, cash flow projections are based on Index's corporate plans and business forecasts prepared by management and approved by the Board for FY17. The corporate plans are developed annually.

These forecasts are adjusted to exclude the costs and benefits of expansion capital on the understanding that actual outcomes may differ from the assumptions used.

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For the years FY17 – FY21 the key assumptions applied were:

- Projections for FY17 reflect the non-recurrence of significant one off costs incurred in FY16, restructuring that has occurred prior to 30 June 2016 and the annualised cost savings anticipated to occur, and business specific growth forecast reflecting management's assessment of the short term outlook in each business.
- Revenue growth from FY17 onwards has been based on a growth rate that reflects a base line recovery in an uncertain market. CPI is applied specifically to each CGU based on regional data collected;
- Capital investment for FY17 is based on the forecasted numbers approved by the Board of Directors. Going forward to terminal date, capital investment gradually increases each year so that it equals the replacement cost of assets by terminal date ;
- Tax rates used were those applicable to the countries in the region;
- Post-tax discount rates used were country risk adjusted and based on data supplied by external sources: and
- Working capital is assumed to increase at a rate of 20% to sales increases. The organisational rate of working capital to sales is 29% based on the 2016 financial year. The reduced rate of working capital to sales on the incremental increase in sales reflects management's efforts to reduce levels of working capital through improved inventory and debtor management.

Cash flows beyond the five-year period are extrapolated using estimated growth rates, which are based on Group estimates, taking into consideration historical performance as well as expected long-term operating conditions. Growth rates do not exceed the consensus forecasts of the long-term average growth rate for the industry in which the CGU operates.

The key assumptions used for assessing the recoverable amounts of Index's major CGUs, which collectively account for over 95 per cent of the Group's goodwill, intangible assets, working capital, PPE and Inventories are set out in the tables below.

- EBITDA and revenue growth over the forecast period is based on past experience and expectations of general market conditions;
- The post-tax discount rates incorporate a risk-adjustment relative to the risk associated with the net post-tax cash flows being achieved; and
- Long term growth rates are based on the long-term average growth rates of the businesses.

Other assumptions are determined with reference to internal and external sources of information.

Increases in discount rates or changes in other key assumptions, such as operating conditions or financial performance, may cause the recoverable amounts to fall below carrying values. The main sensitivities where a reasonably possible change could lead to further impairment are considered further in the table below.

A forward looking estimation of this nature is inherently uncertain and these sensitivities may vary by more or less than this percentage.

Reportable segment	Minerals				
CGU	AMC Minerals Asia Pacific	AMC Minerals North America	AMC Minerals South America	AMC Minerals Europe	Reflex
Goodwill (\$'000's)	18,360	-	4,990	-	36,013
Other assessable assets (\$'000)	13,328	12,571	8,842	4,291	31,930
Total assessable assets (\$'000)	31,688	12,571	13,832	4,291	67,943
Asset specific impairment charge recorded (\$'000)	-	-	-	-	-
Remaining carrying value (\$'000)	31,688	12,571	13,832	4,291	67,943
Discount rate (post-tax)	9.69%	10.25%	15.50%	10.96%	9.69%
Average annual compound revenue growth rate from FY16 to FY17	10%	10%	(15%)	19%	8%
Average annual compound revenue growth rate from FY17 to FY21	Commences at 4% and increases at 1% per annum	Commences at 6% and increases at 2% per annum	Commences at 6% and increases at 2% per annum	Commences at 4% and increases at 1% per annum	Commences at 4% and increases at 1% per annum
Headroom as a percentage of the CGU's net carrying value	26.1%	45.6%	15.5%	176.6%	375.8%
Terminal value growth	2.75%	2.75%	2.75%	2.75%	2.75%

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Changes in the assumptions used in the CGU value-in-use model, when considered in isolation, will result in the following Headroom/ (Impairment) ('000's):

Reportable segment		Minerals				
CGU		AMC Minerals Asia Pacific	AMC Minerals North America	AMC Minerals South America	AMC Minerals Europe (a)	Reflex (a)
Terminal growth rate	1%	13,512	7,652	250		
	-1%	4,324	4,274	(1,837)		
Pre-tax discount rate	2%	(521)	2,331	(3,145)		
	-2%	24,138	11,585	2,645		

- (a) There are no reasonably possible changes in a key assumption on which the Group has based its value-in-use calculation for this CGU that causes the carrying amount to exceed its recoverable amount. As such, a sensitivity analysis has not been performed.

3.6 Other intangible assets

		Intellectual Property	Technology Based	Contract Based	Customer Based	Development Costs	Trade Name	TOTAL
	Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross Carrying Value								
Balance at 30 June 2014		1,901	14,080	2,258	10,893	8,541	3,887	41,560
Recognition on acquisition of 2iC Australia	4.1	1,517	-	-	-	-	-	1,517
Capitalised during the year		-	-	-	-	1,282	-	1,282
Impact of exchange rate changes		38	-	-	-	158	-	196
Balance at 30 June 2015		3,456	14,080	2,258	10,893	9,981	3,887	44,555
Capitalised during the year		-	-	-	-	1,863	-	1,863
Reclassified to Assets held for sale	4.2	-	-	-	-	(3,153)	-	(3,153)
Impact of exchange rate changes		56	-	-	-	-	-	56
Balance at 30 June 2016		3,512	14,080	2,258	10,893	8,691	3,887	43,321
Accumulated Amortisation and Impairment								
Balance at 30 June 2014		1,034	14,080	2,101	10,893	7,681	3,887	39,676
Amortisation expense		428	-	157	-	1,078	-	1,663
Impact of exchange rate changes		(13)	-	-	-	(68)	-	(81)
Balance at 30 June 2015		1,449	14,080	2,258	10,893	8,691	3,887	41,258
Amortisation expense		592	-	-	-	-	-	592
Impact of exchange rate changes		(4)	-	-	-	-	-	(4)
Balance at 30 June 2016		2,037	14,080	2,258	10,893	8,691	3,887	41,846
Net Book Value								
As at 30 June 2015		2,007	-	-	-	1,290	-	3,297
As at 30 June 2016		1,475	-	-	-	-	-	1,475

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 trademarks. These are recorded at cost less accumulated amortisation and impairment.

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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 amortisation commences on commercialisation of the underlying projects.

Amortisation

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	3-5 years
Technology	5-7 years
Contracts	1-5 years (term of contract)
Customers	5-6 years
Trade Names and Patents	1-6 years
Development costs	3-5 years

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3.7 Provisions

	Notes	2016 \$'000	2015 \$'000
Current provisions			
Employee entitlements	(i)	4,866	3,910
Other provisions		7,357	690
		<u>12,223</u>	<u>4,600</u>
Other provisions			
		Office closure provision (ii) \$'000	Oil & Gas closure provision (iii) \$'000
Balance at 1 July 2015		690	-
Additional amounts recognised		279	6,668
Amounts utilised		(280)	-
Balance at 30 June 2016		<u>689</u>	<u>6,668</u>
			Total \$'000
			<u>690</u>
			<u>6,947</u>
			<u>(280)</u>
			<u>7,357</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) The office closure provision relates to the estimated costs of the closure of the former head office and warehouse facilities in Australia and Canada.

(iii) The Oil and Gas closure provision relates to the estimated costs of the closure of the AMC Oil & Gas business.

	2016 \$'000	2015 \$'000
Non-current provisions		
Employee entitlements	<u>956</u>	<u>2,685</u>

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.

Employee entitlements

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. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Termination benefit

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

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3.8 Current and Deferred Tax Balances

	2016 \$'000	2015 \$'000
Income tax recognised directly in Other Comprehensive Income		
The following current and deferred amounts were charged directly to equity during the year:		
Deferred tax: SEH fair value uplift taken directly to reserve	-	(689)
Current tax assets and liabilities		
Current tax receivable	534	847
Current tax payable	2,290	2,397
Deferred tax balances		
Deferred tax assets comprise:		
Provisions	4,058	4,856
Inventory	1,025	1,495
Property, plant and equipment	2,950	2,897
Carry forward tax losses in subsidiary companies (i)	10,807	5,553
Accruals	-	635
Other	485	194
	19,325	15,630
Deferred tax liabilities comprise:		
Intangible assets	(104)	(224)
Untaxed reserves	(236)	(236)
	(340)	(460)
Net deferred tax balances	18,985	15,170

(i) Tax losses of \$37.8m have been incurred by the Group in the regions of Asia Pacific, Europe and South America.

	2016 \$'000	2015 \$'000
Unrecognised deferred tax assets:		
The following have not been brought to account as assets:		
Temporary differences relating to the translation of investments in subsidiary undertakings	5,372	3,200
Deferred Tax Assets in respect of unrecognised tax losses	8,265	6,086
Deferred Tax Assets in respect of unrecognised provisions	1,533	780

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 Index Limited. 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).

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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. 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.

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, Index 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.

Significant accounting estimates and assumptions

A net deferred tax asset of \$19.0m has been recognised on the face of the Consolidated Statement of Financial Position. The largest component of this asset is the future tax benefit available to the group in respect of unused tax losses incurred of \$10.8m, primarily in relation to Australia, given the high level of non-recurring costs expensed in this and other jurisdictions in the current and prior year. This tax benefit will be realised over the next 3-5 years when future taxable profits are available against which the unused tax losses can be utilised. This net asset has been raised as it is considered more likely than not that it will be realised due to trading and/or sale of assets. In making this assessment of likelihood, a forward looking estimation of cash flows and the likelihood of business success needs to be made. A forward looking estimation of this nature is inherently uncertain.

As part of the process for preparing the Group's financial statements, management is required to calculate income tax accruals. This process involves estimating the current tax exposures together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in the Consolidated Statement of Financial Position.

While the Group aims to ensure the accruals for its tax liabilities are accurate, the process of agreeing tax liabilities with the relevant tax authorities can take time. Management estimate is therefore required in determining the provision for income tax and the recognition of deferred tax assets and liabilities and therefore the actual tax liabilities could differ from the amounts accrued.

3.9 Borrowings

	Notes	2016 \$'000	2015 \$'000
Current borrowings			
Secured			
Bain Capital Facility (formerly Sankaty)	(i)	9,000	-
Club Facility		-	35,240
Hire purchase liabilities	(ii), 6.2	462	491
		<u>9,462</u>	<u>35,731</u>
Non-current borrowings			
Secured			
Bain Capital Facility (formerly Sankaty)	(i)	34,015	-
Club Facility		-	5,115
Hire purchase liabilities	(ii), 6.2	682	994
		<u>34,697</u>	<u>6,109</u>

- (i) As announced to the market on 24 September 2015 the Company successfully re-financed its debt facilities extinguishing the amounts owed to its previous financiers HSBC and Westpac through a new facility with Bain Capital (formerly Sankaty) resulting in a net inflow of \$11.7m.

The new facility is a three year AUD\$54m facility which is fully drawn as at 30 June 2016.

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The facility has interest accruing at 10.75% (8.00% interest and 2.75% PIK), with the face value of AUD\$54m made up of \$7.9mUSD and \$2.2mCAD with the balance in AUD. The effective interest rate of the loan is 19.51% after allowing for the amortisation of capitalised warrant and borrowing costs.

Certain covenants are required to be met under the facility and the Company is in compliance with those covenants as at 30 June 2016 and in the period to the date of this report.

The carrying value of the borrowings as at 30 June 2016 of \$43.0m has been recorded using the amortised cost method and has been derived based on the amount drawn under the facility less the value allocated to the warrants and recorded in equity and capitalised borrowing costs (\$5.2m) plus interest accrued and capitalised in the period from initial drawdown to 30 June 2016.

The current portion of the loan represents the amount expected to be repaid via the divestment of the oil and gas assets.

- (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 6.76% (2015: 6.64%).

Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable fees, premiums paid and transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Compound instruments

The compound parts of compound instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of gross proceeds. Transaction costs relating to equity are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

Significant accounting estimates and assumptions

The Company issued 37,041,867 nil priced warrants to Bain Capital (formerly Sankaty). These are escrowed until 12 November 2016 and can be settled in cash (at the option of the Company) or by the issue of shares prior to 12 November 2019. The warrants have been treated as equity as the Company can settle the warrants by issuing Imdex shares on a fixed for fixed basis (one share for one warrant). The value attributable to the warrants determined using a Black Scholes valuation of \$8.0 million has been recorded in a separate equity reserve. The valuation is subject to estimation as it is calculated using the Black-Scholes option pricing which is based on significant assumptions such as volatility, dividend yield, and expected term.

	2016 \$'000	2015 \$'000
Financing facilities		
Total facilities available		
Sankaty Loan ¹	54,000	-
Club Facility	-	50,645
Equipment finance facility	1,144	1,485
	<u>55,144</u>	<u>52,130</u>
Facilities utilised at balance sheet date		
Sankaty Loan	54,000	-
Club Facility	-	44,630
Equipment finance facility	1,144	1,485
	<u>55,144</u>	<u>46,115</u>
Facilities not utilised at balance sheet date		
Sankaty Loan	-	-
Club Facility ²	-	6,015
Equipment finance facility	-	-
	<u>-</u>	<u>6,015</u>

¹ This amount is grossed up to exclude the value allocated to the warrants and capitalised borrowing costs.

² The 2015 available Club Facility of \$6m includes \$3.3m that has been quarantined in order to repay the final costs relating to the product containment incident.

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4 Changes in entity structure

4.1 Business combinations

With effect from 1 September 2014, Imdex Limited acquired 100% of the issued share capital of 2iC Australia Pty Ltd (2iC), an Australian based developer and supplier of downhole instrumentation. The numbers presented below have been accounted for using the acquisition method of accounting.

Details of the assets, liabilities and goodwill:

		Book value	Fair value adjustments	Fair value on acquisition
	Notes	\$'000	\$'000	\$'000
Trade and other receivables		307	-	307
Inventories		457	(160)	297
Property, plant and equipment	(ii),3.4	293	2,058	2,351
Intangibles	(iii),3.6	-	1,517	1,517
Trade and other payables		(709)	(159)	(868)
Deferred tax	(ii,iii)	(33)	(372)	(405)
Provisions		(110)	-	(110)
Fair value of net identifiable assets acquired		205	2,884	3,089
Goodwill on acquisition	(i),3.5			73
Total purchase consideration				3,162
Total purchase consideration comprises				
Issue of ordinary shares	5.2			3,000
Overdraft acquired				162
				3,162

		10 months to 30 June 2015 \$'000
Operating results of 2iC included in the Consolidated Income Statement of Imdex Limited for the following periods:		
Revenue		536
Total expenses (including income tax)		(469)
Profit after tax for the period	(iv)	67

(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 \$2.3m 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.

(iii) Intangible assets of \$1.5m 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 \$0.2m 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 \$1.3m based on the excess earnings potential for Imdex in relation to the ACT IV tool. These intangible assets are being amortised over their expected useful lives of 6 years. Deferred tax of \$0.5m 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 Imdex consolidated results for the full year would have been revenue of approximately \$0.6m with a profit after tax of \$0.1m. 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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Acquisitions of subsidiaries and businesses are accounted for using the purchase 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. 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.

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, 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. Accounting for this acquisition has now been finalised.

Significant accounting estimates and assumptions

Significant management estimates are required to account for the transaction including assessment of the fair value of the assets and liabilities acquired based and valuation of intangible assets acquired as part of the business combination based on future projected cash flows, determination of acquisition date, tax accounting and assessing the impact on the determination of segments and CGUs on the combined Group.

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4.2 Assets classified as Held for Sale

	Notes	2016 \$'000	2015 \$'000
Investment in VES International	(i)	-	32,217
Oil & Gas Product Development	(ii)	3,153	-
		<u>3,153</u>	<u>32,217</u>

- (i) 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.

During the year a review was undertaken by management to assess the appropriate carrying value of VES. In light of the current trading performance of VES, the decline in activity in the Oil and Gas sector and the difficulties in selling this investment to date, it was decided to impair the investment in VES to nil.

	Notes	2016 \$'000	2015 \$'000
Cash and Cash Equivalents		9,417	11,847
Trade receivables		6,213	8,384
Inventory		1,138	1,140
Property, Plant and Equipment		20,993	27,812
Goodwill		35,140	33,874
Intangible Assets		40,122	48,856
Other		2,864	441
Total Assets		<u>115,887</u>	<u>132,354</u>
Trade and other payables		(1,832)	(1,203)
Tax payables		(1,326)	(4,276)
Other		(2,888)	(5,547)
Total Liabilities		<u>(6,046)</u>	<u>(11,026)</u>
Net Assets		<u>109,841</u>	<u>121,328</u>
Share of Net Assets (30.65%)		<u>33,666</u>	<u>37,187</u>

VES comprises of the following:

Opening cost of VES	32,217	26,270
Impairment of investment	(32,217)	-
Share of loss of VES (Equity Accounted)	-	(1,295)
Exchange differences arising upon translation of VES	-	7,242
Closing cost of VES	<u>-</u>	<u>32,217</u>

- (ii) The Board's decision is to divest itself of the Oil and Gas assets. The Directors of the Company expect that the fair value less costs to sell the assets will be higher than the carrying amount and therefore no impairment has been recognised as at 30 June 2016. The sale will be subject to commercial negotiations and therefore the sales proceeds may vary from the carrying amount recorded and may be impacted by market conditions, an assessment of the outlook, and foreign exchange movements.

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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 investment is classified as held for sale, accordingly it is accounted for in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'. AASB 5 requires Assets held for Sale to be recorded at the lower of carrying value and fair value less costs to sell.

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.

Exchange differences arising on investments in associates, if any, are classified as equity and transferred to the Group's translation reserve. Exchange differences are not recognised for investments in associates once they have been classified as held for sale. These exchange differences are transferred to profit or loss in the period in which the investment in associate is disposed.

Impairment of investment in associates

VES' results of operations during the year ended 30 June 2016 has underperformed when compared to forecasts as a result of deterioration in the business environment within which VES operates. In addition, the planned disposal of Index's investment in VES, which has been classified as an Asset Held for Sale, requires the Group to record the value on 30 June 2016 at the lower of fair value less costs to sell (FVLCS) and carrying value.

The requirements of AASB 5 have been applied in determining the carrying amount of the Assets Held for Sale. The key assumptions used for assessing FVLCS are set out below:

- Current sales discussions whilst considering 12 month earnings multiples as indicative value for what can be realised in this market;
- Value in Use ("VIU") cash flow calculation less costs to sell as a proxy for FVLCS. The VIU calculation requires the Group to estimate cash flows expected from the investment and a suitable discount rate in order to calculate present value. The significant assumptions made include:
 - EBITDA and revenue growth over the forecast period is based on past experience and expectations of general market conditions;
 - The post-tax discount rate of 10.40% which incorporates a risk-adjustment relative to the risk associated with the post-tax cash flows being achieved;
 - Long term growth rates consistent with the uncertainty and volatility in the oil and gas market, and forecast oil prices as of the balance sheet date; and
 - Estimated costs to sell.

This assessment has resulted in an impairment of \$32.2 million at 30 June 2016.

Significant accounting estimates and assumptions

The determination of impairment involves the use of judgments and estimates that include, but are not limited to, the cause, timing, and measurement of impairment as indicated above. The sales process will be subject to commercial negotiations and therefore the sales proceeds may be impacted by factors such as market conditions, an assessment of the outlook, the performance of the investment prior to any sale being finalised and foreign exchange movements

Assets Classified as Held for Sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales for such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with AASB 139 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

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5 Capital Structure

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 as disclosed in note 3.9, cash as disclosed in note 3.1, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 5.2 and 5.3. 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.

The gearing ratio at the end of the reporting period was as follows:

	2016 \$ '000	2015 \$'000
Debt (i)	44,159	41,840
Cash and bank balances	(12,977)	(8,417)
Net debt	31,182	33,423
Equity (ii)	115,593	160,816
Net debt divided by net debt plus equity	21.2%	17.2%

(i) Debt includes Sanakty loan, commercial bills, bank loans and hire purchase liabilities .

(ii) Equity includes all capital and reserves of the Group that are managed as capital.

5.1 Financial Risk Management

Categories of financial instruments

	2016 \$'000	2015 \$'000
Financial Assets		
Cash and cash equivalents	12,977	8,417
Trade and other receivables	28,803	31,133
	41,780	39,550
Financial Liabilities		
Trade and other payables and borrowings	64,933	65,346

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.

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Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. 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.

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.

Exposure

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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
United States Dollars	13,912	15,814	16,450	16,532
South African Rand	1,175	1,895	1,939	1,043
Canadian Dollars	793	3,927	5,672	3,208
British Pound	224	149	80	251
Euro	3,347	2,530	3,472	2,708
Chilean Pesos	801	437	1,246	2,759
Other	978	1,014	4,589	4,987

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% (2015: 10%) increase and decrease in the Australian Dollar against the relevant foreign currencies. The sensitivity rate of 10% (2015: 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% (2015: 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% (2015: 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.

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	United States Dollar Impact		South African Rand Impact	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Profit or (loss)	53	433	(37)	(3)

	European Dollar Impact		Canadian Dollar Impact	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Profit or (loss)	(58)	(90)	(295)	15

Profit and loss impacts are mainly attributable to exposure on outstanding receivables and payables at year end denominated in the applicable foreign currency

Interest rate risk management

The Company and the Group are not exposed to significant interest rate risk as entities in the Group borrow funds at fixed 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.

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 2016 no such collateral had been obtained (2015: nil).

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who monitors 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. At 30 June 2016 the Company/Group has no undrawn facilities at its disposal to further reduce liquidity risk.

Maturity of financial liabilities

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.

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	Weighted average effective interest rate %	0-3 months \$'000	3 months to 1 year \$'000	1-5 years \$'000	5+ years \$'000	Total \$'000
2016						
Non-interest bearing	-	15,580	5,194	-	-	20,774
Finance lease liability	6.76%	130	390	731	-	1,251
Fixed rate debt facility ¹	19.51%	1,087	12,306	54,210	-	67,603
		<u>16,797</u>	<u>17,890</u>	<u>54,941</u>	<u>-</u>	<u>89,628</u>
2015						
Non-interest bearing	-	17,561	5,854	-	-	23,415
Finance lease liability	6.64%	136	440	1,082	-	1,658
Variable interest rate instruments	5.16%	30,071	5,164	5,211	-	40,446
		<u>47,768</u>	<u>11,458</u>	<u>6,293</u>	<u>-</u>	<u>65,519</u>

¹ - The effective interest rate of the loan is 19.51% after allowing for the amortisation of capitalised warrant and borrowing costs.

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
2016						
Non-interest bearing	-	28,803	-	-	-	28,803
Variable interest rate instruments	0.25%	12,977	-	-	-	12,977
		<u>41,780</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,780</u>
2015						
Non-interest bearing	-	31,133	-	-	-	31,133
Variable interest rate instruments	0.25%	8,417	-	-	-	8,417
		<u>39,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,550</u>

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps.

Recognition and measurement

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 profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Non- derivative financial instruments

Recognition and measurement

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis, where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

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Fair value

Fair value is the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. 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; 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.

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 reporting date, there are no financial instruments measured, subsequent to initial recognition, at fair value.

At 30 June 2015 (2016: nil), the Group has a listed equity security which is classified as a level 2 fair value measurement. There were no transfers between levels in the period.

Financial Instruments	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	30/06/2016	30/06/2015		
Interest rate swap liability	Nil	Interest rate swap - \$91,000	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 liabilities are carried at values which approximate their current market value based on current interest rate, foreign exchange and credit markets.

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, '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.

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.

- (i) 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.

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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.

(ii) 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.

(iii) 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.

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.

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.

Financial liabilities and equity instruments

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.

Financial liabilities

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

(i) 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.

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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'.

(ii) 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.

5.2 Issued capital

	Notes	2016 \$'000	2015 \$'000
Issued and Paid Up Capital - Fully paid ordinary shares	(i)	99,174	93,259

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

	Notes	2016 Number	2016 \$'000	2015 Number	2015 \$'000
Ordinary shares					
Balance at beginning of the financial year		216,203,136	93,259	212,110,368	90,259
Issue of shares under share placement	(ii)	32,400,000	6,480	-	-
Transaction costs relating to share placement		-	(565)	-	-
Issue of shares as consideration for the acquisition of 2iC Australia Pty Ltd	4.1	-	-	4,092,768	3,000
Closing balance at end of the financial year		248,603,136	99,174	216,203,136	93,259

Ordinary shares are classified as equity

- (i) Fully paid ordinary shares carry one vote per share and carry the right to dividends.
- (ii) On 28 August 2015 the company issued 32.4m shares raising \$5.9m net of expenses. This was undertaken as part of a wider funding initiative which included the three year Bain Capital debt facility for \$54m.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued.

Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

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5.3 Reserves

	Notes	2016 \$'000	2015 \$'000
Foreign Currency Translation Reserve			
Balance at beginning of the financial year		(524)	(11,762)
Translation of foreign operations		(3,698)	3,996
Exchange differences arising upon translation of investment in Associate	4.2	-	7,242
Balance at the end of the financial year		(4,222)	(524)

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.

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.

		2016 \$'000	2015 \$'000
Warrants Reserve			
Balance at beginning of the financial year		-	-
Value of warrants issued	3.9	7,964	-
Balance at the end of the financial year		7,964	-

During the year the Company issued 37,041,867 nil priced warrants to Sankaty which can be settled by issuing Imdex shares on a fixed for fixed basis (one share for one warrant). The value of the warrants was determined using a Black Scholes valuation. Refer to note 3.9.

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		2016 \$'000	2015 \$'000
Employee Equity-Settled Benefits Reserve			
Balance at beginning of the financial year		5,407	6,266
Performance rights expensed - continuing operations	2.4	733	635
Performance rights expensed - discontinued operations		182	271
Options expensed	2.4	34	131
Amounts transferred to shares reserved for performance rights plan		(205)	(216)
Amounts transferred to retained earnings		(807)	(1,680)
Balance at the end of the financial year		5,344	5,407

The employee equity-settled benefits reserve arises on the grant of performance rights to Directors and employees. Amounts transferred to shares reserved for performance rights plan relates to the cost of performance rights issued to Directors and employees during the year.

	2016 \$'000	2015 \$'000
Shares reserved for Performance Rights Plan		
Balance at beginning of the period	(105)	-
Net movement of shares	105	(105)
Balance at the end of the period	-	(105)

At balance date, the Company, through a Trustee, holds 2,500 (2015: 153,775) shares in Trust for employees under the Performance Rights Plan.

Performance rights

Equity-settled performance rights 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 or 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 performance right 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 performance rights 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.

Consultant's Options

In the prior year, 900,000 options were issued to Atrico Pty Ltd (Atrico) as remuneration for acting as advisors for the Group. These options were approved at the 2014 Annual General Meeting. These options will expire if the consultancy agreement between Atrico and the Group is terminated, otherwise 1 September 2017. Mr Gustavino, appointed Director of the Group on 3 July 2015, is also a Partner in Atrico.

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2016	Issue Date	Expiry Date	Exercise Price \$	Fair Value at Grant Date	Opening balance	Issued current year	Number of Options Exercised current year	Lapsed current year	Closing balance
Consultant's Options									
Tranche 1	26-Aug-14	1-Sep-17	1.00	0.18	900,000	-	-	-	900,000
					900,000	-	-	-	900,000

2015	Issue Date	Expiry Date	Exercise Price \$	Fair Value at Grant Date	Opening balance	Issued current year	Number of Options Exercised current year	Lapsed current year	Closing balance
Consultant's Options									
Tranche 1	26-Aug-14	1-Sep-17	1.00	0.18	-	900,000	-	-	900,000
					-	900,000	-	-	900,000

Fair value of options granted during the financial year

2016

No share options were issued in the current year.

2015

Options were priced using a Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility trends.

Consultant's Options Tranche 1	
Inputs into the model	
Grant date share price (\$)	0.60
Exercise price (\$)	1.00
Expected volatility	55%
Option life (years)	3.02
Risk-free interest rate	2.66%
Dividend yield	2.50%

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) and subsequently renewed at the Annual General Meeting on 18 October 2012 and 20 November 2015. 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.

Performance rights granted in the current year

Staff Performance Rights

7,882,573 performance rights were issued to employees (Level 5 and above) in July 2015. Upon successful achievement of the below hurdles, allotment of these performance rights will be in August 2018 (once the FY18 independent audit report is signed).

The performance rights are subject to a number of hurdles: a market based vesting condition in Total Shareholder Return (TSR), a non-market based vesting condition in Earnings Per Share (EPS) and Employment Tenure (Tenure Rights). In the case of the TSR and the EPS hurdles, Imdex Limited's performance will be measured against the TSR and EPS of a peer group consisting of the ASX Resources Index over the 3 year measurement period (FY16 to FY18).

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The specified conditions for performance rights relating to each employee level are:

Employee Level	Specified Conditions
5 and 6	75% based on EPS and TSR, 25% based on employment tenure
7 and 8	100% based on EPS and TSR

Exercise of the performance rights at the end of the 3-year period (30 June 2018) will commence when the Company's performance (as calculated by the Performance Measures) is at 50% and above of the Peer Group performance. At 50%, the allocation will be 33% of the total entitlement. This entitlement increases on a linear scale and achieves 100% entitlement when the Company's performance is at the 90th percentile against the Peer Group.

The fair value of a market performance right (TSR) at grant date was \$0.18 per right. The expected total cost of the estimated 3,150,039 fully paid ordinary shares to be issued in Imdex Limited will therefore be \$567,000. This value will be expensed over the vesting period from July 2015 to June 2018, with \$173,000 expensed in the current year.

The fair value of a non-market performance right (EPS) at grant date was \$0.28 per right. For the purposes of the FY16 financial statements, the Directors have made an estimate that out of the 3,150,039 non-market performance rights issued, 50% will meet the required hurdles and will result in 1,575,020 fully paid Imdex Limited shares being issued. The expected total cost of the estimated 1,575,020 fully paid ordinary shares to be issued in Imdex Limited will therefore be \$441,000. This value will be expensed over the vesting period from July 2015 to June 2018, with \$146,000 expensed in the current year.

The fair value of a tenure right at grant date was \$0.28 per right. For the purposes of the FY16 financial statements, the Directors have made an estimate that out of the 1,582,494 non-market performance rights issued, 75% will meet the required hurdles and will result in 1,186,871 fully paid Imdex Limited shares being issued. The expected total cost of the estimated 1,186,871 fully paid ordinary shares to be issued in Imdex Limited will therefore be \$332,000. This value will be expensed over the vesting period from July 2015 to June 2018, with \$110,000 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.

Managing Director's Performance Rights

1,558,468 performance rights were granted to the Managing Director on 20 November 2015 following approval by the shareholders at the Annual General Meeting. Upon successful achievement of the below hurdles, allotment of these performance rights will be in August 2018 (once the FY18 independent audit report is signed).

The Managing Director is subject to two hurdles each with equal weighting; a market based vesting condition in Total Shareholder Return (TSR) and a non-market based vesting condition in Earnings Per Share (EPS). In each case the TSR and the EPS of Imdex Limited will be measured against the TSR and EPS of a peer group consisting of the ASX Resources Index over the 3 year measurement period (FY16 to FY18).

Exercise of the performance rights at the end of the 3-year period (30 June 2018) will commence when the Company's performance (as calculated by the Performance Measures) is at 50% and above of the Peer Group performance. At 50%, the allocation will be 33% of the total entitlement. This entitlement increases on a linear scale and achieves 100% entitlement when the Company's performance is at the 90th percentile against the Peer Group.

The fair value of a market performance right (TSR) at grant date was \$0.13 per right. The expected total cost of the estimated 779,234 fully paid ordinary shares to be issued in Imdex Limited will therefore be \$105,000. This value will be expensed over the vesting period from November 2015 to June 2018, with \$35,000 expensed in the current year.

The fair value of a non-market performance right (EPS) at grant date was \$0.22 per right. For the purposes of the FY16 financial statements, the Directors have made an estimate that out of the 779,234 non-market performance rights issued, 50% will meet the required hurdles and will result in 389,617 fully paid Imdex Limited shares being issued. The expected total cost of the estimated 389,617 fully paid ordinary shares to be issued in Imdex Limited will therefore be \$86,000. This value will be expensed over the vesting period from November 2015 to June 2018, with \$29,000 expensed in the current year.

Performance rights granted in the prior year

Staff Performance Rights

5,394,795 performance rights were granted to employees during the year in 5 tranches (tranche 12,13,14,15 and 16 in the table below):

- Tranche 12 – 300,000 performance rights were issued to a Key Management Personnel and are to be allotted in equal 1/3 lots annually beginning in July 2015. These performance rights are subject to ongoing employment tenure only. The fair value of a performance right at grant date was \$0.58 per right. The expected total cost of the estimated 300,000 fully paid ordinary shares to be issued in Imdex Limited will therefore be \$171,000. This value will be expensed over the vesting period from July 2014 to June 2017, with \$89,000 expensed in the current year.

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- Tranche 13 – 153,730 performance rights were issued to an employee and are to be allotted in equal 1/3 lots annually beginning in July 2015. These performance rights are subject to ongoing employment tenure only. The fair value of a performance right at grant date was \$0.58 per right. The expected total cost of the estimated 153,730 fully paid ordinary shares to be issued in Imdex Limited will therefore be \$88,000. This value will be expensed over the vesting period from July 2014 to June 2017, with \$37,000 expensed in the current year.
- Tranche 14 - 4,766,065 performance rights was issued to employees (Level 5 and above) in July 2015. Upon successful achievement of the below hurdles, allotment of these performance rights will be in August 2017 (once the FY17 independent audit report is signed).

The performance rights are subject to a number of hurdles: a market based vesting condition in Total Shareholder Return (TSR), a non-market based vesting condition in Earnings Per Share (EPS) and Employment Tenure (Tenure Rights). In the case of the TSR and the EPS hurdles, Imdex Limited's performance will be measured against the TSR and EPS of a peer group consisting of the ASX Resources Index over the 3 year measurement period (FY15 to FY17).

The specified conditions for performance rights relating to each employee level are:

Employee Level	Specified Conditions
5 and 6	75% based on EPS and TSR, 25% based on employment tenure
7 and 8	100% based on EPS and TSR

Exercise of the performance rights at the end of the 3-year period (30 June 2017) will commence when the Company's performance (as calculated by the Performance Measures) is at 50% and above of the Peer Group performance. At 50%, the allocation will be 33% of the total entitlement. This entitlement increases on a linear scale and achieves 100% entitlement when the Company's performance is at the 90th percentile against the Peer Group.

Exercise of the performance rights at the end of the 3-year period (30 June 2017) will commence when the Company's performance (as calculated by the Performance Measures) is at 50% and above of the Peer Group performance. At 50%, the allocation will be 33% of the total entitlement. This entitlement increases on a linear scale and achieves 100% entitlement when the Company's performance is at the 90th percentile against the Peer Group.

The fair value of a market performance right (TSR) at grant date was \$0.36 per right. The expected total cost of the estimated 1,674,171 fully paid ordinary shares to be issued in Imdex Limited will therefore be \$602,000. This value will be expensed over the vesting period from October 2014 to June 2017, with \$200,000 expensed in the current year.

The fair value of a non-market performance right (EPS) at grant date was \$0.56 per right. For the purposes of the FY15 financial statements, the Directors have made an estimate that out of the 1,674,171 non-market performance rights issued, 50% will meet the required hurdles and will result in 837,085 fully paid Imdex Limited shares being issued. The expected total cost of the estimated 837,085 fully paid ordinary shares to be issued in Imdex Limited will therefore be \$468,000. This value will be expensed over the vesting period from October 2014 to June 2017, with \$156,000 expensed in the current year.

The fair value of a tenure right at grant date was \$0.56 per right. The expected total cost of the estimated 803,030 fully paid ordinary shares to be issued in Imdex Limited will therefore be \$447,000. This value will be expensed over the vesting period from October 2014 to June 2017, with \$149,000 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.

Managing Director's Performance Rights

723,226 performance rights were granted to the Managing Director on 16 October 2014 following approval by the shareholders at the Annual General Meeting. Upon successful achievement of the below hurdles, allotment of these performance rights will be in August 2017 (once the FY17 independent audit report is signed).

The Managing Director is subject to two hurdles each with equal weighting; a market based vesting condition in Total Shareholder Return (TSR) and a non-market based vesting condition in Earnings Per Share (EPS). In each case the TSR and the EPS of Imdex Limited will be measured against the TSR and EPS of a peer group consisting of the ASX Resources Index over the 3 year measurement period (FY15 to FY17).

Exercise of the performance rights at the end of the 3-year period (30 June 2017) will commence when the Company's performance (as calculated by the Performance Measures) is at 50% and above of the Peer Group performance. At 50%, the allocation will be 33% of the total entitlement. This entitlement increases on a linear scale and achieves 100% entitlement when the Company's performance is at the 90th percentile against the Peer Group.

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The fair value of a market performance right (TSR) at grant date was \$0.36 per right. The expected total cost of the estimated 361,613 fully paid ordinary shares to be issued in Imdex Limited will therefore be \$130,000. This value will be expensed over the vesting period from October 2014 to June 2017, with \$43,000 expensed in the current year.

The fair value of a non-market performance right (EPS) at grant date was \$0.56 per right. For the purposes of the FY15 financial statements, the Directors have made an estimate that out of the 361,613 non-market performance rights issued, 50% will meet the required hurdles and will result in 180,806 fully paid Imdex Limited shares being issued. The expected total cost of the estimated 180,806 fully paid ordinary shares to be issued in Imdex Limited will therefore be \$101,000. This value will be expensed over the vesting period from October 2014 to June 2017, with \$33,000 expensed in the current year.

2016	Grant Date	Expiry Date	Exercise Price \$	Market Value at Grant Date \$	Estimated Number of Performance Rights				
					Opening balance	Granted	Satisfied by the allocation/ allotment of shares	Expired ^	Closing balance
Tranche 7	5-Sep-11	Aug-15	-	2.100	492,500	-	(417,500)	(56,250)	18,750
MD Tranche	1-Jul-14	Jun-16	-	0.600	264,818	-	-	(264,818)	-
MD Tranche	17-Oct-13	Jun-16	-	0.780	300,000	-	-	(300,000)	-
Tranche 12	1-Jul-14	Oct-18	-	0.600	300,000	-	(100,000)	-	200,000
Tranche 13	1-Jul-14	Oct-18	-	0.600	153,730	-	(51,243)	-	102,487
Tranche 14	1-Jul-14	Jun-17	-	0.600	4,151,372	-	-	(543,362)	3,608,010
MD Tranche	16-Oct-14	Jun-17	-	0.630	723,226	-	-	-	723,226
Tranche 15	12-Jan-15	Jan-18	-	0.380	100,000	-	-	(100,000)	-
Tranche 16	12-Jan-15	Jan-17	-	0.380	75,000	-	(75,000)	-	-
Tranche 17	1-Jul-15	Jun-18	-	0.285	-	7,882,573	-	(1,188,173)	6,694,400
MD Tranche	20-Nov-15	Jun-18	-	0.235	-	1,558,468	-	-	1,558,468

2015	Grant Date	Expiry Date	Exercise Price \$	Market Value at Grant Date \$	Estimated Number of Performance Rights				
					Opening balance	Granted	Satisfied by the allocation/ allotment of shares	Expired ^	Closing balance
MD Tranche	20-Oct-11	Oct-16	-	1.910	153,318	-	-	(153,318)	-
Tranche 7	5-Sep-11	Aug-15	-	2.100	640,000	-	(141,250)	(6,250)	492,500
Tranche 9	7-Oct-11	Aug-16	-	1.790	210,596	-	(174,975)	(35,621)	-
MD Tranche	18-Oct-12	Oct-17	-	1.440	264,818	-	-	-	264,818
MD Tranche	17-Oct-13	Oct-18	-	0.780	300,000	-	-	-	300,000
Tranche 12	1-Jul-14	Oct-18	-	0.600	-	300,000	-	-	300,000
Tranche 13	1-Jul-14	Oct-18	-	0.600	-	153,730	-	-	153,730
Tranche 14	1-Jul-14	Jun-17	-	0.600	-	4,766,065	-	(614,693)	4,151,372
MD Tranche	16-Oct-14	Jun-17	-	0.630	-	723,226	-	-	723,226
Tranche 15	12-Jan-15	Jan-18	-	0.380	-	100,000	-	-	100,000
Tranche 16	12-Jan-15	Jan-17	-	0.380	-	75,000	-	-	75,000

^ - 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.

Significant accounting estimates and assumptions

Share-based payments recorded for the performance rights are subject to estimation as they are calculated using the Black-Scholes option pricing, Binomial Tree Method or Monte-Carlo Simulation model, as appropriate, which is based on significant assumptions such as volatility, dividend yield, expected term and forfeiture rate.

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6 Other notes

6.1 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 3.7), management do not consider it to be probable that they will require settlement at the Group's expense.

Subsequent to 30 June 2016, a court judgment was delivered on 19 August 2016 whereby the Group was ordered to pay damages, interest and costs (**Judgement**). That Judgement was in respect to proceedings with Coretell Pty Ltd and its related parties. Prior to the Judgement the Group had successfully upheld and enforced innovative patents against the same parties (refer to ASX Announcement on 4 May 2016) (**May Judgement**). In the May Judgement the Group was successful and was awarded costs on an indemnity basis. The Group intends to appeal the Judgement delivered on 19 August 2016 but in any event the Group is of the view that any amount finally awarded in the Judgement will be less than the amount it will receive from the May Judgement.

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.

(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.

6.2 Commitments for expenditure

Capital expenditure commitments

At 30 June 2016 the Group had \$1,204,547 capital commitments (2015: \$1,995,259).

Lease commitment

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

Hire purchase arrangements

Hire purchase liabilities provided for in the Financial Report

Current – Note 3.9

Non current – Note 3.9

2016	2015
\$'000	\$'000
462	491
682	994
<u>1,144</u>	<u>1,485</u>

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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	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Hire purchase commitments				
Hire purchase commitments are payable as follows. Due:				
Within one year	520	576	462	491
Between one and five years	731	1,082	682	994
Later than five years	-	-	-	-
Minimum lease payments	1,251	1,658	1,144	1,485
Less: future finance charges	(107)	(173)	-	-
	<u>1,144</u>	<u>1,485</u>	<u>1,144</u>	<u>1,485</u>

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.

	2016	2015
	\$'000	\$'000
Non-cancellable operating lease payments		
Within one year	5,731	5,425
Between one and five years	12,257	11,650
Later than five years	20,491	17,219
	<u>38,479</u>	<u>34,294</u>

Leased assets lease commitments

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. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(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.

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6.3 Subsidiaries

	Notes	Country of Incorporation	Ownership Interest	
			2016 %	2015 %
Parent Entity				
Imdex Limited	(i),(ii),(iii)	Australia		
Controlled Entities				
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
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	(iv)	Germany	-	100
Reflex Do Brasil Serviços Para Mineração Ltda		Brazil	100	100
AMC Drilling Fluids Pvt Limited		India	100	100
Imdex Nominees Pty Ltd	(ii)	Australia	100	100
AMC Germany GmbH		Germany	100	100
AMC Oil & Gas Rom SRL		Romania	100	100
Australian Drilling Specialties Pty Ltd	(ii)	Australia	100	100
Imdex USA Inc		United States of America	100	100
Imdex Technologies USA LLC		United States of America	100	100
AMC USA LLC		United States of America	100	100
Reflex USA LLC		United States of America	100	100
AMC Oilfield Services Pte Ltd		Singapore	100	100
System Mud Industria e Comercio Ltda		Brazil	100	100
Imdex Global Coöperatie U.A		Netherlands	100	100
Imdex Global B.V.		Netherlands	100	100
AMC Oil & Gas International Limited BVI		British Virgin Islands	100	100
AMC Drilling Fluids & Products - Mexico S. de RL de C.V. Mexico		Mexico	100	100
AMC Myanmar Limited		Myanmar	100	100
2iC Australia Pty Ltd	(ii)	Australia	100	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 deregistered on 17 September 2015.

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

Income Statement	2016 \$'000	2015 \$'000
CONTINUING OPERATIONS		
Revenue from sale of goods and operating lease rental	60,660	67,084
Other revenue from operations	523	139
Total revenue	61,183	67,223
Other income	32	-
Foreign exchange gain	2,722	3,667
Gain on the disposal of shares in SEH	-	14,234
Raw materials and consumables used	(24,809)	(32,392)
Employee benefit expenses	(26,895)	(25,413)
Depreciation and amortisation expense	(5,549)	(5,768)
Write down of intercompany loans	(20,433)	(55,469)
Finance costs	(9,996)	(2,619)
Auditors and accounting fees	(638)	(475)
Commissions	(784)	(1,603)
Consultancy fees	(1,337)	(1,414)
Legal and professional expenses	(2,539)	(4,643)
Rent and premises costs	(3,116)	(2,272)
Travel and accommodation	(1,213)	(1,298)
Motor vehicle costs	(431)	(545)
Research and Development costs	(1,525)	(1,486)
Bad debts	(151)	(2,677)
Other expenses	(8,517)	(7,547)
Loss before income tax expense	(43,996)	(60,497)
Income tax benefit/ (expense)	5,290	(2,367)
Loss for the year from continuing operations	(38,706)	(62,864)
Discontinued operations		
Loss for the period from discontinued operations (i)	(38,521)	(18,783)
Loss for the period	(77,227)	(81,647)
Other comprehensive income/ (loss)		
Fair value adjustment on investment in SEH	-	2,298
Income tax relating to components of other comprehensive income	-	(689)
Cumulative profit reclassified to profit or loss on sale of SEH shares, net of tax	-	(10,166)
Exchange differences arising upon translation of investment in Associate	-	7,242
Other comprehensive loss for the year	-	(1,315)
Total comprehensive loss for the year	(77,227)	(82,962)

(i) FY16 includes an impairment of VES of \$32.2m (2015: nil) and an impairment of property, plant and equipment of \$0.6m (2015: \$5m)

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

Balance Sheet

	2016 \$'000	2015 \$'000
Current Assets		
Cash and Cash Equivalents	5,886	3,918
Trade and Other Receivables	28,078	38,973
Inventories	13,001	18,795
Other	1,702	543
	<u>48,667</u>	<u>62,229</u>
Assets classified as held for sale	-	32,217
Total Current Assets	<u>48,667</u>	<u>94,446</u>
Non Current Assets		
Other Financial Assets	69,473	79,524
Property, Plant and Equipment	13,255	11,844
Other Intangible Assets	347	615
Deferred Tax Assets	14,202	10,970
Total Non Current Assets	<u>97,277</u>	<u>102,953</u>
Total Assets	<u>145,944</u>	<u>197,399</u>
Current Liabilities		
Trade and Other Payables	23,813	19,841
Other Financial Liabilities	-	91
Borrowings	9,462	33,317
Provisions	6,599	3,561
Total Current Liabilities	<u>39,874</u>	<u>56,810</u>
Non Current Liabilities		
Borrowings	34,697	4,613
Provisions	956	2,358
Deferred Tax Liabilities	1,785	3,839
Total Non Current Liabilities	<u>37,438</u>	<u>10,810</u>
Total Liabilities	<u>77,312</u>	<u>67,620</u>
Net Assets	<u>68,632</u>	<u>129,779</u>
Equity		
Contributed Capital	99,174	93,259
Warrants Reserve	7,964	-
Shares Reserved for Performance Rights Plan	-	(105)
Employee Equity-Settled Benefits Reserve	5,344	5,407
Foreign Currency Translation Reserve	7,242	7,242
Retained Earnings (i)	(51,092)	23,976
Total Equity	<u>68,632</u>	<u>129,779</u>
(i) Retained Earnings at the beginning of the financial year	23,976	99,036
Net Loss	(77,227)	(81,647)
Dividends Received	1,352	4,907
Amounts transferred from employee equity-settled benefits reserve	807	1,680
Retained Earnings at the end of the financial year	<u>(51,092)</u>	<u>23,976</u>

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6.4 Key Management Personnel Compensation

The aggregate compensation of the Key Management Personnel of the Group and the Company is set out below:

	2016	2015
	\$	\$
Short-term employee benefits	3,691,748	3,276,391
Post-employment benefits	180,597	138,338
Other long-term benefits	52,922	282,440
Termination benefits	116,350	-
Share-based payments	251,182	39,595
	<u>4,292,799</u>	<u>3,736,764</u>

6.5 Related party transactions

Other transactions with related parties of Imdex Limited

(i) The Group receives recharge revenue from VES relating to work performed on the research and development of target tools. Services to VES are provided on normal commercial terms and conditions. Total revenue arising from VES was \$246,164 (2015: \$1,637,285).

Transactions with Related Parties

	2016	2015
	\$	\$
Profit from ordinary activities before income tax		
Recharge Revenue from VES	<u>246,164</u>	<u>1,637,285</u>

As at 30 June 2016, VES owed the Group \$251,000 (2015: 697,000).

(ii) Mr K A Dundo is a Partner of the legal firm HopgoodGanim, that provided legal services to the Imdex Group on normal commercial terms and conditions. Total legal costs arising from HopgoodGanim were \$280,935 (2015: \$440,354).

Transactions with Directors

	2016	2015
	\$	\$
Profit from ordinary activities before income tax		
Legal services expense	<u>280,935</u>	<u>440,354</u>

Total assets and liabilities arising from transactions,
Current Liabilities

	<u>-</u>	<u>131,346</u>
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(iii) Mr I Gustavino is a Partner of the consulting company Atrico Pty Ltd, that provided consulting services to the Imdex Group on normal commercial terms and conditions. Total consulting costs arising from Atrico Pty Ltd were \$78,650.

Transactions with Directors

	2016	2015
	\$	\$
Profit from ordinary activities before income tax		
Consultancy expense	<u>78,650</u>	<u>-</u>

Total assets and liabilities arising from transactions,
Current Liabilities

	<u>12,760</u>	<u>-</u>
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6.6 Parent Entity Information

The ultimate parent entity in the Group is Imdex Limited, a company incorporated in Western Australia.

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.

Financial Position	30 June 2016 \$'000	30 June 2015 \$'000
Assets		
Current Assets	13,896	86,318
Non Current Assets	94,155	62,982
Total Assets	108,051	149,300
Liabilities		
Current Liabilities	12,137	39,041
Non Current Liabilities	34,716	5,978
Total Liabilities	46,853	45,019
Net Assets	61,198	104,281
Equity		
Issued Capital	99,174	93,259
Warrants Reserve	7,964	-
Shares Reserved for Performance Rights Plan	-	(105)
Employee Equity-Settled Benefits Reserve	5,344	5,407
Foreign Currency Translation Reserve	(1,695)	6,624
Retained Earnings	(49,589)	(904)
Total Equity	61,198	104,281
Financial Performance		
	Year Ended 30 June 2016 \$'000	Year Ended 30 June 2015 \$'000
Loss for the year	(50,844)	(78,964)
Other comprehensive income, net of income tax	807	(5,562)
Total comprehensive loss	(50,037)	(84,526)
Retained Earnings at the beginning of the financial year	(904)	71,473
Loss for the year	(50,844)	(78,964)
Amounts transferred from reserves	807	1,680
Dividend received	1,352	4,907
Retained Earnings at the end of the financial year	(49,589)	(904)

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Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

	30 June 2016 \$'000	30 June 2015 \$'000
Guarantee provided under the deed of cross guarantee	77,312	67,620

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	197	-
Between one and five years	34	-
Later than five years	-	-
	231	-

6.7 Remuneration of auditors

During the year, the following fees were paid or were payable for services provided by the auditor of the parent entity and its related practices:

	2016 \$	2015 \$
Deloitte Touche Tohmatsu (Australia)		
Audit or review of the financial report	314,500	356,475
Other audit related services	19,600	9,100
Taxation services - mainly compliance work, transfer pricing and global restructuring advice	49,498	29,460
	383,598	395,035
Deloitte Touche Tohmatsu (overseas affiliates)		
Audit or review of the financial report	43,977	35,500
Taxation services - mainly compliance work, transfer pricing and global restructuring advice	-	39,150
Other non-audit services: Other consulting services	46,947	-
	90,924	74,650
Other auditors		
Audit or review of the financial report	27,237	27,636
Total Auditor Remuneration	501,759	497,321

6.8 Subsequent Events

On 1 July 2016, Mr Anthony Wooles was appointed as the Non-Executive Chairman.

On 21 July 2016, Mr James Hegyi resigned as a Non-Executive Director.

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ADDITIONAL SECURITIES EXCHANGE INFORMATION AS AT 9 AUGUST 2016

(a) Distribution of Shareholders

	Number of Fully Paid Ordinary Shareholders	Number of Performance Rights Holders
1 – 1,000	441	-
1,001 – 5,000	851	-
5,001 – 10,000	492	-
10,001 – 100,000	844	11
100,001 – and over	157	40
	2,785	51
Holding less than a marketable parcel	346	-

(b) Substantial Shareholders

Ordinary Shareholders

	Fully Paid Number	Percentage
HSBC Custody Nominees (Australia) Limited	67,055,849	26.97%
J P Morgan Nominees Australia Limited	28,370,998	11.41%

(c) Twenty Largest Holders of Quoted Equity Securities

Ordinary Shareholders

	Fully Paid Number	Percentage
HSBC Custody Nominees (Australia) Limited	67,055,849	26.97%
J P Morgan Nominees Australia Limited	28,370,998	11.41%
National Nominees Limited	14,332,429	5.77%
Sandhurst Trustees Limited (Endeavour Asset Mgmt MDA Account)	14,015,715	5.64%
BNP Paribas Nominees Pty Ltd (Agency Lending DRP Account)	8,688,105	3.49%
Citicorp Nominees Pty Ltd	8,136,833	3.27%
RBC Investor Services Australia Pty Ltd (VFA Account)	7,048,101	2.84%
Citicorp Nominees Pty Ltd (Colonial First State Inv Account)	6,883,145	2.77%
Mr Richard Hill (Icena Account)	5,347,246	2.15%
RBC Investor Services Australia Nominees Pty Ltd (BKCust Account)	3,866,020	1.56%
BNP Paribas Noms Pty Ltd (DRP)	3,059,768	1.23%
UBS Nominees Pty Ltd (TP00014 15 Account)	2,121,466	0.85%
Telic Alcatel (Australia) Pty Ltd (Middendorp Directors SF Account)	1,514,076	0.61%
BPM Commodities Limited	1,500,000	0.60%
TIS Pty Ltd (Transport Ind Super Accounts)	1,320,000	0.53%
Keeble Nominees Pty Ltd (Ridgeway Super Fund Account)	1,226,737	0.49%
Mr Kevin Thomas McLeod	1,036,816	0.42%
Luton Pty Ltd	1,025,086	0.41%
Mr Jamie Phillip Boyton	1,000,000	0.40%
Wear Services Pty Ltd	987,893	0.40%
	178,536,283	71.82%

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ADDITIONAL SECURITIES EXCHANGE INFORMATION AS AT 9 AUGUST 2016

(d) Director and Company Secretary Shareholdings

Name	Number of Shares	Number of Options	Number of Performance Rights
Mr B W Ridgeway	2,343,506	-	2,281,694
Mr K A Dundo	150,000	-	-
Ms E Donaghey	260,000	-	-
Mr I Gustavino	62,077	900,000	-
Mr A Wooles	-	-	-
Mr P A Evans	408,164	-	781,779
	<hr/> 3,223,747	<hr/> 900,000	<hr/> 3,063,473

(e) Company Secretary

Mr Paul Anthony Evans

(f) Registered Office

216 Balcatta Road
Balcatta
Western Australia
6021
Phone: (08) 9445 4010

(g) Share Registry

Computershare Investor Services
Level 11
172 St Georges Terrace
Perth WA 6000
Phone: (08) 9323 2000