

RESULTS FOR ANNOUNCEMENT TO THE MARKET

- Current Reporting Period: 12 months ended 30 June 2013
- Previous Corresponding Period: 12 months ended 30 June 2012

				A\$ 000
Revenue from ordinary activities relating to continuing operations	Up	7%	to	146,535
Total revenue from ordinary activities	Up	7%	To	146,535
Net Profit after tax from ordinary activities	Up	17%	to	11,310
Net Profit after tax attributable to members	Up	17%	to	11,310

Dividends

	Amount per security	Franked amount per security
Year Ended 30 June 2013		
Interim Dividend	0.6 cents	0.6 cents
Final Dividend	0.6 cents	0.6 cents
Year Ended 30 June 2012		
Interim Dividend	0.5 cents	0.5 cents
Final Dividend	0.5 cents	0.5 cents
Record date for determining entitlements	20 September 2013	
Date of final dividend payment	18 October 2013	

Ratios

	2013	2012
Net Tangible Assets per share	46 cents	42 cents

Net tangible asset backing per share has been calculated by dividing the net tangible assets by the closing number of ordinary shares on issue.

OPERATIONAL AND FINANCIAL REVIEW

The commentary on the results is contained in the media release dated 26 August 2013 and the Annual Financial Report for the Year ended 30 June 2013 accompanying this Preliminary Final Report.

STATUS OF AUDIT

This Preliminary Final Report is based on accounts that have been audited.

This Preliminary Final Report is to be read in conjunction with the attached Annual Financial Report for the Year ended 30 June 2013, together with any public announcements made by the company during the year ended 30 June 2013 in accordance with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act 2001.



KENT SWICK

MANAGING DIRECTOR

Dated: Perth, Western Australia, 23 August 2013

SWICK MINING SERVICES LIMITED AND CONTROLLED ENTITIES

ABN: 20 112 917 905

**Annual Financial Report For The Year Ended
30 June 2013**



SWICK MINING SERVICES LIMITED AND CONTROLLED ENTITIES



ABN: 20 112 917 905

Annual Financial Report For The Year Ended 30 June 2013

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Your directors present their report, together with the financial statements of Swick Mining Services Ltd (the “Parent” or the “Company”) and its controlled entities (collectively referred to as “Swick Mining Services Group” or “the Group”) for the financial year ended 30 June 2013.

Information on directors

Andrew Simpson

Qualifications

Experience

- Non-executive chairman
- Grad Dip (Bus), MAICD
- Mr Simpson is a senior marketing executive with extensive global marketing experience in the resource and mining industry, including more than 30 years of international marketing and distribution of minerals and metals. He is currently the Managing Director of Resource & Technology Marketing Services Pty Ltd, a company providing specialist marketing and business assessment advisory services to the mineral resources and technology industries, both in Australia and internationally. Mr Simpson graduated from Curtin University holding a Graduate Diploma in Business and Administration (majoring in Marketing and Finance). He has also completed the Advanced Management Program at the University of Western Australia and is a Member of the Australian Institute of Company Directors. Mr Simpson was appointed as a Director of the Company on 24 October 2006.

Interest in shares and options

Special responsibilities

Directorships held in other listed entities during the three years prior to the current year

- 605,000 Fully Paid Ordinary Shares
- Mr Simpson is a member of the Board’s Remuneration and Nomination Committee (Committee Chairman).
- Territory Resources Limited non-executive director - 25 September 2007 to present
Blackwood Corporation Ltd (formerly Matilda Minerals Ltd) non-executive director - 25 September 2007 to present
India Resources Ltd non-executive director - 21 August 2006 to present
Vital Metals Ltd non-executive director - 23 February 2005 to present
ABM Resources NL non-executive director - 12 May 2007 to 23 November 2009

Kent Swick

Qualifications

Experience

- Managing director
- B.Eng (Mech)
- Mr Swick is a Mechanical Engineer with 20 years experience in civil construction, mining maintenance and surface and underground mineral drilling. He was previously employed by Atlas Copco Australia as a Maintenance Engineer managing underground maintenance, where he developed a strong understanding of underground mining methods and equipment. Mr Swick was the driving technical force behind the design of the Company’s innovative underground diamond drill rig and award winning surface reverse circulation drill rig. He graduated from the University of Western Australia holding a Bachelor of Engineering (majoring in Mechanical Engineering). Mr Swick was appointed as a Director of the Company on 24 October 2006.

Interest in shares and options

Special responsibilities

Directorships held in other listed entities during the three years prior to the current year

- 32,500,000 Fully Paid Ordinary Shares
- Nil.
- Nil.

John David Nixon (David)

Qualifications

Experience

- Non-executive director
- B.Sc. Eng (Mech), MAICD
- Mr Nixon is a Mechanical Engineer with over 40 years experience in the mining and construction industries in Southern Africa, Australia, New Zealand, Canada and Indonesia. He was a founding executive of Signet Engineering in 1990 and a director until its acquisition by Fluor Australia in 1996, following which he was the project director for the Fluor-SKM joint venture at the \$1 billion BHP Billiton Iron Ore Asset Development projects. Mr Nixon graduated from the University of Natal (South Africa) holding a Bachelor of Science (Mechanical Engineering) and is a member of the Australian Institute of Company Directors. Mr Nixon was appointed as a Director of the Company on 1 January 2007.

Interest in shares and options

Special responsibilities

Directorships held in other listed entities during the three years prior to the current year

- 55,000 Fully Paid Ordinary Shares
- Mr Nixon is a member of the Board’s Audit and Corporate Governance Committee and Remuneration and Nomination Committee.
- Moly Mines Ltd non-executive director - 10 June 2008 to 31 May 2013
Brockman Resources Ltd non-executive director - 23 March 2009 to 6 September 2011

Phillip Lockyer

- Non-executive director
- Qualifications — Dip Met, Assoc Min Eng, M.Min Econs
- Experience — Mr Lockyer is a Mining Engineer and Metallurgist who has over 40 years experience in the mineral industry, with a focus on gold and nickel in both underground and open pit operations. He was employed by WMC Resources for 20 years and as General Manager for Western Australia was responsible for WMC's nickel division and gold operations. Mr Lockyer also held the position of Director Operations for Dominion Mining Limited and Resolute Limited. He holds a Diploma of Metallurgy from the Ballarat School of Mines, an Associateship of Mining Engineering from the Western Australian School of Mines and a Masters of Minerals Economics from Curtin University. Mr Lockyer was appointed as a Director of the Company on 11 February 2008.

Interest in shares and options — 22,000 Fully Paid Ordinary Shares

Special responsibilities — Mr Lockyer is a member of the Board's Audit and Corporate Governance Committee and Remuneration and Nomination Committee.

Directorships held in other listed entities during the three years prior to the current year — CGA Mining Limited non-executive director - 9 January 2009 to 16 January 2013
Western Desert Resources Ltd non-executive director - 1 June 2010 to present
St Barbara Ltd non-executive director - 19 December 2006 to present
Focus Minerals Ltd non-executive director - 7 December 2005 to present
RTG Mining Inc - 26 March 2013 to present

Ian McCubbing

- Non-executive director
- Qualifications — B.Com (Hons), CA, MBA (Ex), GAICD
- Experience — Mr McCubbing is a Chartered Accountant with more than 25 years experience, principally in the areas of corporate finance and mergers and acquisition. He spent more than 14 years working with ASX200 and other listed companies in senior finance roles, including positions as Finance Director and Chief Financial Officer.

Interest in shares and options — Nil.

Special responsibilities — Mr McCubbing is a member of the Board's Audit and Corporate Governance Committee (Committee Chairman).

Directorships held in other listed entities during the three years prior to the current year — Minemakers Limited non-executive director - 20 December 2012 to present
Mirabela Nickel Ltd non-executive director - 1 January 2011 to present
Kasbah Resources Ltd non-executive director - 1 March 2011 to present
Alcyone Resources Ltd non-executive director - 17 February 2012 to 8 March 2013
Eureka Energy Ltd non-executive director - 5 July 2010 to 20 June 2012
Territory Resources Ltd non-executive director - 5 May 2008 to 31 July 2011

Company Secretary

Mr Ian Hobson held the position of company secretary at the end of the financial year:

Qualifications — B.Bus, FCA, ACIS, MAICD

Experience — Mr Hobson is a sole practitioner chartered accountant who provides company secretarial and accounting services to listed public companies and other organisations. Mr Hobson has had 20 years experience working for international chartered accounting firms before commencing his own practice in 2006. Mr Hobson is an experienced corporate advisor who has provided strategic and corporate advice to companies in the mining and mining services industries for many years in Perth, London and Toronto.

Board committees

At the date of this report, the committees and their current membership are as follows:

- **Audit and Corporate Governance Committee** - Ian McCubbing (non-executive director), David Nixon (non-executive director) and Phillip Lockyer (non-executive director).
- **Remuneration and Nomination Committee** - Andrew Simpson (non-executive chairman), David Nixon (non-executive director) and Phillip Lockyer (non-executive director).

Meetings of directors

During the financial year, 16 meetings of directors (including committees of directors) were held.

Attendances by each director during the year were as follows:

	Directors' meetings		Audit and corporate governance		Remuneration and nomination	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Andrew Simpson	12	12	-	-	1	1
Kent Swick	12	12	-	-	-	-
John David Nixon (David)	12	11	3	3	1	1
Phillip Lockyer	12	11	3	3	1	1
Ian McCubbing	12	10	3	3	-	-

Principal activities and significant changes in nature of activities

The principal activity of the Group during FY13 was the provision of mineral drilling services to the mining industry in the Asia Pacific and other international regions, primarily in the areas of underground diamond drilling, underground production drilling and surface reverse circulation drilling. There were no significant changes in the nature of the principal activity during FY13.

Operating results and review of operations for the year

Review of results

AUDITED FY2013 FINANCIAL RESULTS	FY 2013	FY 2012	Change
	\$000	\$000	%
Consolidated Results			
Revenue	146,535	136,418	7%
EBITDA	30,843	28,589	8%
EBITDA Margin %	21.0%	21.0%	0%
Depreciation and Amortisation	14,432	14,364	0%
Interest	1,731	1,442	20%
EBT	14,680	12,783	15%
NPAT	11,310	9,698	17%
NPAT Margin %	7.7%	7.1%	8%
Cash Flow			
Net Cash from Operating Activities	36,336	25,155	44%
Net Cash from Investing Activities	(21,355)	(22,998)	-7%
Free Cash flow	14,981	2,157	595%
At Balance Date			
Cash	20,873	15,806	32%
Debt	22,523	23,180	-3%
Net Debt	1,650	7,374	-78%
Net Debt %	1.5%	7.0%	-79%
EPS - cents per share	4.85	4.09	19%

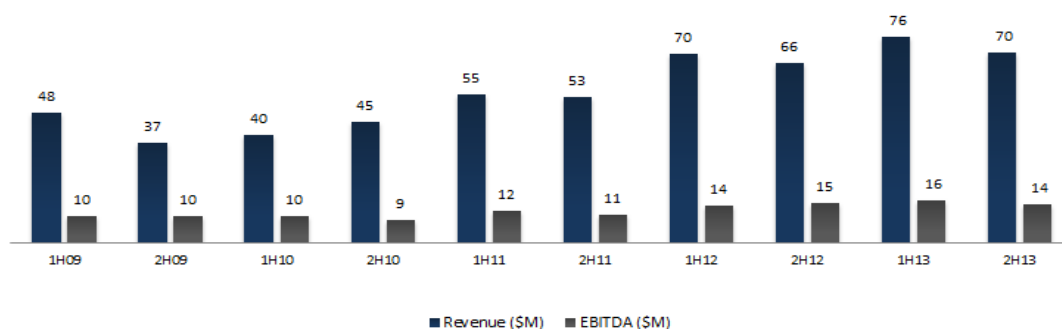
The net assets of the Group have increased by \$4.15million from 30 June 2012 to \$109.84 million in 2013. This increase is largely due to the continuing strong operating profit, offset by undertaking a share buyback program.

The directors believe the Group is in a strong and stable financial position to weather the current tough trading conditions and take advantage of opportunities as they arise.

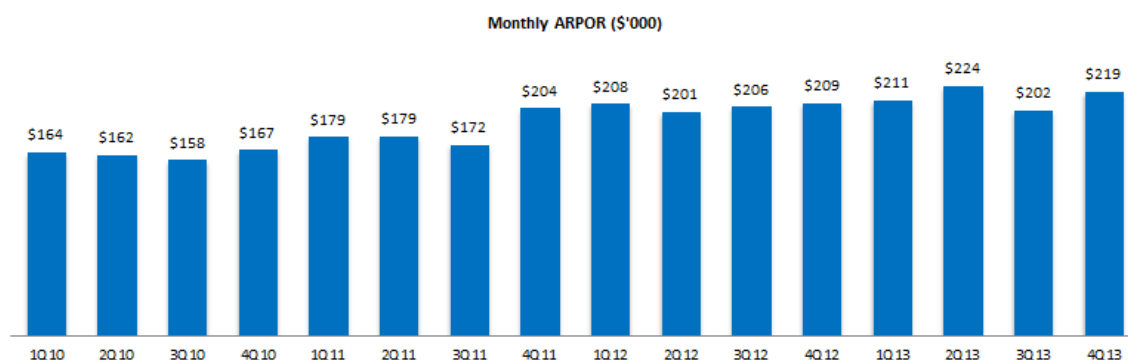
Review of operations

The year ended 30 June 2013 was an extremely challenging year with volatile financial and commodity markets affecting the appetites of mining companies to invest in drilling services. Despite this, the Group has continued its growth with a global increase in revenue of 7% for the year ended 30 June 2013. Driving growth was the award of new contracts in North America and the commencement of operations in Portugal. The Group has also recently been awarded a two rig contract at the world class Grasberg mine in West Papua. These new contracts together with the established business in Australia further strengthen the Company's objective to become the worlds leading underground diamond drilling contractor.

The Group's growth in revenue and EBITDA over the past five years is graphically illustrated below:

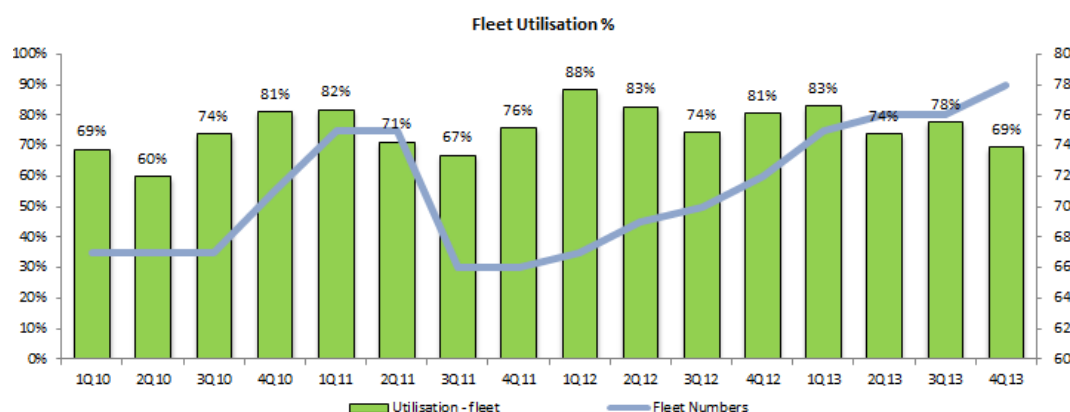


With the continued volatility within the commodity markets and the more recent sharp decline in gold and copper prices, mining companies have been actively seeking ways to reduce cash costs within their businesses. Although this is an extremely tough market for mining services companies, the Company believes that now, more than ever, it is well placed to demonstrate the advantages of its world leading underground diamond drilling technology. As a company we are committed to delivering a safe, efficient and productive low unit cost solution to our customers. Accordingly Swick believes its Underground Diamond division is well placed to see continued growth both in new and established markets over the longer term as a result of continual improvements in its service provision. As illustrated in the graph below, Swick has maintained its Average Revenue per Operating Rig (ARPOR) through FY13.

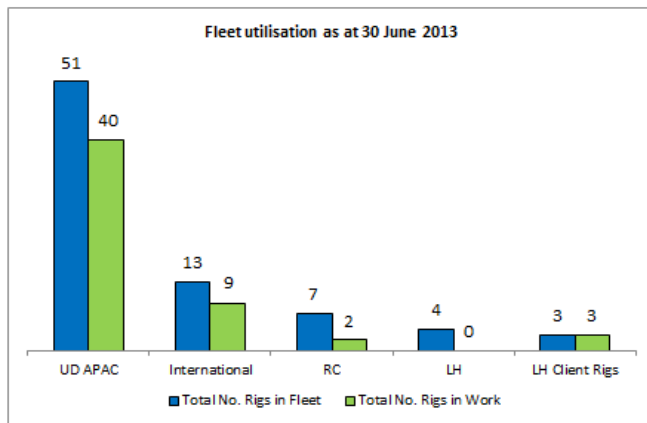


According to information obtained from the Australian Bureau of Statistics, total metres drilled in Australia has reduced quarter on quarter (Q1-Q3) for FY13, with the third quarter being the lowest drilled metres since September 2008, when we were experiencing the Global Financial Crisis.

The Company's rig utilisation has reduced over FY13 from 83% in the first quarter to a low of 69% as at 30 June 2013. This is the lowest fleet utilisation since the Company sold its surface diamond division in the 3rd quarter of FY11, albeit that in the ensuing two years Swick's overall fleet size has grown from 66 to 78 drill rigs. In addition, as at 30 June 2013 the Company has three new underground diamond rigs awaiting commissioning. Two of these rigs will be mobilised to the new contract at the Grasberg mine in Indonesia.



The year end utilisation by operating division is shown below:



The RC Division will be mobilising an additional rig early in the first quarter of FY14 with a seasonal drilling program recommencing.

With Swick's focus on continual improvement in all areas of operations and safety management, our goal is to provide the highest quality, best value service available to our clients.

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the Company and /or Group during the financial year.

Dividends paid or recommended

Dividends paid or declared for payment during the financial year are as follows:

Interim ordinary dividend of 0.6 cents per share paid on 2 April 2013	\$1,400,438
Final ordinary dividend of 0.6 cents per share recommended by the Directors to be paid on 28 September 2013 out of retained profits at 30 June 2013	\$1,319,677

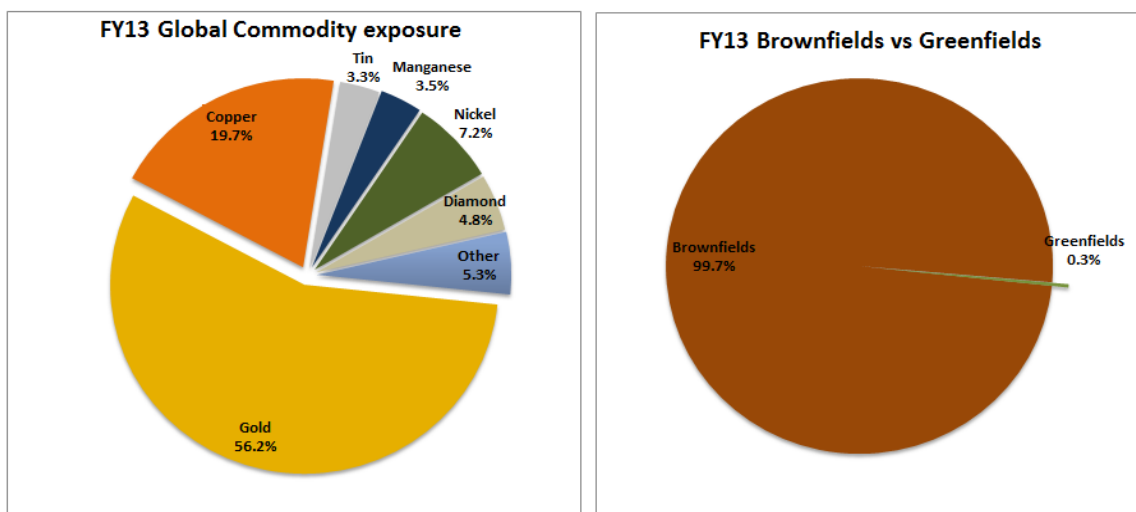
Events after the reporting period

There were no significant events after the reporting period.

Future developments, prospects and business strategies

As highlighted in the review of operations, FY13 was a volatile year for global financial and commodity markets, which had a large flow on effect to the mining services industry and more particularly drilling companies. As a specialist underground diamond drilling contractor, Swick achieved modest growth led by new contracts obtained outside our principal market in Australia. In the coming years Swick hopes to capitalise on this achievement to become a truly global force.

The Group's commodity spread (shown below) continues to be concentrated on gold and copper in established Brownfields operations. Swick's exposure to Greenfields operations was lower than prior years principally due to the slow down in exploration drilling and lower activity in the smaller RC division. The Company believes that the focus on Brownfields operations, where income is earned from rigs at operating mines, is the principal reason why it was able to continue on a growth profile whilst most of our global competitors saw significant revenue erosion due to the general market slow-down.



The Company still sees its ability to focus on continuous improvement within the mineral drilling industry as a key strategy to its ongoing success. The dedicated Research and Development team remains well resourced and fully funded, with the aim of developing step change innovation in drilling that will lead to safety, productivity and versatility improvements in its systems of work and equipment for the benefit of the Company's employees, clients and ultimately, its shareholders.

Operational outlook – Asia Pacific

As at 30 June 2013 Swick had 45 drill rigs (53 as at 30 June 2012) in operation throughout Australia. The reduction by 8 rigs from the prior year is considered to be a reflection of an overall contraction in drilling demand as opposed to any real loss in market share. Swick continues to have a solid base load of work with blue-chip clients and will continue to focus on developing opportunities for the expansion of its underground diamond division.

The demand for RC drilling has not improved throughout the year, with mining and exploration companies focusing on near term cash generation rather than long term value creation through increasing mineral resources and reserves.

The Group has a dedicated business development team in the Australian business, focussing on pursuing opportunities to secure long term contracts for the available assets as well as building relationships with prospective clients that will allow the Company to expand its operations in the years ahead.

Operational outlook - International

As at 30 June 2013 Swick had 9 drill rigs (5 as at 30 June 2012) in operation outside of the Asia Pacific region. The increase in drill rigs came through a successful bidding season and adds a number of additional international blue-chip clients to the business, including Xstrata, Lundin Mining and since 30 June 2013, Barrick Gold in the US.

During the year a further two skid mounted rigs were transferred to North America to allow for an increased scope of supply in certain mine types where the mobile rig is less suitable. These rigs came from the remaining pool of rigs purchased from Everyday Mining Services in 2011.

The tender pipeline for our International business is strong and the board is confident of further success in FY14.

Environmental regulation

In the course of its drilling activities, the Group is required to adhere to environmental regulations imposed on it by various regulatory authorities, particularly those regulations relating to ground disturbance and the protection of rare and endangered flora and fauna. From time to time, compliance with these environmental regulations is audited by client personnel, where deemed necessary.

The Group has not received any notification from any regulatory authority or client of any breaches of environmental regulations and to the best of its knowledge has complied with all material environmental requirements up to the date of this report.

Indemnifying officers

During the financial year, the Company paid premiums totalling \$62,922 to insure all the directors against liabilities for any costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of directors of the Company, other than conduct which might be a wilful breach of duty in relation to the Company.

Options

As at the date of this report, there were no options on issue.

Performance rights

At the date of this report, the unissued ordinary shares of Swick Mining Services Limited under Performance Rights are as follows:

Grant date	Date of vesting	Date of expiry	Number under rights
17 January 2012	31 August 2013	31 August 2015	400,000
17 January 2012	31 August 2014	31 August 2016	400,000
17 January 2012	31 August 2015	31 August 2017	400,000
17 January 2012	31 August 2016	31 August 2018	400,000
			1,600,000

Rights holders do not have any rights to participate in any issues of shares or other interests in the Company or any other entity.

There have been no unissued shares or interests under option of any controlled entity within the Group during or since the end of the reporting period.

For details of performance rights issued to directors and executives as remuneration, refer to the Remuneration Report.

During the year ended 30 June 2013, the following ordinary shares of Swick Mining Services Limited were issued on vesting of Performance Rights granted. No further shares have been issued since year end. No amounts are unpaid on any of the shares.

	Grant date	Exercise price	Number of shares issued
Performance rights plan	17 January 2012	N/A	400,000
			400,000

Proceedings on behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Non-audit services provided by Auditor

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 29 to the financial statements.

The Board, in accordance with advice from the Audit and Corporate Governance Committee, is satisfied that the provision of non-audit services, when provided, is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors use the principles set out below to judge whether the external auditor's independence is compromised:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Auditor's Independence Declaration

The lead auditor's Independence Declaration for the year ended 30 June 2013 has been received.

ASIC class order 98/100 rounding of amounts

The Company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

Remuneration Report (Audited)

Remuneration policy

The remuneration policy of the Group is designed to align the interests of directors and management with the interests of shareholders and the Company's objectives by providing a fixed remuneration component and, where appropriate, offering specific short-term (cash bonuses) and long-term (equity schemes) incentives linked to performance. The Board considers that the remuneration policy is appropriate and effective in its ability to attract, retain and motivate suitably qualified and experienced directors and management to direct and manage the Group's business and corporate activities, as well as to create goal congruence with the Company's shareholders.

Specifically, the remuneration policy has been put in place with the following aims in mind:

- remuneration practices and systems should support the Company's wider objectives and strategies;
- remuneration of directors and management should be aligned to the long-term interests of shareholders within an appropriate control framework;
- remuneration of directors and management should reflect their duties and responsibilities;
- remuneration of directors and management should be comparative and competitive, thereby allowing the Company to attract, retain and motivate suitably qualified and experienced people; and
- there should be a clear relationship between performance and remuneration.

Relationship between remuneration policy and Company performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Two methods have been applied to achieve this aim, the first being a performance-based bonus based on KPI's, and the second being the issue of performance rights to key management personnel to encourage the alignment of personal and shareholder interests, as well as a longer term retention strategy. The Company believes this policy will be effective in increasing shareholder wealth over time.

The following table shows the gross revenue, profits and dividends for the last five years for the listed entity, as well as the share prices at the end of the respective financial years. Analysis of the actual figures shows an increase in profits for each of the last three years including the commencement of dividend payments in FY12. Although the improved Company performance over this period has not been reflected in the share price, the Board considers this is more a reflection of the overall market sentiment, and is of the opinion that the improved financial results can be attributed, in part, to the remuneration policy and is satisfied with this trend.

	2013	2012	2011	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	146,031	136,091	115,746	99,533	84,911
Net profit/(loss) before tax	14,680	12,783	3,822	-13,422	2,648
Net profit/(loss) after tax	11,310	9,698	3,852	-10,060	2,102
Share price at start of year	\$0.27	\$0.40	\$0.36	\$0.42	\$1.30
Share price at end of year	\$0.29	\$0.27	\$0.40	\$0.36	\$0.42
Basic earnings/(loss) per share	4.85cps	4.09cps	1.43cps	(4.94)cps	1.39cps
Diluted earnings/(loss) per share	4.80cps	4.07cps	1.43cps	(4.94)cps	1.39cps
Dividends Paid	1.1 cps	0.5 cps	-	-	-

Remuneration and Nomination Committee

The Board has established a Remuneration and Nomination Committee to assist the Board in fulfilling its responsibilities in relation to developing and assessing the Group's remuneration policies to ensure that remuneration is sufficient and reasonable and that its relationship to performance is clear. The primary objectives of the Remuneration and Nomination Committee is to develop remuneration policies for the Group that are appropriate to the organisation with respect to its size, peers and market conditions, and to recommend remuneration packages and incentive schemes for directors and management, and remuneration packages for non-executive directors, that motivate and reward performance, attract and retain quality people, and align interests with those of shareholders.

Remuneration structure - non-executive directors

Objective

The Board seeks to set remuneration for non-executive directors at a level which provides the Company with the ability to attract and retain suitably qualified and experienced directors, whilst incurring a cost which is acceptable to shareholders. Non-executive directors should be adequately remunerated for their time and effort and the risks inherently involved with holding such a position.

Structure

Remuneration levels for non-executive directors are reviewed at least annually by the Remuneration and Nomination Committee. The Remuneration and Nomination Committee provides recommendations for the remuneration of non-executive directors, including the Chairman, and the Board is then responsible for ratifying the recommendations, if appropriate. As at the date of this report, remuneration for non-executive directors was set at \$65,000 per annum plus superannuation, with remuneration for the non-executive chairman set at \$97,500 per annum plus superannuation.

The Remuneration and Nomination Committee has also set an additional amount payable to the chairman of the Audit and Corporate Governance Committee of \$6,000 per annum plus superannuation.

Remuneration structure - executive directors & management

Objective

The remuneration for executive directors and management is designed to promote superior performance and long-term commitment to the Company. The Board aims to reward executive directors and management with a level and mix of remuneration commensurate with their position and responsibilities within the Group.

The Company's remuneration policy for executive directors and management reflects its commitment to align remuneration with shareholders' interests and to retain appropriately qualified executive talent for the benefit of the Group.

The principles of the policy are:

- to provide rewards that reflect the competitive market in which the Company operates;
- individual reward should be linked to performance criteria; and
- executives should be rewarded for both financial and non-financial performance.

Structure

Remuneration for executive directors and management may comprise fixed and variable remuneration components. Remuneration is reviewed at least annually by the Remuneration and Nomination Committee. The Remuneration and Nomination Committee provides recommendations for the remuneration of executive directors and management and the Board is then responsible for ratifying the recommendations, if appropriate. Remuneration packages for executive directors and management currently comprise a base salary and superannuation (fixed components), and may also include cash bonuses and securities (variable, performance based components).

In determining individual remuneration packages, the Remuneration and Nomination Committee reviews the individual's annual performance review, specific roles and responsibilities, and remuneration relative to their position within the Group and with positions in comparable companies through the use of market data and surveys. Where appropriate, a package may be adjusted to reflect the role, responsibilities and importance of that position and to keep pace with market trends and ensure continued remuneration competitiveness. In conducting a comparative analysis, the Group's expected performance for the year is considered in the context of the Group's capacity to fund remuneration budgets. From time to time, a review of the total remuneration package by an independent remuneration consultant may be undertaken to provide an independent reference point.

Fixed remuneration

The components of the fixed remuneration of executive directors and management are determined individually and may include:

- cash remuneration;
- superannuation;
- accommodation and travel benefits;
- motor vehicle; and
- other benefits.

Variable remuneration

The components of the variable remuneration of executive directors and management are determined individually and may include:

- short term incentives - executive directors and management are eligible to participate in a cash bonus if so determined by the Remuneration and Nomination Committee and the Board; and
- long term incentives - executive directors and management are eligible to receive shares, performance rights and options if so determined by the Remuneration and Nomination Committee and the Board.

Director and senior management details

The following table provides employment details of persons who were Directors or Key Management Personnel (KMP) of the Group during the financial year.

Directors

Andrew Simpson	Non-executive chairman
Kent Swick	Managing Director
John David Nixon (David)	Non-executive director
Phillip Lockyer	Non-executive director
Ian McCubbing	Non-executive director

Executives

Vahid Haydari	Chief Executive Officer - APAC	
Will Gove	General Manager North America	
Peter Casement	General Manager Operations APAC	Resigned 27 June 2013
Nigel Coccliff	General Manager Technical Services	Resigned 26 July 2013
Bryan Wesley	Chief Financial Officer	

Employment contracts

As at the date of this report, the Group had entered into employment contracts with the following executive directors and management personnel:

Kent Swick - Managing Director

- The service arrangement commenced on 1 July 2006 and continues until terminated.
- If the service agreement is terminated without cause by the Company, Mr Swick must be paid one month's remuneration for each full year, or pro rata for each part year, of service to the Group from 1 July 2006.
- If the service agreement is terminated as a result of a change in control, Mr Swick must be paid twelve month's remuneration (provided that any such additional amount shall, at all times, be limited to the maximum extent permitted by the ASX Listing Rules).

There are no other contracts to which a director is a party or under which a director is entitled to a benefit other than as disclosed in the Directors' Report or the Financial Statements.

Senior management

Senior management personnel are employed under employment agreements that continue until terminated. If an employment agreement is terminated without cause by the Company, the agreements provide a minimum of six month's remuneration must be paid. A contracted person deemed employed on a permanent basis may terminate their employment by providing at least 1 months notice. Termination payments are not payable on resignation or under the circumstances of unsatisfactory performance.

If the service agreement is terminated as a result of a change in control, twelve month's remuneration must be paid (provided that any such additional amount shall, at all times, be limited to the maximum extent permitted by the ASX Listing Rules).

Employee share option plan

The Company has adopted an Employee Share Option Plan (ESOP). The objective of the ESOP is to provide the Company with a remuneration mechanism through the issue of options in the capital of the Company to motivate and reward the performance of employees, and to align the performance of employees with that of the Company. There have been no options granted for several years and although the ESOP is still in operation the board introduced the Performance Rights Plan outlined below as the preferred method of rewarding employees.

Performance rights plan

The Company has adopted a Performance Rights Plan (PRP). The objective of the PRP is to provide the Company with a remuneration mechanism through the granting of rights for securities in the capital of the Company to motivate and retain employees.

During the year ended 30 June 2013 no Performance Rights were granted.

Performance based remuneration

The table below outlines the theoretical split between fixed and performance based remuneration for the directors and key management personnel. The estimated percentage splits are based on 100% compliance with any relevant performance criteria:

	Proportions of elements of remuneration related to performance			Proportions of elements of remuneration not related to performance	
	Non-salary cash based incentives	Shares/ units	Options/ rights	Fixed salary/fees	Total
	%	%	%	%	%
Non executive directors					
Andrew Simpson	0%	0%	0%	100%	100%
John David Nixon (David)	0%	0%	0%	100%	100%
Phillip Lockyer	0%	0%	0%	100%	100%
Ian McCubbing	0%	0%	0%	100%	100%
Other executives					
Kent Swick	40%	0%	0%	60%	100%
Vahid Haydari	36%	0%	10%	54%	100%
Will Gove	36%	0%	10%	54%	100%
Peter Casement	36%	0%	10%	54%	100%
Nigel Cocliff	36%	0%	10%	54%	100%
Bryan Wesley	36%	0%	10%	54%	100%

Changes in directors and executives subsequent to year-end

Since 30 June 2013 the company has formed the view that the position of General Manager Technical Services was no longer required. Accordingly Mr Nigel Cocliff voluntarily resigned effective 26 July 2013. The Directors would like to thank Mr Cocliff for his services over the past four years.

Remuneration details for the year ended 30 June 2013

The following table of benefits and payment details, in respect to the financial year, the components of remuneration for key management personnel of the Group:

Table of benefits and payments for the year ended 30 June 2013

	Short-term benefits			Post employment benefits		Equity-settled share-based payments		Total	Perf. based %
	Salary, fees and leave	Profit share and bonuses	Non-monetary	Pension and superannuation	Termination benefits	Shares/ units	Options/ rights		
2013	\$	\$	\$	\$	\$	\$	\$	\$	%
Non executive directors									
Andrew Simpson	97,500	-	-	8,775	-	-	-	106,275	0%
John David Nixon (David)	70,850	-	-	-	-	-	-	70,850	0%
Phillip Lockyer	65,000	-	-	5,850	-	-	-	70,850	0%
Ian McCubbing	71,154	-	-	6,404	-	-	-	77,558	0%
Total non-executive directors	304,504	-	-	21,029	-	-	-	325,533	0%
Executive officers									
Kent Swick	474,595	75,000	-	25,406	-	-	-	575,001	13%
Vahid Haydari	389,230	57,500	2,248	25,000	-	-	31,338	505,316	18%
Will Gove	261,628	42,776	23,558	25,000	-	-	31,338	384,300	19%
Peter Casement ¹	298,449	-	4,193	30,854	109,309	-	28,004	470,809	6%
Nigel Cocliff ²	256,615	36,006	20,752	25,020	-	-	31,338	369,731	18%
Bryan Wesley	258,973	37,012	2,472	24,960	-	-	31,338	354,755	19%
Total other executives	1,939,490	248,294	53,223	156,240	109,309	-	153,356	2,659,912	15%
Total Payments and Benefits	2,243,994	248,294	53,223	177,269	109,309	-	153,356	2,985,445	13%

Notes:

1) resigned 27 June 2013

2) resigned 26 July 2013

Table of benefits and payments for the year ended 30 June 2012

	Short-term benefits			Post Employment Benefits	Equity-settled share-based payments			Total	
	Salary, Fees and Leave	Profit Share and bonuses	Non-monetary	Pension and superannuation	Termination Benefits	Shares/ Units	Options/ Rights	\$	Perf. Based %
	\$	\$	\$	\$	\$	\$	\$	\$	
Non executive directors									
Andrew Simpson	96,721	-	-	8,705	-	-	-	105,426	0%
John David Nixon (David)	70,284	-	-	-	-	-	-	70,284	0%
Giuseppe Ariti ¹ (Joe Ariti)	39,481	-	-	3,553	-	-	-	43,034	0%
Phillip Lockyer	64,481	-	-	5,803	-	-	-	70,284	0%
Ian McCubbing	64,481	-	-	5,803	-	-	-	70,284	0%
Total non-executive directors	335,448	-	-	23,864	-	-	-	359,312	0%
Executive officers									
Kent Swick	466,655	-	-	31,614	-	-	-	498,269	0%
Michael Fry	13,761	-	-	1,238	178,645	-	-	193,644	0%
Vahid Haydari ²	271,942	-	803	23,042	-	-	14,751	310,538	5%
Will Gove	269,453	-	27,753	21,129	-	34,500	14,751	367,586	13%
Peter Casement ³	20,096	-	144	1,677	-	-	3,176	25,093	13%
Nigel Cocliff	241,238	25,000	22,785	23,322	-	34,500	14,751	361,596	21%
Bryan Wesley	249,134	25,000	1,135	21,711	-	34,500	14,751	346,231	21%
Khusrau Kalim ⁴	211,807	-	873	17,764	51,923	-	27,738	310,105	9%
Total other executives	1,744,086	50,000	53,493	141,497	230,568	103,500	89,918	2,413,062	10%
Total Payments and Benefits	2,079,534	50,000	53,493	165,361	230,568	103,500	89,918	2,772,374	9%

Notes:

1) resigned 1 Feb 2012 2) commenced 1 Sept 2011 3) commenced 22 May 2012 4) resigned 15 June 2012

Securities received that are not performance related

No members of key management personnel are entitled to receive securities which are not performance-based as part of their remuneration package.

Cash bonuses, performance-related bonuses and share-based payments

Bonuses

During the year a cash bonuses totalling \$248,294 was paid accordance with employment contracts as shown in the benefits and payments table above.

Performance Rights

During the year the following share-based payment arrangements were in existence.

Rights Series	Grant date	Expiry Date	Grant Date Fair value	Vesting date
(1) Issued 17 January 2012	17 January 2012	Note 1	\$ 0.28	Note 1
(2) Issued 22 May 2012	22 May 2012	Note 1	\$ 0.26	Note 1

The terms and conditions relating to Performance Rights in operation during the year for key management personnel are as follows:

	Grant date	Vesting condition s (Note 1)	Vested/paid during year % (Note 2)	Forfeited during year %	Remaining as unvested %	Vesting date
2013						
Group key management personnel						
Will Gove	17 January 2012	Note 1	20%	0%	80%	Note 1
Nigel Cocliff	17 January 2012	Note 1	20%	0%	80%	Note 1
Bryan Wesley	17 January 2012	Note 1	20%	0%	80%	Note 1
Vahid Haydari	17 January 2012	Note 1	20%	0%	80%	Note 1
Peter Casement	22 May 2012	Note 1	0%	100%	0%	Note 1

Note 1 The rights with Swick Mining Services Limited vest in equal amounts annually subject to completion of each year of service. The rights vest evenly on 31 August of each year.

Note 2 The dollar value of the percentage vested/paid during the period has been reflected in the Table of Benefits and Payments.

All rights were issued by Swick Mining Services Limited and entitle the holder to 1 ordinary shares in Swick Mining Services Limited.

The following share based payment compensation to key management personnel relate to the current financial year:

Plan details			For the financial year ended 30 June 2013						
		Value	Lapsed						
		\$		\$	Vested	Vested	Unvested	Lapsed	
Rights Series	No.	(Note 1)	Lapsed No.	(Note 1)	No.	%	%	%	
Group key management personnel									
Vahid Haydari	17 January 2012	500,000	138,688	-	-	100,000	20%	80%	0%
Will Gove	17 January 2012	500,000	138,688	-	-	100,000	20%	80%	0%
Nigel Cocliff	17 January 2012	500,000	138,688	-	-	100,000	20%	80%	0%
Bryan Wesley	17 January 2012	500,000	138,688	-	-	100,000	20%	80%	0%
Peter Casement	22 May 2012	500,000	131,436	500,000	131,436	-	0%	0%	100%
		2,500,000	686,188	500,000	131,436	400,000	16%	64%	20%

Note 1 The value of the Performance Rights granted is recognised in compensation over the vesting period of the grant, in accordance with Australian Accounting Standards. The value is based on the closing share price at the Grant date discount at the rate of 3.5% over the life of the Rights.

This Directors' Report, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.



Kent Swick

Dated: 23/08/2013

The Board of Directors
Swick Mining Services Limited
64 Great Eastern Highway
South Guildford WA 6055

23 August 2013

Dear Board Members

Swick Mining Services 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 Swick Mining Services Limited.

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

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Peter Rupp
Partner
Chartered Accountants

AND CONTROLLED ENTITIES

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

		Consolidated Group	
		2013	2012
	Note	\$000	\$000
Continuing operations			
Revenue	4	146,031	136,091
Other income	4	504	327
Raw materials and consumables used		(18,402)	(18,006)
Employee benefits expense		(76,717)	(65,299)
Depreciation and amortisation expense		(14,432)	(14,364)
Finance costs		(1,731)	(1,442)
Other expenses	5	(20,573)	(24,524)
Profit before income tax		14,680	12,783
Income tax expense	6	(3,370)	(3,085)
Net Profit from continuing operations		11,310	9,698
Net Profit for the year		11,310	9,698
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign controlled entities		294	114
Other comprehensive income for the year, net of tax		294	114
Total comprehensive income for the year		11,604	9,812
Total comprehensive income attributable to:			
Members of the parent entity		11,604	9,812
		11,604	9,812
Earnings per share			
Basic earnings per share (cents)	22	4.85	4.09
Diluted earnings per share (cents)	22	4.80	4.07

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	Note	Consolidated Group	
		2013 \$000	2012 \$000
Assets			
Current Assets			
Cash and cash equivalents	9	20,873	15,806
Trade and other receivables	10	18,480	23,082
Inventories	11	17,328	17,548
Other financial assets	12	415	567
Other assets	15	2,092	1,810
Total current assets		59,188	58,813
Non-current assets			
Other financial assets	12	-	387
Property, plant and equipment	13	92,658	86,043
Intangible assets	14	7,030	6,068
Other assets	15	2	2
Total non-current assets		99,690	92,500
Total assets		158,878	151,313
Liabilities			
Current liabilities			
Trade and other payables	16	13,325	13,509
Borrowings	17	2,658	8,162
Current tax liabilities		4,307	-
Provisions	18	6,276	5,568
Total current liabilities		26,566	27,239
Non-current liabilities			
Borrowings	17	19,865	15,018
Deferred tax liabilities	6	2,115	3,154
Provisions	18	494	210
Total non-current liabilities		22,474	18,382
Total liabilities		49,040	45,621
Net assets		109,838	105,693
Equity			
Issued capital	19	77,644	82,580
Reserves	20	723	362
Retained earnings	21	31,471	22,750
Total equity		109,838	105,692

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

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



	Note	Share capital		Reserves		Total
		Ordinary	Retained earnings	Foreign currency translation reserve	Share based payments	
		\$000	\$000	\$000	\$000	\$000
Consolidated Group						
Balance at 1 July 2011		82,580	14,237	(445)	545	96,917
Comprehensive income						
Profit for the year			9,698			9,698
Other comprehensive income for the year				114		114
Total comprehensive income for the year		-	9,698	114	-	9,812
Transactions with owners, in their capacity as owners, and other transfers						
Shares issued during the year					114	114
Share based payments					34	34
Dividends recognised for the year	8		(1,185)			(1,185)
Total transactions with owners and other transfers		-	(1,185)	-	148	(1,037)
Balance at 30 June 2012		82,580	22,750	(331)	693	105,692
Balance at 1 July 2012		82,580	22,750	(331)	693	105,692
Comprehensive income						
Profit for the year			11,310			11,310
Other comprehensive income for the year				294		294
Total comprehensive income for the year		-	11,310	294	-	11,604
Transactions with owners, in their capacity as owners, and other transfers						
Shares issued during the year		75				75
Share based payments					67	67
Transaction costs		(12)				(12)
Shares bought back during the year		(4,999)				(4,999)
Dividends recognised for the year	8		(2,589)			(2,589)
Total transactions with owners and other transfers		(4,936)	(2,589)	-	67	(7,458)
Balance at 30 June 2013		77,644	31,471	(37)	760	109,838

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

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



		Consolidated Group	
	Note	2013	2012
		\$000	\$000
Cash flows from operating activities			
Receipts from customers		140,310	134,279
Payments to suppliers and employees		(103,974)	(109,124)
Income tax paid		-	-
Net cash provided by operating activities	25	36,336	25,155
Cash flows from investing activities			
Interest received		604	525
Proceeds from sale of property, plant and equipment		626	242
Purchase of property, plant and equipment		(17,331)	(19,307)
Payments for development		(5,254)	(4,458)
Net cash used in investing activities		(21,355)	(22,998)
Cash flows from financing activities			
Proceeds from borrowings		8,119	17,215
Interest Paid		(1,731)	(1,441)
Share transaction costs		(12)	-
Share buy-back payment		(4,999)	-
Repayment of borrowings		(8,702)	(13,488)
Dividends paid by parent entity		(2,589)	(1,185)
Net cash (used in)/provided by financing activities		(9,914)	1,101
Net increase in cash and cash equivalents held		5,067	3,258
Cash and cash equivalents at beginning of financial year		15,806	12,548
Cash and cash equivalents at end of financial year	9	20,873	15,806

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

**SWICK MINING SERVICES LIMITED ABN: 20 112 917 905
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**



Swick Mining Services Ltd (the "Parent" or the "Company") (ASX:SWK) is a public company listed on the Australian Securities Exchange Limited ("ASX") and is incorporated in Australia. Swick Mining Services Ltd and its subsidiaries (collectively referred to as "Swick Mining Services Group" or "the Group") operate extensively throughout Australia and internationally.

The addresses for its registered office and principal place of business is as follows:

64 Great Eastern Highway
South Guildford Western Australia 6055
Australia
Tel: +61 (8) 9277 8800

The financial report of the Company and its controlled entities for the year ended 30 June 2013 was authorised for issue on 23 August 2013 by the directors of the Company.

Note 1 Application of new and revised standards

(a) Standards and interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements.

Standards affecting presentation and disclosure

Amendments to AASB 101 'Presentation of Financial Statements'

The amendment (part of AASB 2011-9 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income') introduces new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to AASB 101 'Presentation of Financial Statements'

The amendments (part of AASB 2012-5 'Further Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle') requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification, to present a statement of financial position as at the beginning of the preceding period (third statement of financial position), when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The related notes to the third statement of financial position are not required to be disclosed.

(b) Standards and Interpretations affecting the reported results or financial position

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

(c) Standards and interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective and therefore management have not yet assessed their impact.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1-Jan-15	30-Jun-16
AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1-Jan-13	30-Jun-14
AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements'	1-Jan-13	30-Jun-14
AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1-Jan-13	30-Jun-14

AASB 127 'Separate Financial Statements' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1-Jan-13	30-Jun-14
AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1-Jan-13	30-Jun-14
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1-Jan-13	30-Jun-14
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1-Jan-13	30-Jun-14
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1-Jul-13	30-Jun-14
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'	1-Jan-13	30-Jun-14
AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'	1-Jan-13	30-Jun-14

Note 2 Summary of significant accounting policies

Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

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

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Swick Mining Services Limited at the end of the reporting period. A controlled entity is any entity over which Swick Mining Services Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 'Financial Instruments: Recognition and Measurement' or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Business combinations

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

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

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

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

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

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

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

Goodwill and other intangible assets

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. As at the acquisition date, goodwill acquired is allocated to each of the cash-generating business units expected to benefit from the combination's synergies.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised, but reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised immediately in the income statement. Impairment testing is performed annually.

(b) Taxation

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 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 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 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.

Tax consolidation

The company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2009 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Swick Mining Services Limited. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group). Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement.

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits repayable on demand with a financial institution. Cash balances and overdrafts in the balance sheet are stated at gross amounts within current assets and current liabilities, unless there is legal right of offset at the bank.

The cash and cash equivalents balance primarily consists of cash, on call in bank deposits, bank term deposit with three month maturity and money market investments readily convertible into cash within 2 working days, net of outstanding bank overdrafts. Bank overdrafts are carried at the principal amount.

(d) Trade and other receivables

Trade receivables which generally have 30-60 days terms are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. The Group reviews the collectability of trade receivables on an ongoing basis and makes an objective judgement concerning amounts considered not collectible. The amount of the loss is recognised in the income statement within operating expenses and classified as doubtful debts. Any subsequent recovery of amounts previously written off, are recorded as other income in the income statement.

(e) Inventories

The Group maintains an inventory of drilling consumables for use in the rendering of drilling services. Inventory is measured at the lower of cost and net realisable value. An on-going review is conducted in order to ascertain whether items are obsolete or damaged, and if so determined, the carrying amount of the item is written down to its net realisable value.

(f) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes acquisition, being the fair value of the consideration provided, plus incidental costs directly attributable to the acquisition.

Subsequent costs directly related to an item of property are recognised in the carrying amount of that item of property, plant and equipment only when it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs, including repairs and maintenance, are recognised in the statement of comprehensive income as an expense.

Depreciation is recognised in the statement of comprehensive income on a straight-line or diminishing value basis over the estimated useful life of each part of an item of property plant and equipment. Those items of property, plant and equipment undertaking construction are not depreciated.

The following useful lives are used in the calculation of depreciation for each class of property, plant and equipment:

Class of fixed asset	Useful life
Leasehold improvements	10 – 15 years
Plant and machinery	5 – 10 years
Drilling rigs	10 – 15 years
Other drilling equipment	2 – 20 years
Motor vehicles	3 – 10 years
Office furniture and equipment	5 – 10 years
Computer equipment:	
Hardware	3 – 5 years
Software	1 – 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(g) Recoverable amount of non-current assets

Non-current assets valued on the cost basis are not carried at an amount above their recoverable amount, and where a carrying value exceeds the recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the net profit or loss in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

(h) Impairment of non financial assets other than goodwill

At each reporting date the Company conducts an internal review of asset values of its non financial assets to determine whether there is any evidence that the assets are impaired. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit or group of units on a pro-rata basis.

(i) Leases

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.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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.

The Group as lessee

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

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, 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 (see m below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

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. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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

(j) Trade and other payables

Trade and other payables are carried at amortised cost. They represent unsecured liabilities for goods and services procured by the Group prior to the financial period end that remain unpaid and occur when the Group becomes obligated to make future payments. The amounts are unsecured and are usually paid within 30-60 days of recognition.

(k) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

(l) Employee benefits

Liabilities for employee related benefits comprising wages, salaries, annual leave and long service leave are categorised as present obligations resulting from employees services provided up to and including the reporting date. The liabilities are calculated at discounted amounts based on remuneration wage and salary rates the Group expects to pay as at reporting date including related on-costs, such as payroll tax and superannuation, when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised 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.

Liabilities recognised 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 report date.

Employee superannuation entitlements are charged as an expense when they are incurred and recognised as other creditors until the contribution is paid.

(m) Loans and borrowing

Loans and borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs incurred. Borrowings are subsequently measured at amortised cost utilising the effective interest rate method. Differences occurring between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

All borrowing costs are recognised as an expense in the Statement of Comprehensive Income in the period in which they are incurred.

(n) Financial instruments

Debt and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

(i) Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under contract whose terms require delivery of the investment 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 fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Company financial statements. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the Company financial statements.

(ii) 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'. Non-current 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. Current trade receivables are recorded at the invoiced amount and do not bear interest.

(iii) Financial liabilities

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

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 in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest 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 expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(o) Revenue recognition

Revenue from the provision of services is measured at the fair value of the consideration received or receivable, net of goods and services tax or other sales taxes. Revenue is recognised when the service has been delivered to the client and the recovery of the consideration is probable. Interest revenue is recognised as it accrues using the effective interest rate method.

(p) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the statement of financial position are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(q) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share are calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as an expense; and
- other non-discretionary changes in revenue or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

The dilutive effect, if any, of outstanding options and performance rights is reflected as additional share dilution in the computation of earnings per share.

(r) Share based payments

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'). The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ('market conditions'). The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects

- (i) the extent to which the vesting period has expired and;
- (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

(s) Non-current assets 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 sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. 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.

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.

(t) Foreign currencies

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 the Group, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of each individual entity, 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 reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting 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 re-translated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks, and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the exchange rates at the dates of the transactions. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

(u) Impairment of tangible and intangible assets

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so 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 (or 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 a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Impairment losses on goodwill are not reversed.

(v) Research and development

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use or more frequently when an indication of impairment arises during the reporting period.

A summary of the policies applied to the Group's intangible assets other than goodwill is as follows:

Development costs*Useful lives*

Finite

Amortisation method used

Amortised over the period of expected future benefit from the related project on a straight-line basis

Internally generated or acquired

Internally generated

Impairment testing

Annually as at 30 June for assets available for use and more frequently when an indication of impairment exists. The amortisation method is reviewed at each financial year-end.

As at 30 June 2013, the research and development projects are still in the development phase. Accordingly, no amortisation expense has been booked.

(w) Government grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

(x) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

(y) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates*(i) Recoverability of internally generated intangible asset*

During the year, the directors reconsidered the recoverability of the Group's internally generated Research and Development arising from its business development, which is included in the consolidated statement of financial position at 30 June 2013 at \$6.8m (30 June 2012: \$5.9m)

The projects continue to progress in accordance with the Group's project management plans. Research and development is conducted for the purpose of improved efficiency in the business' operations. Detailed sensitivity analysis has been carried out and directors are confident the carrying amount of the assets will be recovered in full.

(ii) Useful lives of property, plant and equipment

The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. No changes to useful life have been made for the financial year ending 30 June 2013.

(iii) Impairment - Carbon Price

There is presently uncertainty in relation to the impacts of the carbon pricing mechanism introduced by the Australian Government. This carbon pricing system could potentially affect the assumptions underlying value-in-use calculations used for asset impairment testing purposes. The consolidated entity has not incorporated the effect of any carbon price implementation in its impairment testing at 30 June 2013.

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Note 3 Operating segments

General information

Identification of reportable segments

Operating Segments AASB 8, requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and assess their performance.

The Group's chief operating decision maker for the purpose of resource allocation and assessment of performance of segments is specifically focused on Drilling Services in Asia Pacific and Drilling Services International.

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief operating decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

The Group's revenue from continuing operations and information about its assets and liabilities by reportable segments are detailed below.

Segment revenue, expense and results for continuing operations

	Drilling Services-Asia Pacific		Drilling Services-International		Total	
	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sales to external customers	137,891	126,829	8,040	9,066	145,931	135,895
Interest Income	601	521	3	2	604	523
Total revenue	138,492	127,350	8,043	9,068	146,535	136,418
Cost of sales	96,903	90,982	6,859	6,856	103,762	97,838
Depreciation and amortisation	13,640	13,835	792	529	14,432	14,364
Overhead	10,620	8,798	1,310	1,193	11,930	9,991
Interest expenses	1,722	1,390	9	52	1,731	1,442
Total expense	122,885	115,005	8,970	8,630	131,855	123,635
Segment profit/(loss) before tax (continuing operations)	15,607	12,345	(927)	438	14,680	12,783

Segment assets and liabilities for continuing operations

	Drilling Services-Asia Pacific		Drilling Services-International		Total	
	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total segment assets	279,709	271,371	18,666	13,269	298,375	284,640
Segment liabilities	(179,802)	(175,724)	(17,803)	(11,646)	(197,605)	(187,370)
Eliminations	-	-	-	-	9,068	8,423
Total net assets	99,907	95,647	863	1,623	109,838	105,693

Other segment information

Additions to non-current assets

	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property, Plant and Equipment	20,717	18,684	907	227	21,624	18,911
Intangible assets	5,254	4,458	-	-	5,254	4,458
Total additions to non-current assets	25,971	23,142	907	227	26,878	23,369

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment profit represents the profit earned by each segment after allocation of central administration costs and directors' salaries, share of profits of associates, gain recognised on disposal of interest in former associate, investment income, gains and losses, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Included in the revenues arising from direct sales of mining contract services of \$146.5 million (2012: \$136.4 million) are revenues of approximately \$48.0 million (2012: \$29.4 million) which arose from sales to the Group's two (2012: one) largest customers. No other single customer contributed 10% or more to the Group's revenue for both 2013 and 2012.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013



Note 4 Revenue and other income

	Consolidated Group	
	2013	2012
	\$000	\$000
Revenue from continuing operations		
Sales revenue		
— Provision of services	145,116	135,439
	145,116	135,439
Other revenue		
— Interest received	604	523
— Government subsidies received	311	129
	915	652
Total revenue	146,031	136,091
Other income		
— Gain on disposal of property, plant and equipment	299	71
— other income	205	256
Total other income	504	327

Note 5 Other Expenses

	Consolidated Group	
	2013	2012
	\$000	\$000
Profit before income tax from continuing operations includes the following specific expenses:		
Accommodation and travel	6,671	7,239
Repairs and maintenance	5,845	7,039
Administration costs	3,002	5,259
Insurance	2,322	2,603
Marketing	205	273
Recruitment and training	740	915
Other direct costs	938	319
Rental expense on operating leases		
— minimum lease payments	850	877
Total other expenses	20,573	24,524

Note 6 Income tax expense

	Consolidated Group	
	2013	2012
	\$000	\$000
(a) Income tax recognised in profit and loss:		
<i>Current income</i>		
Current income tax charge	(4,409)	(312)
	(4,409)	(312)
<i>Deferred tax</i>		
Relating to origination and reversal of temporary differences	(362)	(3,641)
Adjustments in respect of previously deferred income tax	373	868
Recognition of overseas losses	1,028	-
	1,039	(2,773)
Net income tax expense reported in income statement	(3,370)	(3,085)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013



(b) The expense for the year can be reconciled as follows:

	Consolidated Group	
	2013	2012
	\$000	\$000
Accounting profit before tax from continuing operations	14,680	12,783
Accounting profit before income tax	14,680	12,783
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2012:30%)	(4,404)	(3,835)
— Non-deductible expenses	(14)	(18)
— Effect of foreign tax rate	44	41
— Australian tax losses and temporary differences now recognised / (not recognised)	-	822
— Prior year foreign tax losses now recognised	531	(141)
— R&D tax offsets	100	-
— Adjustments in respect of previous deferred income tax	373	46
Income tax expense attributable to entity	(3,370)	(3,085)

The tax rate used for the 2013 and 2012 reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

Income tax (expense)/benefit reported in income statement	(3,370)	(3,085)
	(3,370)	(3,085)

The applicable weighted average effective tax rates are as follows: 23.0% 24.1%
The decrease in the weighted average effective consolidated tax rate for 2013 is a result of recognition of R&D tax concessions for 2012 and 2013, plus the overseas tax losses from prior years.

(c) Tax effects relating to each component of other comprehensive income:

	Consolidated Group	
	2013	2012
	\$000	\$000
Deferred tax assets and liabilities are attributable to the following:		
Recognised deferred tax assets		
Provisions and accrued expenses	2,011	1,542
Borrowing costs	15	45
Tax deductibility for capital raising costs	74	485
Tax losses	1,028	565
Tax liabilities	3,128	2,637
Set off of tax	(3,128)	(2,637)
Net tax (assets)/liabilities	-	-

Recognised deferred tax liabilities		
Consumables	(2,867)	(2,892)
Property, plant and equipment	(1,904)	(2,312)
Accrued income	(261)	(322)
Prepayments	(211)	(265)
Tax liabilities	(5,243)	(5,791)
Set off of tax	3,128	2,637
Net tax liabilities	(2,115)	(3,154)

Movements		
Opening balance 1 July	(3,154)	(381)
Credit to the income statement	1,039	(2,773)
Closing balance at 30 June	(2,115)	(3,154)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items

Temporary differences	-	531
	-	531

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Note 7 Key management personnel compensation

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2013.

The totals of remuneration paid to KMP of the Company and the Group during the year are as follows:

	2013	2012
	\$	\$
Short-term employee benefits	2,545,511	2,183,027
Post-employment benefits	177,269	165,361
Termination benefits	109,309	230,568
Share-based payments	153,356	193,418
Total KMP compensation	2,985,445	2,772,374

KMP options and rights holdings

The number of performance rights over ordinary shares held during the financial year by each KMP of the Group is as follows:

		Balance at beginning of year	Granted during the year	Vested and exercised during the year	Forfeited during the year	Balance at end of year
30 June 2013						
Non executive directors						
Andrew Simpson		-	-	-	-	-
John David Nixon (David)		-	-	-	-	-
Phillip Lockyer		-	-	-	-	-
Ian McCubbing		-	-	-	-	-
Other executives						
Kent Swick		-	-	-	-	-
Vahid Haydari	2	500,000	-	(100,000)	-	400,000
Will Gove		500,000	-	(100,000)	-	400,000
Peter Casement	3	500,000	-	-	(500,000)	-
Nigel Cocliff	4	500,000	-	(100,000)	-	400,000
Bryan Wesley		500,000	-	(100,000)	-	400,000
		2,500,000	-	(400,000)	(500,000)	1,600,000

		Balance at beginning of year	Granted during the year	Vested and exercised during the year	Forfeited during the year	Balance at end of year
30 June 2012						
Non executive directors						
Andrew Simpson		-	-	-	-	-
John David Nixon (David)		-	-	-	-	-
Giuseppe Ariti (Joe Ariti)	1	-	-	-	-	-
Phillip Lockyer		-	-	-	-	-
Ian McCubbing		-	-	-	-	-
Other executives						
Kent Swick		-	-	-	-	-
Vahid Haydari	2	-	500,000	-	-	500,000
Will Gove		-	500,000	-	-	500,000
Peter Casement	3	-	500,000	-	-	500,000
Nigel Cocliff	4	-	500,000	-	-	500,000
Bryan Wesley		-	500,000	-	-	500,000
Khusrau Kalim	5	-	500,000	(100,000)	(400,000)	-
		-	3,000,000	(100,000)	(400,000)	2,500,000

Notes:

- 1) resigned 2 Feb 2012 2) commenced 1 Sept 2011
5) resigned 15 June 2012

- 3) commenced 22 May 2012, resigned 27 June 2013 4) resigned 26 July 2013

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Key management personnel shareholdings

The number of ordinary shares in Swick Mining Services Limited held by each KMP of the Group during the financial year is as follows:

	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of rights during the year	Other changes during the year	Balance at end of year
30 June 2013					
Non executive directors					
Andrew Simpson	605,000	-	-	-	605,000
John David Nixon (David)	55,000	-	-	-	55,000
Phillip Lockyer	22,000	-	-	-	22,000
Ian McCubbing	-	-	-	-	-
Other executives					
Kent Swick	32,500,000	-	-	-	32,500,000
Vahid Haydari	2	-	100,000	-	100,000
Will Gove	600,000	-	100,000	-	700,000
Peter Casement	3	-	-	-	-
Nigel Cocliff	4	200,000	100,000	(100,000)	200,000
Bryan Wesley	180,475	-	100,000	-	280,475
	34,162,475	-	400,000	(100,000)	34,462,475

	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of year
30 June 2012					
Non executive directors					
Andrew Simpson	605,000	-	-	-	605,000
John David Nixon (David)	55,000	-	-	-	55,000
Giuseppe Ariti (Joe Ariti)	1	27,500	-	-	27,500
Phillip Lockyer	22,000	-	-	-	22,000
Ian McCubbing	-	-	-	-	-
Other executives					
Kent Swick	31,901,302	-	-	598,698	32,500,000
Vahid Haydari	2	-	-	-	-
Will Gove	500,000	100,000	-	-	600,000
Peter Casement	3	-	-	-	-
Nigel Cocliff	4	100,000	100,000	-	200,000
Bryan Wesley	25,000	100,000	-	55,475	180,475
Khusrau Kalim	-	-	-	-	-
	33,235,802	300,000	-	654,173	34,189,975

Notes:

1) resigned 2 Feb 2012 2) commenced 1 Sept 2011 3) commenced 22 May 2012, resigned 27 June 2013 4) resigned 26 July 2013

Other key management personnel transactions

There have been no other transactions involving equity instruments other than those described in the tables above.

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Note 8 Dividends

	Consolidated Group	
	2013	2012
	\$000	\$000
Distributions paid		
Interim fully franked ordinary dividend of 0.6 (2012:0.5) cents per share franked at the tax rate of 30% (2012:30%)	1,400	-
2012 final dividend (fully franked) of 0.5 cents per share paid in 2013 franked at the tax rate of 30% (2011 paid in 2012: nil)	1,189	-
Interim fully franked ordinary dividend of 0.5 (2011: nil) cents per share franked to 100% at a 30% income tax rate (2011: N/A)	-	1,185
Total dividends per share	2,589	1,185
(a) Proposed final 2013 fully franked ordinary dividend of 0.6 (2012: 0.5) cents per share franked at the tax rate of 30% (2012: 30%)	1,320	1,185
(b) Franking account balance:		
Closing balance	299	1,408
Subsequent to year-end, the franking account would be increased by income tax payments as follows:	529	-
Subsequent to year-end, the franking account would be reduced by the proposed dividend reflected per (a) as follows:	(566)	(508)
Adjusted franking account balance	262	900

Note 9 Cash and cash equivalents

	Consolidated Group	
	2013	2012
	\$000	\$000
Cash at bank	20,871	15,804
Cash in hand	2	2
	20,873	15,806

Cash in hand is non interest bearing. Bank balances attract an average interest rate of approximately 3.3% (2012 4.0%). The Group and parent entity's exposure to interest rate risk is discussed in note 32. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

Note 10 Trade and other receivables

Trade debtors are non-interest bearing and generally on 30 - 60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade debtor is impaired.

Due to the short term nature of these receivables their carrying value is assumed to approximate their fair value.

	Consolidated Group	
	2013	2012
	\$000	\$000
CURRENT		
Trade receivables	16,193	21,498
— Accrued income	16,193	21,498
— Rebates and credit offsets	1,785	1,191
	502	393
Total current trade and other receivables	18,480	23,082

Credit risk

The Group has no significant concentration of credit risk with respect to any single counter party or group of counter parties other than those receivables specifically provided for and mentioned within Note 10. The class of assets described as Trade and other receivables is considered to be the main source of credit risk related to the Group.

On a geographic basis, the Group has credit risk exposures in the Asia Pacific and other International regions given the substantial operations in those regions. The Group's exposure to credit risk for receivables at the end of the reporting period in those regions is as follows:

	Consolidated Group	
	2013	2012
	\$000	\$000
AUD		
Asia Pacific	16,008	21,218
International	2,472	1,864
	18,480	23,082

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The following table details the Group's aged trade and other receivables exposed to credit risk. Amounts are considered as 'past due' when the debt has not been settled with the terms and conditions agreed between the Group and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

Consolidated Group	Gross Amount \$000	Past due and impaired \$000	Past due but not impaired (days overdue)				Within initial trade terms \$000
			<30 \$000	31-60 \$000	61-90 \$000	>90 \$000	
2013							
Trade and term receivables	16,193	-	4,998	728	182	188	10,097

Consolidated Group	Gross Amount \$000	Past due and impaired \$000	Past due but not impaired (days overdue)				Within initial trade terms \$000
			<30 \$000	31-60 \$000	61-90 \$000	>90 \$000	
2012							
Trade and term receivables	21,498	-	8,862	185	733	118	11,600

None of the receivables past due are considered impaired as these amounts had either been collected or payment arrangements agreed prior to the date of this report.

Note 11 Inventories

	Consolidated Group	
	2013 \$000	2012 \$000
CURRENT		
At cost:		
Consumables and stores	18,400	18,098
Provision for obsolescence	(1,072)	(550)
	17,328	17,548

Note 12 Other financial assets

	Consolidated Group	
	2013 \$000	2012 \$000
CURRENT		
Finance Lease Receivable	415	567
Total current assets	415	567
NON-CURRENT		
Finance Lease Receivable	-	387
Total non-current assets	-	387

Leasing arrangements

A Group company SMS Engineering Pty Ltd leased workshop machinery to a third party for the amount of \$1.75m plus interest thereon at 8% effective 1 November 2010. The term of the lease is 36 months.

Amounts receivable under the finance lease	Minimum lease payments		Present value of minimum lease payments	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Not Later than one year	419	583	415	567
Later than one year and not later than 3 years	-	419	-	387
	419	1,002	415	954
Less unearned finance income	(4)	(48)		
Present value of minimum lease payments collectable	415	954	415	954

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Note 13 **Property, plant and equipment**

	Consolidated Group	
	2013	2012
	\$000	\$000
Plant and equipment		
At cost	146,947	128,637
Accumulated depreciation	(68,662)	(57,096)
Total plant and equipment	78,285	71,541
Leasehold improvements		
At cost	2,995	2,891
Accumulated amortisation	(1,258)	(1,001)
Total leasehold improvements	1,737	1,890
Office furniture and equipment		
At cost	4,797	4,291
Accumulated depreciation	(3,411)	(2,980)
Total office furniture and equipment	1,386	1,311
Motor vehicles		
At cost	20,646	21,476
Accumulated depreciation	(9,396)	(10,175)
Total motor vehicles	11,250	11,301
Total property, plant and equipment	92,658	86,043

(a) Movements in carrying amounts

Movements in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Plant and equipment \$000	Leasehold improvements \$000	Office furniture and equipment \$000	Motor vehicles \$000	Total \$000
Consolidated Group:					
Balance at 1 July 2011	67,849	2,030	1,155	10,670	81,704
Additions	15,665	111	661	2,474	18,911
Disposals	(400)			(329)	(729)
Depreciation expense	(11,573)	(251)	(505)	(1,514)	(13,843)
Balance at 30 June 2012	71,541	1,890	1,311	11,301	86,043
Additions ¹	18,349	105	506	2,664	21,624
Disposals	(8)		(1)	(540)	(549)
Exchange rate Revaluation	12		(2)	(38)	(28)
Depreciation expense	(11,609)	(258)	(428)	(2,137)	(14,432)
Balance at 30 June 2013	78,285	1,737	1,386	11,250	92,658

Note

¹ Additions includes \$4.292 million of Development and Tooling costs capitalised to Plant and Equipment.

Note 14 **Intangible assets**

	Consolidated Group	
	2013	2012
	\$000	\$000
Goodwill		
Cost	209	209
Net carrying amount	209	209
Development, tooling & CAD database		
Cost	6,821	5,859
Net carrying amount	6,821	5,859
Total intangibles	7,030	6,068

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Consolidated Group:

	Goodwill \$000	Development, tooling & CAD database \$000
Year ended 30 June 2012		
Balance at the beginning of year 2012	209	1,387
Internal development	-	4,472
Closing value at 30 June 2012	209	5,859
Year ended 30 June 2013		
Balance at the beginning of year 2013	209	5,859
Internal development	-	5,254
Transfers to Plant and equipment	-	(4,292)
Closing value at 30 June 2013	209	6,821

Goodwill and non-current assets have been allocated for impairment purposes to the Asia Pacific Drilling Operations cash generating unit.

As the carrying amount of the net assets of the Company were greater than the market capitalisation of the Company during the period and at year end both the cash generating units have been tested for impairment.

The recoverable amount of each cash-generating unit is determined based on a value in use calculation. Value in use is calculated based on the present value of cash flow projections over a five year period with a terminal value. The cash flow projections are based on current year financial budgets approved by the directors, and a pre-tax discount rate of 18.6% (2012: 18.6% per annum). Cash flow projections during the budget period are based on the same expected gross margins and raw materials price inflation throughout the budget period. The cash flows have been extrapolated using an average of 3% per annum growth rate for the initial 5 years with a terminal value growth rate of 3.0% thereafter. The directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

Based on the testing performed no impairment losses were required to be recognised for either the Asia Pacific or International cash generating units .

Note 15 Other assets

	Consolidated Group 2013 \$000	2012 \$000
CURRENT		
Prepayments	1,888	1,683
Other	204	127
	2,092	1,810
NON-CURRENT		
Other non-current assets	2	2
	2	2

Note 16 Trade and other payables

	Consolidated Group 2013 \$000	2012 \$000
CURRENT		
Unsecured liabilities		
Trade payables	9,023	10,694
Sundry payables and accrued expenses	3,754	2,274
GST payable	548	541
	13,325	13,509

Fair value - Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

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Note 17 Borrowings

	Note	Consolidated Group	
		2013 \$000	2012 \$000
CURRENT			
Secured liabilities			
Bank loans		875	1,771
Hire purchase (HP) liabilities	17a	1,783	6,391
Total current borrowings		2,658	8,162
NON-CURRENT			
Secured liabilities			
Bank loans		19,000	13,000
Hire purchase liabilities	17a	865	2,018
Total non-current borrowings		19,865	15,018
Total borrowings	32	22,523	23,180
(a) Total current and non-current secured liabilities:			
Bank loan		19,875	14,771
Hire purchase liabilities		2,648	8,409
		22,523	23,180

(b) Terms and conditions relating to the above financial instruments:

- (i) Hire purchase liabilities generally have a term of between 3 and 5 years with the financier having an interest in the asset until the final payment is made. The average interest rate is 7.35% (2012 7.82%). Financiers secure their interest by registering a charge over the financed assets.
- (ii) Interest rate risk exposure: Details of the Group exposure to interest rate changes on interest bearing liabilities are set out in note 32.
- (iii) Fair value disclosures: Details of the fair value of interest bearing liabilities for the Group are set out in note 32.

(c) Assets pledged as security

The bank loans and overdraft are secured by fixed and floating charges over the Group's Australian based assets. Hire purchase liabilities are secured by the asset for which the agreement relates.

Unrestricted access was available at the balance date to the following lines of credit:

	Consolidated Group	
	2013 \$000	2012 \$000
Bank loan facilities		
Total facilities	34,293	26,350
Used at balance date	22,523	22,827
Unused at balance date	11,770	3,523

(d) Bills payable

Pursuant to a bank loan facility Bills payable have been drawn as a source of long-term finance. They mature on various dates and bear interest at fixed and floating rates payable monthly in advance.

19,000	13,000
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Note 18 Provisions

	Consolidated Group	
	2013	2012
	\$000	\$000
CURRENT		
Short-term employee benefits	6,276	5,568
Total current	6,276	5,568
NON CURRENT		
Long-term employee benefits	494	210
Total non-current	494	210

Analysis of total provisions

Current	6,276	5,568
Non-current	494	210
	6,770	5,778

Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

Note 19 Issued capital

	Consolidated Group	
	2013	2012
	\$000	\$000
(a) Share capital		
Fully paid ordinary shares	77,644	82,580
	77,644	82,580

Fully paid ordinary shares carry one vote per share and carry the right to dividends

	Consolidated Group	
	2013	2012
	No.	No.
(b) Movement in Ordinary Shares on Issue		
At the beginning of the reporting period	185,202,974	184,802,974
Shares issued during the year	300,000	400,000
Issue of shares under the Company's Performance Rights Plan	400,000	-
Shares bought back during year	(15,832,497)	-
At the end of the reporting period	170,070,477	185,202,974

Consolidated Ordinary Shares on Issue differ from the number of securities listed on the Australian Stock Exchange due to a reverse acquisition adjustment required on the original listing of Swick Mining Services limited in 2007. The actual number of shares on issue in the parent entity at 30 June 2013 was 222,169,027, including all shares bought back during the period.

On 27 August 2012 the Company announced on-market share buyback of up to 10%, or 23.7 million shares, of the Company's total ordinary share capital on issue. The share buyback expires on 10 September 2013.

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

Note 20 Reserves

	Consolidated Group	
	2013	2012
Foreign exchange translation reserve	(37)	(331)
Share based payments reserves	760	693
Balances in reserves	723	362

(a) Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

(b) Share based payments reserve

The share based payments reserve records items recognised as expenses on valuation of employee share options or issue of performance rights. Details in notes 7 and 28.

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Note 21 Retained earnings

	Consolidated group	
	2013	2012
	\$000	\$000
Balance at the beginning of the year	22,750	14,237
Net profit attributable to members	11,310	9,698
Less dividends paid	(2,589)	(1,185)
	31,471	22,750

Note 22 Earnings per share

	Consolidated Group	
	2013	2012
	\$000	\$000
(a) Reconciliation of earnings used to calculate earnings per share	11,310	9,698
Profit after income tax expense	11,310	9,698
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	No. 233,411,944	No. 236,904,970
Weighted average number of dilutive rights outstanding	2,156,593	1,163,014
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	235,568,537	238,067,984
(c) Basic earnings per share (cents)	4.85	4.09
(d) Diluted earnings per share (cents)	4.80	4.07

Note 23 Capital and leasing commitments

		Consolidated Group	
		2013	2012
		\$000	\$000
(a) Finance lease / HP commitments	Note		
Payable — minimum lease payments			
— not later than 12 months		1,865	6,402
— between 12 months and 5 years		895	2,184
Minimum lease payments		2,760	8,586
Less future finance charges		(112)	(177)
Present value of minimum lease payments		2,648	8,409
Comprising:			
Current liability	17	1,783	6,391
Non-current liability	17	865	2,018
Total financial liability		2,648	8,409
(b) Operating lease commitments			
Payments recognised as an expense		658	533
Non-cancellable operating leases contracted for but not recognised in the financial statements			
Payable — minimum lease payments			
— not later than 12 months		637	495
— between 12 months and 5 years		179	674
— later than 5 years		-	-
		816	1,169

Operating leases relate to leases of office premises with terms of between 1 to 10 years. All operating lease contracts contain clauses for yearly rental review in line with the CPI index. The Group does not have an option to purchase the leased premises at the expiry of the lease period.

Note 24 Contingent liabilities and contingent assets

There are no contingent liabilities or assets as at 30 June 2013.

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Note 25 Cash Flow Information

	Consolidated Group	
	2013	2012
	\$000	\$000
Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Profit after income tax	11,310	9,698
Non-cash flows in profit		
Depreciation	14,432	14,364
Net (gain)/loss on foreign exchange reserve	295	113
Net (gain)/loss on disposal of property, plant and equipment	(74)	(9)
Share options /performance rights expensed	67	148
Expense recognised in respect of shares issued in exchange for Investor Relation Services	75	-
Interest paid classified as financing cash flow	1,731	1,442
Interest income classified as investing cash flow	(604)	(525)
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
(Increase)/decrease in trade and term receivables	5,305	(6,021)
(Increase)/decrease in prepayments		
(Increase)/decrease in other assets	(446)	(378)
(Increase)/decrease in inventories	220	(937)
Increase/(decrease) in trade payables and accruals	(235)	1,637
Increase/(decrease) in income taxes payable	4,307	-
Increase/(decrease) in deferred taxes payable	(1,039)	2,773
Increase/(decrease) in provisions	992	2,850
Cash flow from operations	36,336	25,155

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Note 26 Parent information

	2013 \$000	2012 \$000
The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.		
Statement of financial position		
Assets		
Current assets	6,069	36
Non-current assets	64,065	72,987
Total assets	70,134	73,023
Liabilities		
Current liabilities	4,417	4
Total liabilities	4,417	4
Equity		
Issued capital	94,068	99,004
Retained earnings/(accumulated losses)	(29,111)	(26,635)
Share based payments	761	650
Total Equity	65,718	73,019
Statement of comprehensive income		
Total profit	220	394
Total comprehensive income	220	394

There are no commitments or contingent liabilities in the Parent Entity at 30 June 2013.

Note 27 Controlled entities

(a) Controlled entities consolidated

	Country of Incorporation	Percentage Owned (%)	
		2013	2012
Subsidiaries of Swick Mining Services Limited:			
SMS Operations Pty Ltd	Australia	100	100
SMS Asset Holdings Pty Ltd	Australia	100	100
SMS Engineering Pty Ltd	Australia	100	100
SMS Mining Services (Canada) Inc	Canada	100	100
Swick Mining Services (USA) Inc	USA	100	100
Swick Drilling Portugal Unipossal Lda	Portugal	100	0*
Swick Drilling Europe Ltd	United Kingdom	100	0*
Swick Mining Services (Indonesia) Pty Ltd	Australia	100	0*

* Swick Drilling Portugal Unipossal Lda, Swick Drilling Europe Ltd and Swick Mining Services (Indonesia) Pty Ltd were all incorporated during the 2013 financial year.

Note 28 Share-based payments

(i) Shares granted to key management personnel as share based payments are as follows:-

No shares were granted to key management personnel as share based payments in the year ended 30 June 2013. Shares issued in 2012 were as follows:

Grant date	Number	Share price at grant date
12/12/2011	300,000	0.34

These shares were issued as compensation to key management personnel of the Group. Further details are provided in the directors' report.

(ii) The Company has established the Swick Mining Services Limited Performance Rights Plan. The rights were granted at no cost to the executives and will convert into ordinary shares on completion of specified periods of service.

A summary of the movements of all company performance rights on issue is as follows:

	Consolidated Group	
	2013 Number	2012 Number
Balance at the beginning of the year	2,500,000	-
Granted	-	3,000,000
Vested	(400,000)	(100,000)
Expired	(500,000)	(400,000)
Balance at year end	1,600,000	2,500,000

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Note 29 Auditors' remuneration

	Consolidated Group	
	2013	2012
	\$	\$
Remuneration of the auditor for:		
— Deloitte audit and review the financial report	102,500	102,175
— Other services Deloitte	-	-
	102,500	102,175

Note 30 Events after the reporting period

The directors are not aware of any significant events since the end of the reporting period.

Note 31 Related party transactions

Ultimate parent

The ultimate parent entity that exercises control over the Group is Swick Mining Services Limited, which is incorporated in Australia.

There were no related party transaction other than those related to key management personnel.

For details of disclosures relating to key management personnel, refer to Note 7: Interests of key management personnel compensation.

Note 32 Financial risk management

Financial risk management objectives

The Group's corporate finance function provides services to the business, co-ordinates access to domestic and financial markets, and 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, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group seeks to minimise the effects of these risks, where deemed appropriate.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances. The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 17, cash and cash equivalents and equity attributable to equity holders of the Parent, comprising issued capital, reserves, other equity and retained earnings (accumulated losses) as disclosed in Note 19, 20 and 21.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. This strategy is to ensure that the Group's gearing ratio remains below 30%. The gearing ratios for the year ended 30 June 2013 and 30 June 2012 are as follows:

		Consolidated Group	
	Note	2013	2012
		\$000	\$000
Total borrowings	17	22,523	23,180
Less cash and cash equivalents	9	(20,873)	(15,806)
Net debt		1,650	7,374
Total equity		109,838	105,692
Total capital		111,488	113,066
Gross gearing ratio (excluding cash)		20.5%	21.9%
Net gearing ratio		1.5%	7.0%

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

		Consolidated Group	
	Note	2013	2012
		\$000	\$000
Financial assets			
Cash and cash equivalents	9	20,873	15,806
Loans and receivables	10	18,480	23,082
Financial lease receivable	12	415	954
Total financial assets		39,768	39,842
Financial liabilities			
Financial liabilities at amortised cost	Note		
— Trade and other payables	16	13,325	13,509
— Borrowings	17	22,523	23,180
Total financial liabilities		35,848	36,689

Specific financial risk exposures and management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and other price risk (commodity and equity price risk). There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(a) Credit risk

Credit risk refers to the risk that a counter party 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 as a means of mitigating the risk of financial loss from defaults.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. On-going 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 any group of counterparties having similar characteristics. The credit risk on liquid funds 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.

(b) Liquidity risk

Ultimate responsibility for liquidity risk management rests with management and the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 17 is a listing of undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

(c) Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates. The Group has entered into fixed rate funding agreements with a variety of financial institutions to manage its exposure to interest rate risk. The Group is not exposed materially to financial risks of changes in foreign currency exchange rates.

(d) Interest rate risk

The Parent and the Group are exposed to interest rate risk as entities within the Group borrow funds at fixed and variable interest rates. The interest rate risk is managed using a mix of fixed and floating rate debt. At 30 June 2013 approximately 60% of group debt is fixed.

The following table sets out the carrying amount, by maturity, of the financial assets and liabilities:

Financial liability and financial asset maturity analysis

	Within 1 Year		1 to 5 years		Over 5 years		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Consolidated Group	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Financial assets and liabilities:								
Cash and cash equivalents	20,873	15,806	-	-	-	-	20,873	15,806
Finance lease receivable	415	567	-	387	-	-	415	954
Bank overdrafts and loans	(875)	(1,771)	(19,000)	(13,000)	-	-	(19,875)	(14,771)
Hire purchase liabilities	(1,783)	(6,391)	(865)	(2,018)	-	-	(2,648)	(8,409)
Net (outflow) / inflow on financial instruments	18,630	8,211	(19,865)	(14,631)	-	-	(1,235)	(6,420)

Financial assets pledged as collateral

Certain financial assets have been pledged as security for debt and their realisation into cash may be restricted subject to terms and conditions attached to the relevant debt contracts. Refer to Note (c) for further details.

At the end of the reporting period, the details of borrowings and the respective fixed interest rates are as follows:

	Consolidated Group		Consolidated Group	
	Effective Average Fixed Interest		Notional Principal	
	Rate Payable			
	2013	2012	2013	2012
Maturity of notional amounts	%	%	\$000	\$000
Less than 1 year	6.16%	7.82%	2,658	8,162
1 to 2 years	5.09%	7.82%	10,664	2,018
2 to 5 years	6.66%	0.00%	201	-
			13,523	10,180

The net effective variable interest rate borrowings expose the Group to interest rate risk which will impact future cash flows and interest charges and is indicated by the following floating interest rate financial liabilities:

	Consolidated Group	
	2013	2012
Floating rate instruments	\$000	\$000
Bank loans	9,000	13,000

The Group cash balance at 30 June 2013 was \$20.9 million. These funds attract interest up to 4.3% per annum. A 1% increase or decrease in the interest rate will not result in a material variation in earnings.

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(e) Foreign exchange risk

The Group is exposed to the currency fluctuations through its subsidiary operations carried on in USA, Canada and Europe.

At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting 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 re-translated.

Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

The following table details the Group's sensitivity to a 10% increase (stronger Australian dollar) and a 10% decrease in the Australian dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 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 functional currency of the lender or the borrower. A positive number below indicates an increase in profit or equity where the Australian dollar weakening 10% against the relevant currency. For a 10% strengthening of the Australian dollar against the local relevant currency, there would be a comparable negative impact on the profit or equity, and the balances below would be negative.

2013

International entities

Financial assets

Cash and cash equivalents
Accounts receivable

Financial liabilities

Accounts payable
Borrowings

Total increase/(decrease)

Foreign exchange rate risk		
	-10%	+10%
Carrying amount \$000	Equity \$000	Equity \$000
707	71	(71)
2,472	247	(247)
(837)	(84)	84
(13,324)	(1,332)	1,332
(10,982)	(1,098)	1,098

2012

International entities

Financial assets

Cash and cash equivalents
Accounts receivable

Financial liabilities

Accounts payable
Borrowings

Total increase/(decrease)

Foreign exchange rate risk		
	-10%	+10%
Carrying amount \$000	Equity \$000	Equity \$000
1,023	102	(102)
2,060	206	(206)
(351)	(35)	35
(11,118)	(1,112)	1,112
(8,386)	(839)	839

**SWICK MINING SERVICES LIMITED ABN: 20 112 917 905
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DIRECTORS' DECLARATION**



In accordance with a resolution of the directors of Swick Mining Services Limited, the directors of the Company declare that:

1. 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;
2. in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 2 to the financial statements;
3. 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 consolidated entity; and
4. the directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Managing Director and Chief Financial Officer.

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

On behalf of the Directors

Director

**Kent Swick
Managing Director**

Dated this 23 day of August 2013

Independent Auditor's Report to the Members of Swick Mining Services Limited

Report on the Financial Report

We have audited the accompanying financial report of Swick Mining Services Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated 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 14 to 43.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

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 Swick Mining Services 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 Swick Mining Services 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 2013 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 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 12 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

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



DELOITTE TOUCHE TOHMATSU



Peter Rupp
Partner
Chartered Accountants
Perth, 23 August 2013