

ANNUAL REPORT



2014

THE LEADER
IN MINERAL DRILLING
INNOVATION



Innovative • Productive • Safe



Corporate Directory

Directors

Andrew Simpson -
Non-Executive Chairman

Kent Swick -
Managing Director

David Nixon -
Non-Executive Director

Phillip Lockyer -
Non-Executive Director

Ian McCubbing -
Non-Executive Director

Company Secretary

Frank Campagna

Registered and Operations Office

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PO Box 74
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Auditor

Deloitte Touche Tohmatsu

Woodside Plaza Level 14
240 St Georges Terrace
Perth, Western Australia

Solicitors

Steinepreis Paganin

Lawyers and Consultants

Level 4, Next Building
16 Milligan Street
Perth, Western Australia

Share Registry

Security Transfer

Registrars Pty Ltd

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Applecross, Western Australia

Telephone: +61 8 9315 2333

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Bankers

National Australia Bank Ltd

ASX Code: SWK (fully paid shares)

Listed on the Australian Securities Exchange



Contents



Chairman's Letter	4
Managing Director's Report on Operations	6
Directors' Report	15
Auditor's Independence Declaration	32
Corporate Governance Statement	33

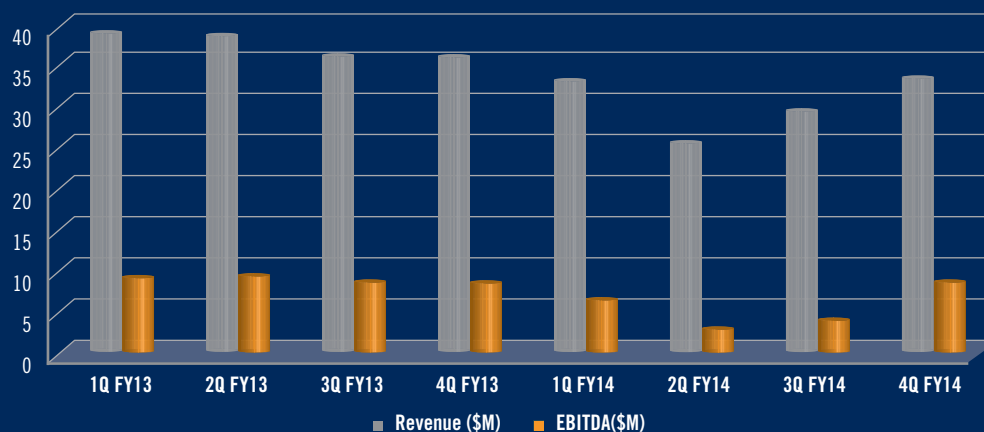
Consolidated Financial Statements for the Year Ended 30 June 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income	38
Consolidated Statement of Financial Position	39
Consolidated Statement of Changes in Equity	40
Consolidated Statement of Cash Flows	41
Notes to the Financial Statements	42
Directors' Declaration	82
Independent Auditor's Report	83
ASX Additional Information	85

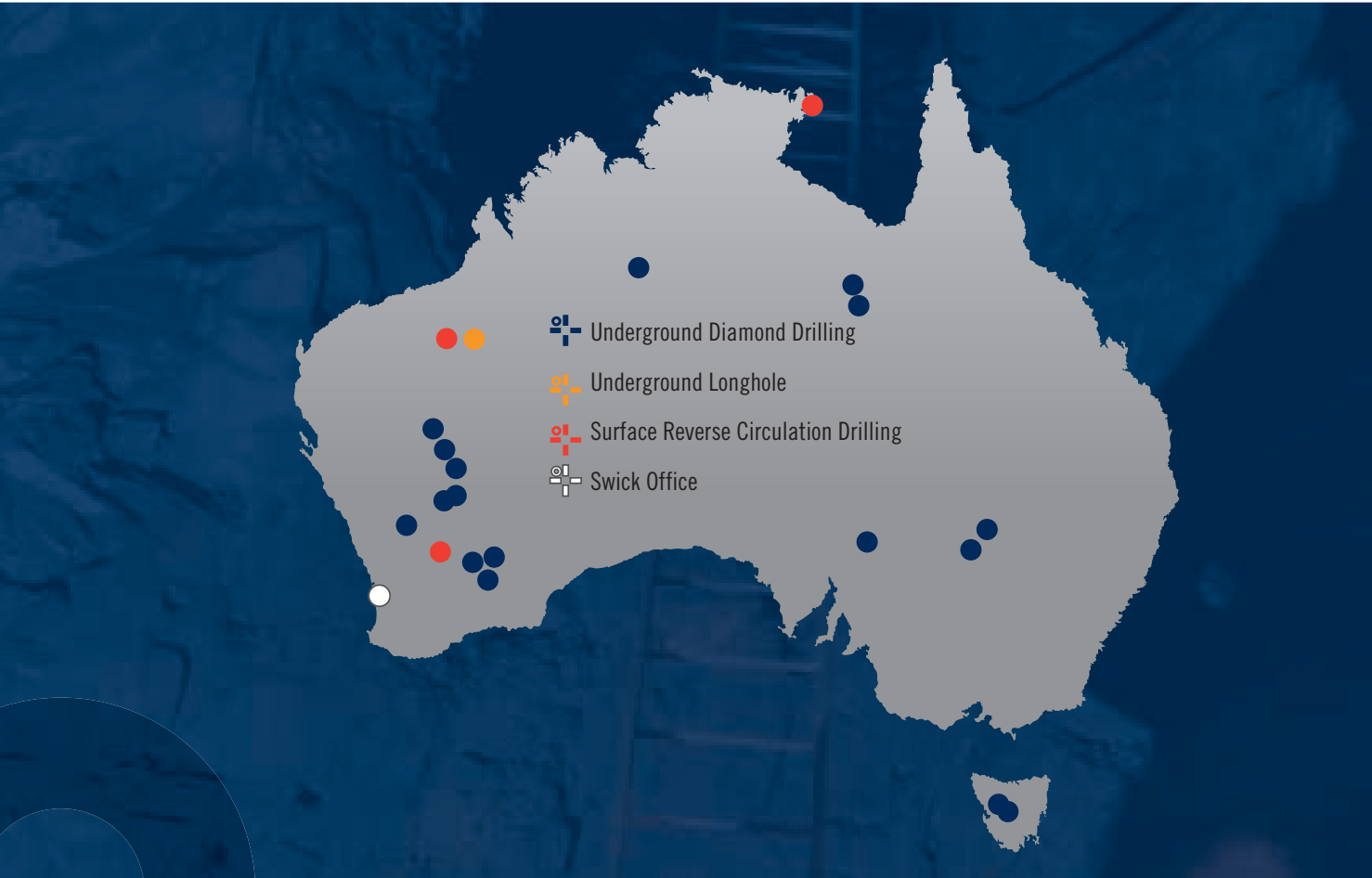
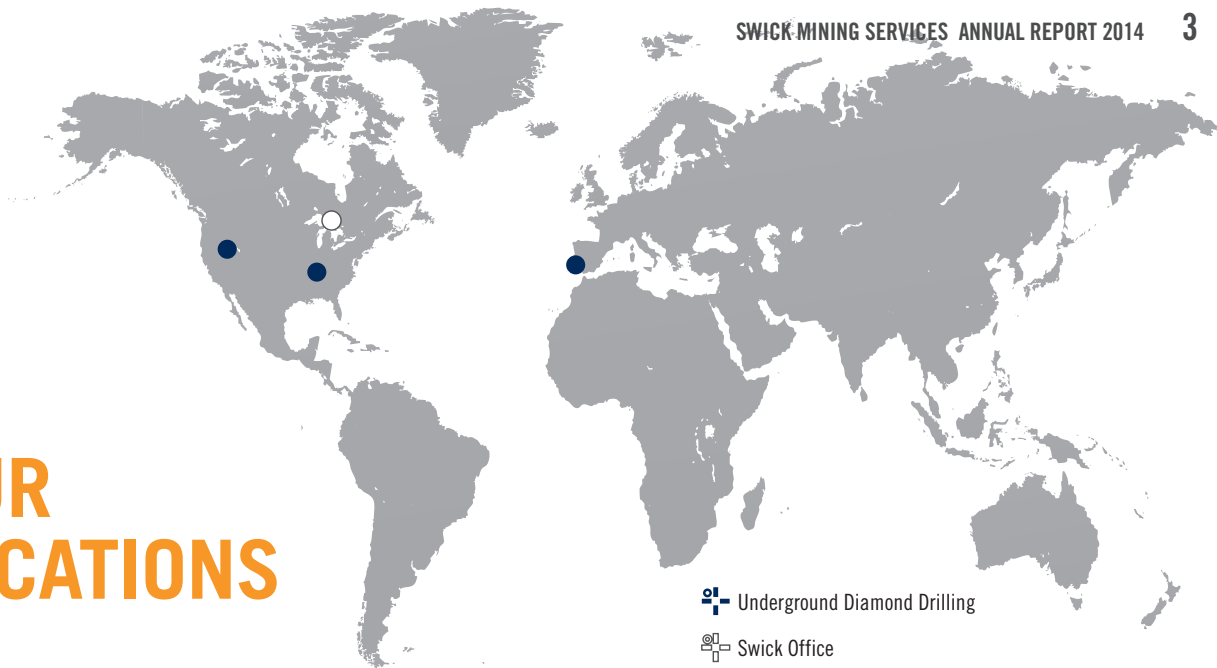
2014 MILESTONES

- Decrease in the Total Recordable Injury Frequency Rate (TRIFR) of 52%.
- Most metres drilled in any one quarter by Swick's Underground Diamond Drilling Division (total 250,000m in 4Q14).
- Growing footprint with 3 new sites in FY14 giving a total of 27 sites on 3 continents.
- A 5 year, \$6.0m investment commitment in future technology to develop Orexplore rock analysis technology, with \$2.4m invested to 30 June 2014.
- The deployment of a number of in house research and development projects focused on improving safety and productivity
- Second half recovery in revenue and margins (Ref. chart)

Consolidated - Quarterly Revenue and EBITDA
1 July 2012 to 30 June 2014



OUR LOCATIONS



CHAIRMAN'S LETTER

Dear Shareholder,

On behalf of the Board of Directors of Swick Mining Services Ltd ("Swick" or "the Company"), I take great pleasure in presenting the Company's 2014 Annual Report.

Despite experiencing some of the most difficult macro market circumstances for at least the past two decades, our company worked diligently to maintain the highest level of customer service and support during the 2014 financial year. This not only resulted in an increase in market share, but also provided a financial result that was significantly better than all of our direct competitors in the industry, and provided the base for continued improvement during the next year.

Safety

Safety continued to be an integral part of the Swick brand. Over the FY14 period Swick continued to improve its safety performance with the number of work related injuries decreasing in absolute numbers by 35% and the Company's Total Recordable Injury Frequency Rate (TRIFR) decreasing by 52%.

Swick's strong safety performance can be attributed to the successful overhaul of our systems and processes which has delivered a simpler Safety Management System and has, most importantly, fostered a greater take up by operational field crews. The revised system is one that concentrates on performance, not just compliance. One of the initiatives introduced during the year was a project titled Underground Mine Games (UMGs). This project involves a pictorial format depicting the controls required for the most repetitive tasks and allows simple and easy reference at the job site. The employee engagement with the safety system during the year was enhanced with the development of these visual, fun and interactive approaches to safety education.

Market Leadership

Swick's strong performance continues to cement its position as the proven market leader in the Mineral Drilling Industry, making Swick a trusted and reliable partner for many mining houses. Continued market research undertaken during the year, on the whole, reaffirmed Swick's market position. The research also confirmed the Company's view that safety and efficiency are always top of mind with our clients and therefore a focus on continuous improvement is essential for market success.

Strategic Focus

Swick continues to minimise its risk exposure by focusing on providing drilling services to strategic clients, on a number of operating sites, across a wide range of commodities. Over the past few years, Swick has narrowed its focus to three core areas of expertise being underground diamond coring, surface reverse circulation drilling (RC) and longhole production drilling.

While Swick continues to operate the three divisions, the company has a focus on its major business - underground diamond core drilling. During the 2014 financial period it represented approximately 82% of the drilling fleet and contributed 88% of the company's global revenue.

For clients, underground core drilling provides information for grade control and reserve definition purposes and is an essential part of defining the ongoing underground mining development designs, ore extraction plans, budgets and the resource base. As a result of the large exposure to this type of drilling, and very little exposure to exploration drilling, the Swick business was negatively impacted to a lesser degree than its global peers during the financial year.

For the underground production and surface RC divisions, the number of market opportunities continued to be limited and highly competitive. Despite these tight market conditions, Swick was successful in renewing a number of attractive contracts for these divisions in the short to medium term with some high profile clients.

Maintained Growth and Market Position

The beginning of FY14 was characterised by reducing revenues as a number of drilling programs were reduced or suspended due to lack of available capital within our client's businesses.

The second half of FY14 however, has seen a distinct recovery in activity for Swick with the mobilisation of rigs to new contracts and the return to work of previously suspended rigs.

The confidence shown in Swick by our industry partners along with the addition of new business has enabled Swick to grow its market position and maintain fleet utilisation in a highly competitive market.

Strong Results

Even in these very challenging economic conditions, Swick was still able to deliver a relatively sound financial result for the 2014 financial year. The Company recorded \$117.6 million in revenue, with an EBITDA of \$16.5 million, and a net profit before tax of \$1.8 million.

The Company has had a focus in recent times of maximising shareholder returns by:

- + maintaining a sustainable dividend program; and
- + undertaking an on market share buyback program when possible and practical

Although both initiatives reduced this year, Swick was still able to make two dividend payments totalling 0.8c per share and bought back over 6 million shares, representing 2.7% of issued capital, during the year.

Research & Development

As a leader in the mineral drilling industry, Swick has continued its commitment to research and development. With clients now more focused than ever on safety performance and cost reductions, together with the extremely competitive market Swick's dedication and investment towards improved safety and productivity is recognised by its clients as a key competitive advantage, and with it a strong market position has developed.

Swick's strategic objective to 'double the metres per manhour' from June 2012 to June 2017, has founded numerous strategic research and development projects, many of which reached prototype testing stage over the last year. Over the next three years, Swick's underground drilling fleet will undergo a major technology upgrade that will provide the Company with significant additional competitive advantages and allow continued improvement of the value delivered to its clients.

The Future

Swick enters FY15 in a strong market position, with a consistent performance in FY14, and which has seen us:

- + grow our market position;
- + retain important personnel skill sets by maintaining fleet utilisation; and
- + improve safety and productivity through innovation.

This continued focus on innovation and productivity will lead to further optimisation of the existing drilling fleet and ensure Swick extracts maximum return from our assets. This will also provide flexibility to take advantage of further global market opportunities as they present themselves. Every expanded activity will maintain our traditional focus on competitive advantage, resulting in ongoing market leadership.

On behalf of the Board, I would like to thank the Managing Director, the Chief Executive Officer and the Executive Leadership Team for developing and implementing the strategies that have led to another successful year for the Company. We'd also like to recognise the broader Swick team – a committed group of people passionate about living the values of an industry leading company.

I would also like to thank Swick's client partners for the continued support of our business and their shared vision of further improving safety and productivity.

We look forward to further developing our market leading position in Australia and to sharing our innovations and values across the globe.

Yours faithfully,



Andrew Simpson
Chairman

“Swick's strong safety performance can be attributed to the successful overhaul of our systems and processes”

MANAGING DIRECTOR'S REPORT ON OPERATIONS

FY14 Overview

The 2014 financial year, saw a continuation of the decline in exploration and mineral drilling expenditure with greenfield exploration at very low levels in comparison to recent history and brownfield operating expenditure curtailed by mine operators where possible. Low commodity prices, uncertain global demand for metals and disinterested capital markets have all converged to create a very low capital expenditure environment which in turn has greatly reduced available exploration drilling budgets.

The graph below shows clearly the reduction in global capital flow to the exploration sector over the last three years.

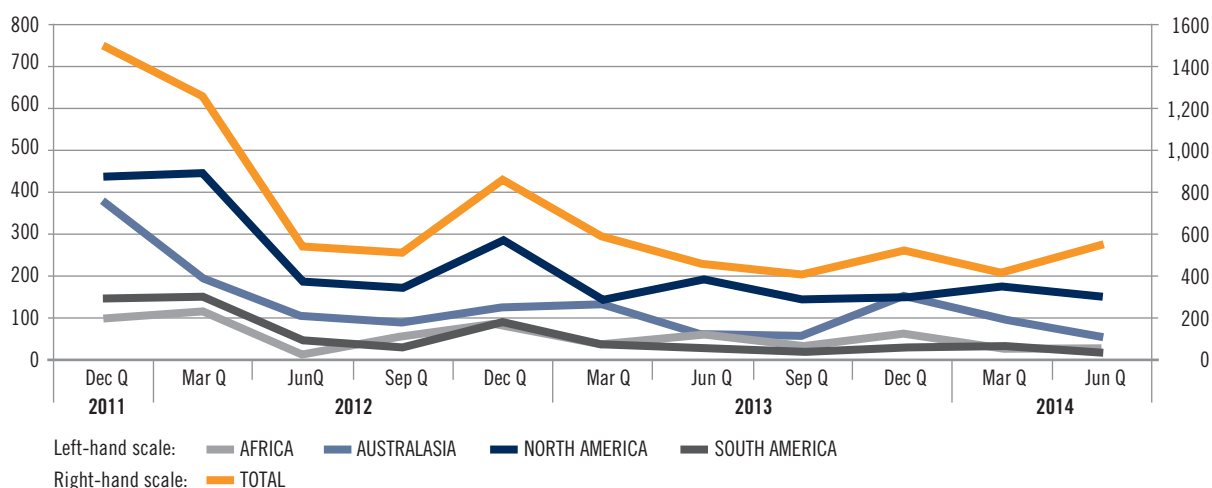
Despite the difficult year experienced by the wider market, Swick maintained its focus on executing its internal strategies that work towards meeting the Company's strategic objective of 'doubling the metres per manhour' from June 2012 to June 2017'.

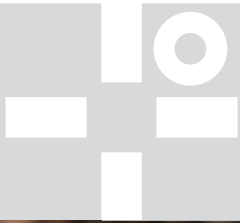
Key advancements in strategic R&D projects have been made during the 2014 financial year and FY2015 will see many rigs commence a major technology upgrade of our fleet over the next 36 months. This new technology will allow for the introduction of commercialised automation, rod handling, telemetry, personnel identification, data logging and digital data entry at the rig. These new initiatives will allow for major productivity advantages by allowing unattended drilling, reducing the non-productive time during the shift, recording detailed data about rig performance and improved safety.

Ultimately, the efforts made by all departments towards meeting the company's objective are designed to enhance the delivery of services to Swick's customers. Swick has many stakeholders, but all stakeholder benefits ultimately flow from the ability to not only satisfy, but exceed customer expectations. Swick is very committed to this and will take an even more proactive approach in ensuring its customers are receiving this standard of service.

Despite the drop in financial performance this year, the outlook for Swick is strong, with the outlook for drill rig utilisation at solid levels and significant upside in the tender pipeline.

Exploration Capital Raising by Region (US\$ million)





Despite the difficult year experienced by the wider market, Swick maintained its focus on executing its internal strategies

Safety and Training

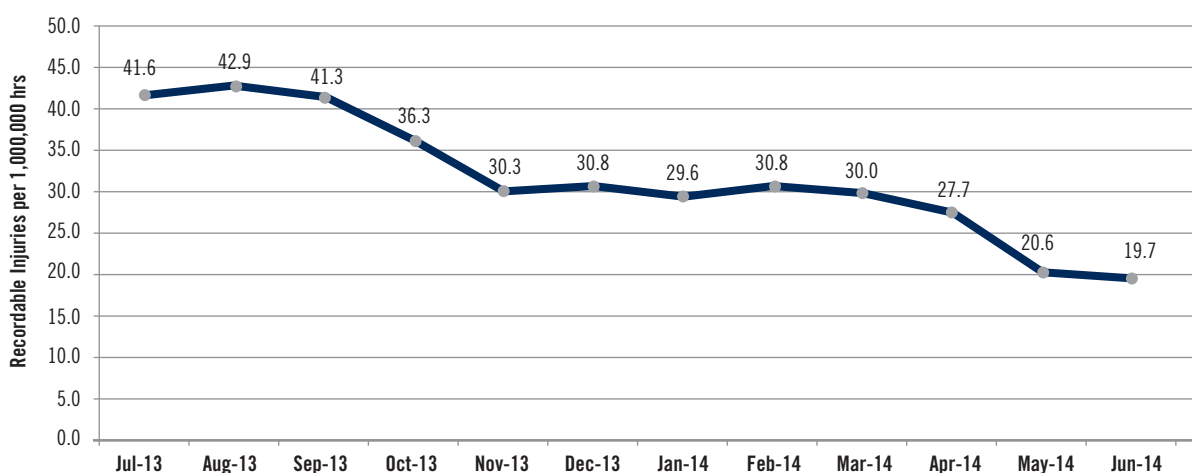
The well-being of our people is a key principle, critical to both Swick and its clients. Consequently, safety has been strategically developed into both a brand pillar and part of the Swick values system.

This commitment together with the continuous innovation culture at Swick has allowed the Safety and Training department to introduce new and effective methods of training, increased safety awareness at the operating drill site and assistance in the identification of hazards. As a result, the safety performance of the Company was very encouraging with a decrease in the Total Recordable Injury Frequency Rate (TRIFR) of 52 percent. The graph below illustrates the continued improvement in the group Total Recordable Injury Frequency Rate (TRIFR) over the last twelve months as a result of improved systems, training and engagement with employees.

The Safety and Training organisational structure has broadened to include Technical Trainers as well as the Product Specialists and Safety Advisors. The technical training at Swick will focus on improving technical aspects of drilling knowledge as more challenging ground conditions are now being encountered with a broader geographical spread and client base.

In addition to the employee and operational specific safety initiatives, the Company is also consistently investigating and deploying engineered solutions to assist in keeping personnel out of high risk areas.

Total Recordable Injury Frequency Rate

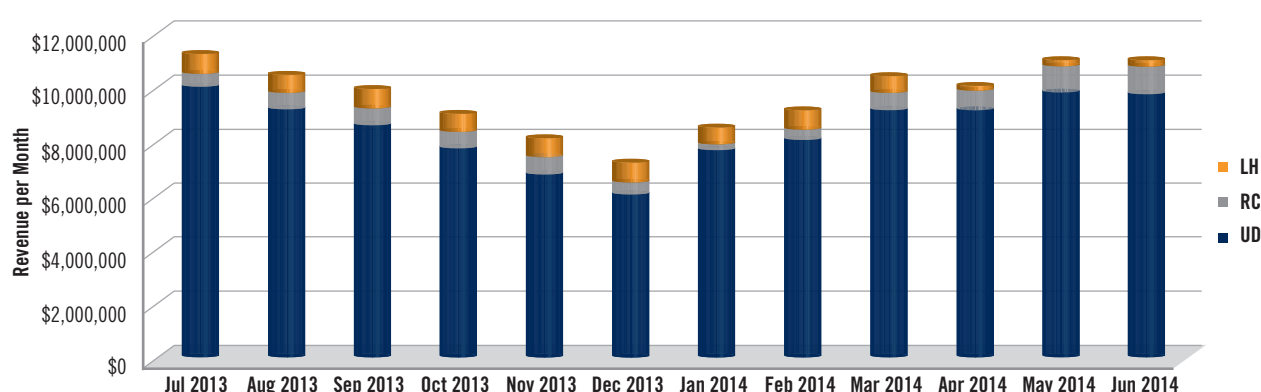


“The Safety and Training organisational structure has broadened to include Technical Trainers as well as the Product Specialists and Safety Advisors.”

Production Revenue

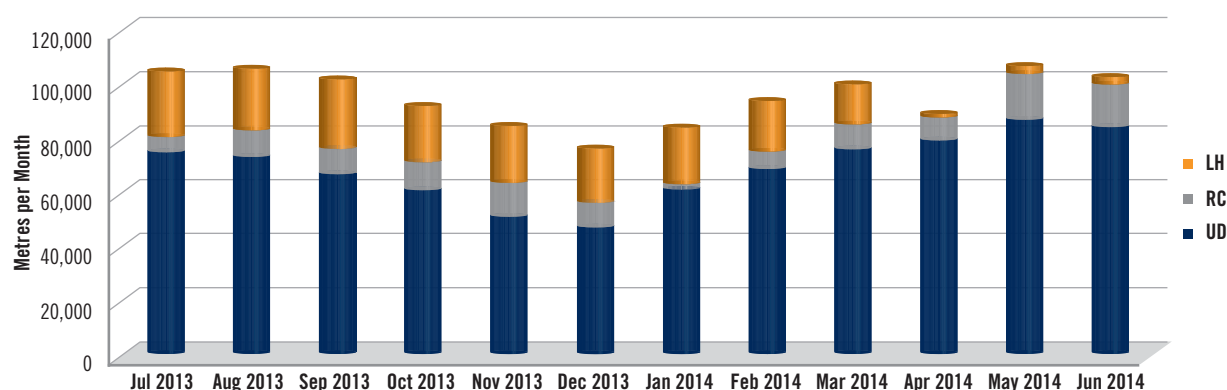
Thankfully for Swick, 2014 was a year of two distinct halves. The first half of the financial year saw a consistent decline in revenues as a result of both lower drilling demand and reduced rates due to competitive pricing, with a second half recovery due to increased rig utilisation at newly awarded contracts and a return to normal operating levels with our long term clients. The 2011 divestment of the surface diamond and multi-purpose division significantly reduced the exposure to the macro exploration downturn, however Swick still faced declining demand for brownfield operating drilling during the year. Additionally, the extremely low rig utilisation in the macro market caused pricing pressure, particularly in the early part of the year.

Revenue per Month FY14



Swick's recovery in the second half would have been stronger had the longhole production (LH) rigs not been affected by the unexpected suspension of works at the Nifty Copper mine due to a ground disturbance. Fortunately, the mine has been able to rectify the issues and re-commenced mining as of August 2014.

Metres Drilled per Month FY14

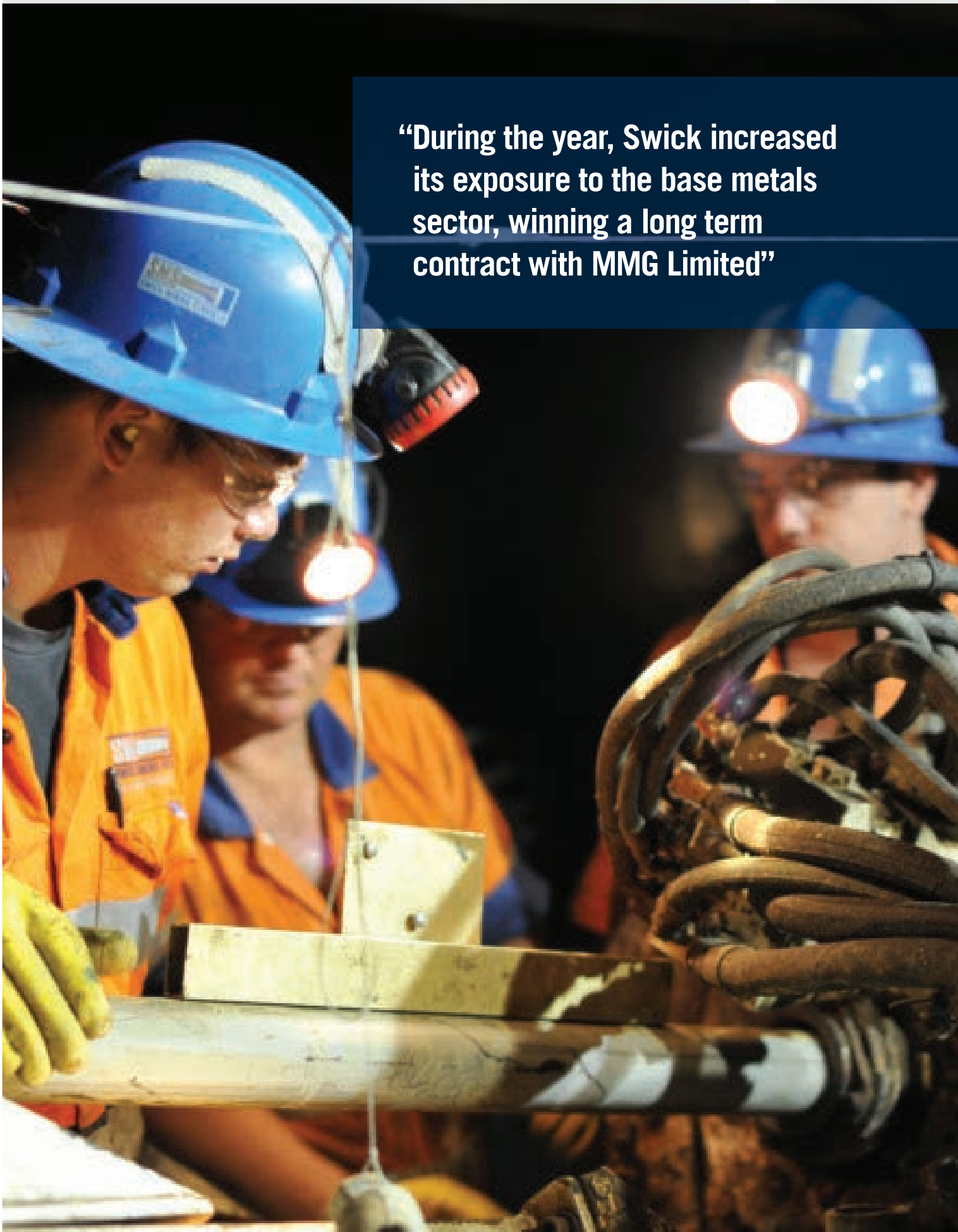


MANAGING DIRECTOR'S REPORT ON OPERATIONS

10 SWICK MINING SERVICES ANNUAL REPORT 2014



“During the year, Swick increased its exposure to the base metals sector, winning a long term contract with MMG Limited”



35.00%

■ Diamond

MANAGING DIRECTOR'S REPORT ON OPERATIONS

12 SWICK MINING SERVICES ANNUAL REPORT 2014

Underground Diamond Drilling

Although FY14 was a year of reduced demand from clients and heavy competition within the drilling services market Swick's Underground Diamond Drilling Division continued its commitment to productivity growth with record total metres drilled over 250,000 in 4Q14. The previous record was 237,000 metres 2Q13. The total metres drilled for the year was 829,000 metres, down 11% from FY13. This compares to an overall revenue decrease for Underground Diamond of 18% to \$103m. The difference between metres and revenue reductions can be attributed to rate reductions experienced during the year.

The first half of FY14 was probably one of the most challenging the company has seen since introduction of its revolutionary Mobile Underground Diamond Drill Rig in 2004. With continuing commodity price volatility we saw our clients focus shift to cash conservation and with excess drill rigs in the market price competition intensified.

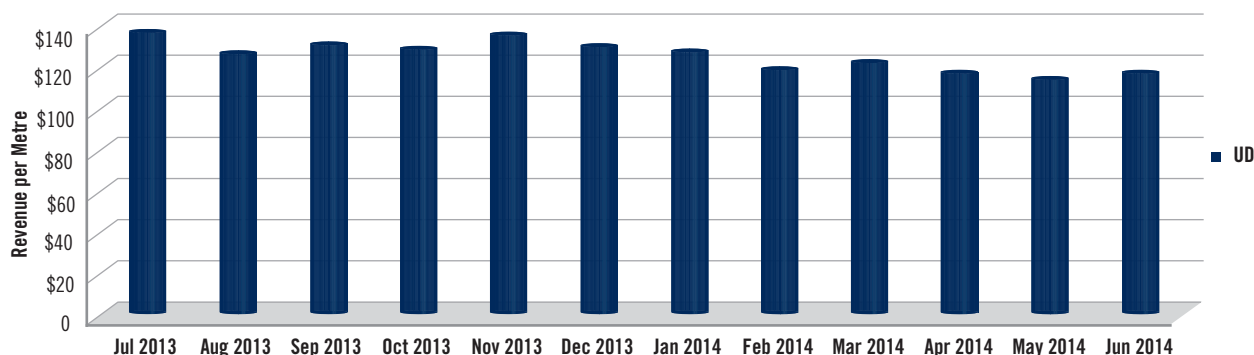
As mineral commodities dipped earlier in the year, and in an effort to reduce cash expenditure the mining companies minimised drilling programs, with some clients requesting rigs move to single shift operation rather than 24/7 operation which effectively reduces the revenue generating capacity of the rigs by 50%. A number of clients also requested re-negotiations of existing drilling contracts or decided to test the market to take advantage of the competitive pressures in the mineral drilling markets. Recognising the need for its customers to reduce costs Swick took the view that we should work proactively with our client base to look for ways of increasing efficiency and any potential for removing costs by working closer together. Generally, as compensation for lower rates, Swick was able to negotiate longer terms or other contractual concessions and believes this has been a key to client retention in this extraordinarily difficult environment.

Despite Swick clearly demonstrating its value proposition as a service provider over many years, the Company recognised the need to assist in lowering the operating costs of their clients, to the extents possible. This lower average income per metre is best recognised in the graph below showing the average income per metre of the cornerstone Underground Diamond (UD) division;

The Swick Research and Development department has continued its efforts to look at ways of reducing non-drilling time and FY14 focussed on developing low complexity high value solutions. A number of these initiatives were initiated within the second half of FY14 where we saw considerable improvement in productivity and operational margins. With the volatile market continuing into FY15 Swick will remain focused on low complexity high value innovations within its business.

“Recognising the need for its customers to reduce costs Swick took the view that we should work proactively with our client base to look for ways of increasing efficiency”

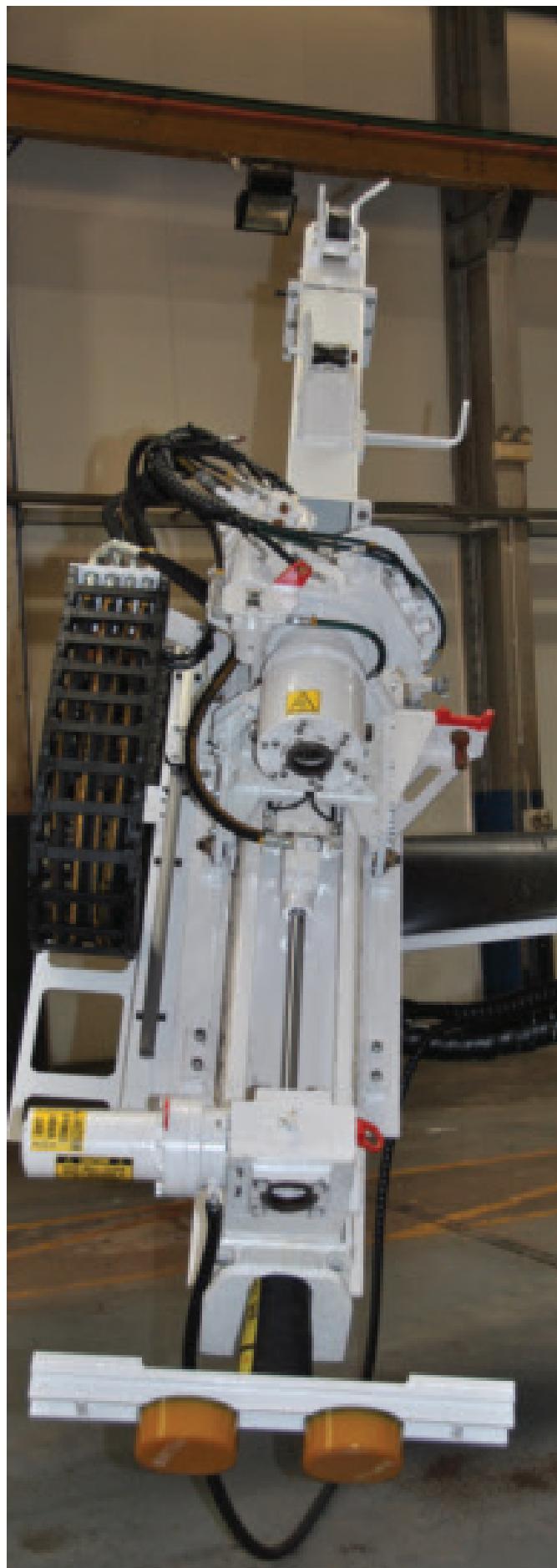
Revenue per Metre





MANAGING DIRECTOR'S REPORT ON OPERATIONS

14 SWICK MINING SERVICES ANNUAL REPORT 2014



RC Drilling Division

FY14 saw the RC drilling division record revenue only slightly down from \$7.5m in FY13 to \$7.3m. Despite this small drop we did see demand increase in the second half, finishing the year with 4 of our 7 RC drill rigs operating.

In a time of depressed exploration activity the RC division performed very well relative to the wider market and the pipeline for additional work in the near term is strong, particularly on our current contracts.

Underground Production Drilling

The Underground Production Drilling Division experienced a 46% reduction in revenue to \$6.0m for the year. This drop was due to our major customer's mine having an unscheduled suspension of works due to ground conditions.

Drilling recommenced at the suspended mine site in August 2014 and is expected to increase steadily to full production by the end of the first half.

Outlook for FY15

With the continued volatility in the commodity market the Company expects demand for drilling services in FY15 to remain fairly subdued. Despite this recent market commentary suggests that there is some grass roots activity commencing particularly within the Australia mining sector which may signal a turning point in the overall market.

Swick continues to be ready willing and able to assist its clients meet their goals in low cost, high productivity and looks forward to meeting and overcoming any challenges FY15 may bring.

Yours faithfully

Kent Swick
Managing Director

DIRECTORS' REPORT

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 2014.

Information on directors

Andrew Simpson

Non-executive chairman

Qualifications

Grad Dip (Bus), MAICD

Experience

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

605,000 Fully Paid Ordinary Shares

Special responsibilities

Mr Simpson is a member of the Board's Remuneration and Nomination Committee (Committee Chairman).

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

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

Kent Swick

Managing director

Qualifications

B.Eng (Mech)

Experience

Mr Swick is a Mechanical Engineer with 25 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.

Qualifications

B.Eng (Mech)

Interest in shares and options

32,500,000 Fully Paid Ordinary Shares

Special responsibilities

Nil

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

Nil

DIRECTORS' REPORT

16 SWICK MINING SERVICES ANNUAL REPORT 2014



John David Nixon (David)	
Qualifications	B.Sc. Eng (Mech), MAICD
Experience	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. Mr Nixon was the project director for the \$1 billion BHP Billiton Iron Ore Asset Development projects, and is a past non-executive chairman of Atlas Iron and past non-executive director of Brockman Resources and Moly Mines. 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	55,000 Fully Paid Ordinary Shares
Special responsibilities	Mr Nixon is a member of the Board's Audit and Corporate Governance Committee and the Remuneration and Nomination Committee.
Directorships held in other listed entities during the three years prior to the current year	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	
Qualifications	Dip Met, Assoc Min Eng, M.Min Econs
Experience	Mr Lockyer is a Mining Engineer and Metallurgist who has over 50 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	120,000 Fully Paid Ordinary Shares
Special responsibilities	Mr Lockyer is a member of the Board's Audit and Corporate Governance Committee and the Remuneration and Nomination Committee.
Directorships held in other listed entities during the three years prior to the current year	RTG Mining Inc - 26 March 2013 to present Western Desert Resources Ltd non-executive director - 1 June 2010 to present St Barbara Ltd non-executive director - 19 December 2006 to 31 March 2014 Focus Minerals Ltd non-executive director - 7 December 2005 to 28 November 2013 CGA Mining Limited non-executive director - 9 January 2009 to 16 January 2013
Ian McCubbing	
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 Kasbah Resources Ltd non-executive director - 1 March 2011 to present Mirabela Nickel Ltd non-executive director - 1 January 2011 to 7 April 2014 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 Frank Campagna held the position of company secretary at the end of the financial year:	
Qualifications	B.Bus (Acc), CPA
Experience	Company Secretary of Swick Mining Services Ltd since June 2014. Mr Campagna is a Certified Practicing Accountant with over 25 years' experience as Company Secretary, Chief Financial Officer and Commercial Manager for listed resources and industrial companies. He presently operates a corporate consultancy practice which provides corporate secretarial and advisory services to both listed and unlisted companies.

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, 15 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	11	11	-	-	1	1
Kent Swick	11	11	-	-	-	-
John David Nixon (David)	11	10	3	3	1	1
Phillip Lockyer	11	11	3	3	1	1
Ian McCubbing	11	10	3	3	-	-

Principal activities and significant changes in nature of activities

The principal activity of the Group during FY14 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 FY14.

DIRECTORS' REPORT

18 SWICK MINING SERVICES ANNUAL REPORT 2014

Operating results and review of operations for the year

Review of result

AUDITED FY2014 FINANCIAL RESULTS	FY 2014	FY 2013	Change
	\$000	\$000	%
Consolidated Results			
Revenue	117,615	146,535	-20%
EBITDA	16,550	30,843	-46%
EBITDA Margin %	14.1%	21.0%	-33%
Depreciation and Amortisation	13,118	14,432	-9%
Interest	1,617	1,731	-7%
EBT	1,815	14,680	-88%
NPAT	1,535	11,310	-86%
NPAT Margin %	1.3%	7.7%	-83%
Cash Flow			
Net Cash from Operating Activities	11,486	36,336	-68%
Net Cash used in Investing Activities	(21,334)	(21,355)	-0%
Free Cash flow	(9,848)	14,981	-166%
At Balance Date			
Cash	4,194	20,873	-80%
Debt	20,844	22,523	-7%
Net Debt	16,650	1,650	909%
Net Debt %	15.4%	1.5%	-927%
EPS - cents per share	0.71	4.85	-85%

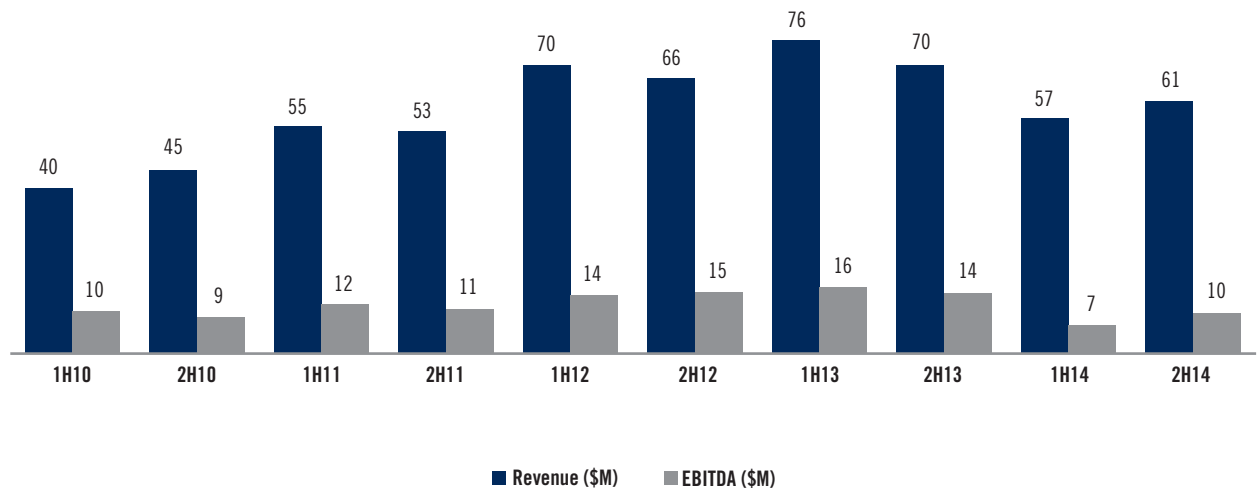
The net assets of the Group have decreased by \$1.87 million from 30 June 2013 to \$107.97 million in 2014. This decrease is the result of the share buyback undertaken by the company, mainly in the first half of the year and the dividends paid.

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.

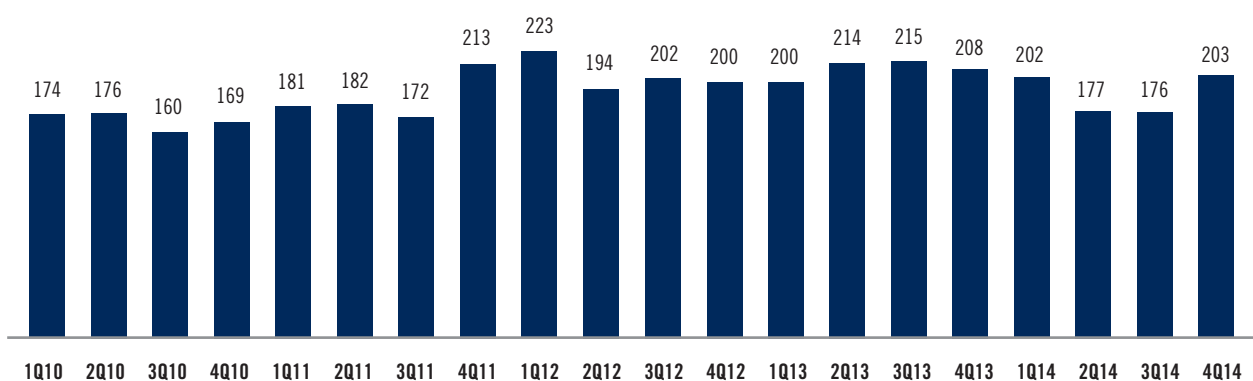
Review of operations

The year ended 30 June 2014 was impacted by lower demand from the client base as a result of reduced budgets and cost saving measures as mining companies, globally, focused on conserving cash. Despite the continued challenging conditions within the global drilling market Swick has completed the last quarter of the 2014 financial year with a record number of metres drilled within its core Underground Diamond division. This record was on the back of recent contract wins in both Australia and Internationally.

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



With the continued volatility within the commodity markets and particularly the ongoing weakness in gold and copper prices, mining companies continue to tightly manage cash costs within their businesses. Although this continues to be an extremely tough market for mining services companies, the Company believes that the advantages of its world leading underground diamond drilling technology continues to demonstrate its value to our customers. As a company we are committed to delivering a safe, efficient and productive low unit cost solution to our customers. The graph below shows the Swick Average Revenue per Operating Rig (ARPOR) from FY10 through to FY14. ARPOR was adversely impacted through the middle of the current financial year with the tougher operating environment seeing a period where clients demobilised and re-mobilised rigs in the middle part of the year along with some converting to single shifts. Following a period of bedding in new contracts in 3Q, the ARPOR improved in 4Q to levels achieved in the beginning of the financial year.

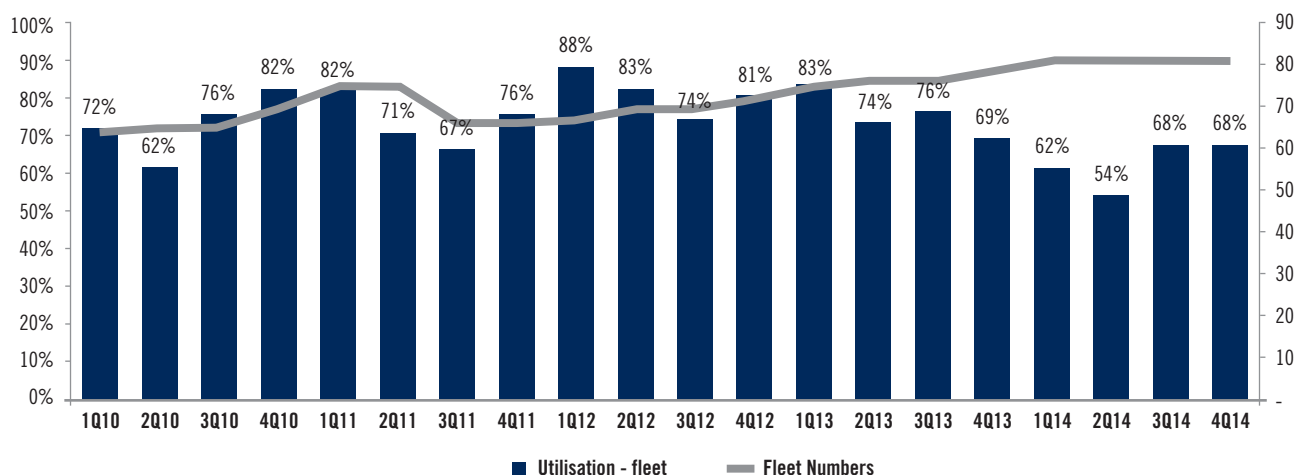


The Company's rig utilisation ended the year at 68%, only slightly lower than the end of FY13. Although utilisation in the current market remains difficult to forecast accurately, Swick does expect the current level of utilisation to continue through the first half of FY15. Throughout FY14 total rig numbers remained unchanged, with rig production halted in line with market conditions.

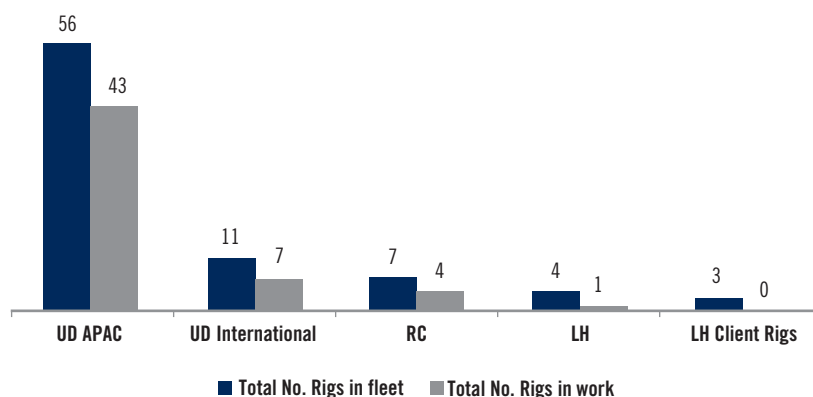
DIRECTORS' REPORT

20 SWICK MINING SERVICES ANNUAL REPORT 2014

Despite the general macro market for mineral drilling remaining subdued, there is a significant amount of new work available in upcoming tenders.



The year-end utilisation by operating division is shown below:



The LH division recommenced operations of the client rigs in 1Q15 following an unscheduled mine shut down that affected the division over the last four months of FY14.

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 in relation to the financial year are as follows:

Interim ordinary dividend of 0.2 cents per share paid on 1 April 2014 \$432,245

Final ordinary dividend of 0.2 cents per share recommended by the Directors to be paid on 20 October 2014 out of retained profits at 30 June 2014 \$432,245

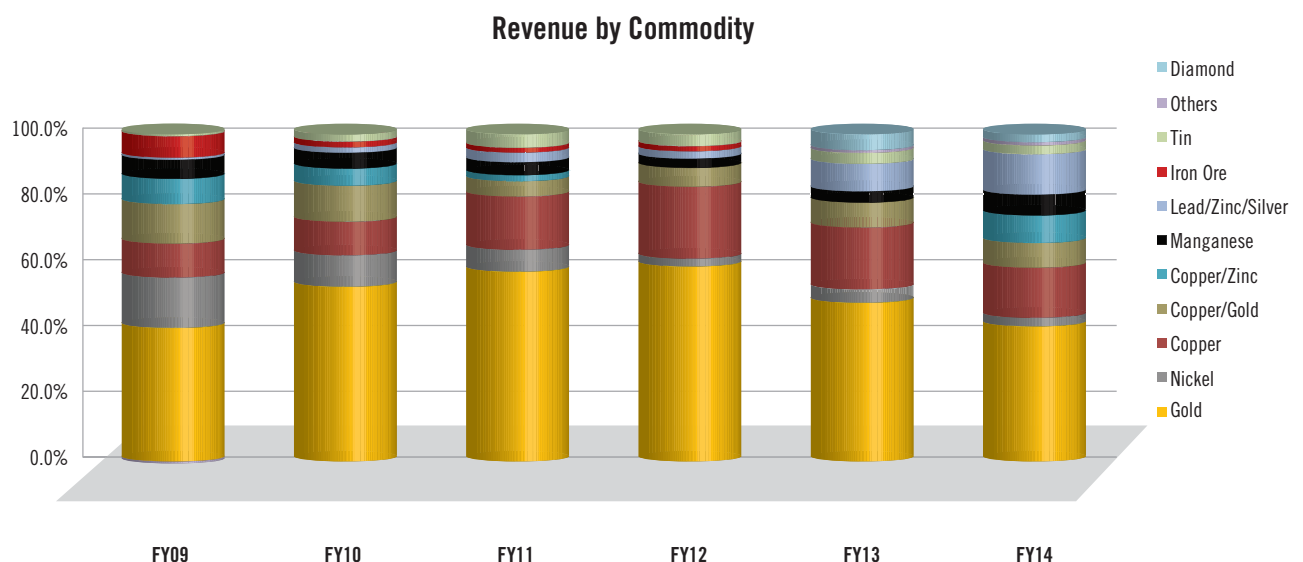
Events after the reporting period

There were no significant events after the reporting period.

Future developments, prospects and business strategies

As highlighted in the review of operations, FY14 was a tough operating environment with continued lows in commodity markets, which had a large flow on effect to the mining services industry and more particularly drilling companies. Based on current contracted work, the company expects rigs in work to remain relatively constant through the first half of FY15.

The Group's commodity spread (shown below) continues to be concentrated on gold and copper. The concentration in gold and copper continues to decline, being 15% lower than FY13 at 57%.



Swick currently has no exposure to Greenfields operations. 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 to remain profitable and in a solid financial position through 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

During 4Q14 Swick maintained its fleet utilisation at 68% and expects this to remain reasonably constant for the first half of FY15.

The Company's forward order book as at 30 June 2014 is estimated at \$187m. Although Swick is entering FY15 with a record run rate in underground diamond coring, the overall volatility that remains in the market is still high.

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.

DIRECTORS' REPORT

22 SWICK MINING SERVICES ANNUAL REPORT 2014

Indemnifying officers

During the financial year, the Company paid premiums totalling \$46,279 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 2014	31 August 2016	300,000
17 January 2012	31 August 2015	31 August 2017	300,000
17 January 2012	31 August 2016	31 August 2018	300,000
18 December 2013	31 August 2014	31 August 2016	306,124
			1,206,124

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 2014, 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	300,000
	18 December 2013	N/A	306,124
			606,124

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 31 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 2014 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 three years to FY13 before the impact of the tough operating environment was felt in FY14. Despite this lower result the share price range has been reasonably consistent with FY13. The Board is of the opinion that the profitable financial result in the current macro market can be attributed, in part, to the remuneration policy and is satisfied with its current positioning.

	2014	2013	2012	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	117,615	146,535	136,418	116,305	99,533
Net profit/(loss) before tax	1,815	14,680	12,783	3,822	(13,422)
Net profit/(loss) after tax	1,535	11,310	9,698	3,852	(10,060)
Share price at start of year	\$0.29	\$0.27	\$0.40	\$0.36	\$0.42
Share price at end of year	\$0.265	\$0.29	\$0.27	\$0.40	\$0.36
Basic earnings/(loss) per share	0.71cps	4.85cps	4.09cps	1.43cps	(4.94)cps
Diluted earnings/(loss) per share	0.70cps	4.80cps	4.07cps	1.43cps	(4.94)cps
Dividends paid	0.8 cps	1.1 cps	0.5 cps	-	-

DIRECTORS' REPORT

24 SWICK MINING SERVICES ANNUAL REPORT 2014



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 \$66,950 per annum plus superannuation, with remuneration for the non-executive chairman set at \$100,425 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 \$10,000 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 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		
Will Gove	General Manager North America		
Tony Tamlin	General Manager Operations APAC	Commenced 10 December 2013	
Nigel Cocliff	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.

DIRECTORS' REPORT

26 SWICK MINING SERVICES ANNUAL REPORT 2014

Senior management

Senior management personnel are employed under individual employment agreements and are employed on a permanent basis that continues until terminated. If an employment agreement is terminated without cause by the Company, the agreements provide a minimum remuneration range between two and six month's. The minimum notice period for termination of employment to be provided by a contracted person ranges between one and two months. Termination payments are not payable on resignation. Under the circumstances of unsatisfactory performance termination payments are between one and three months.

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.

Details of performance rights issued during the year can be found under the Performance Rights heading in the Remuneration details for year ended 30 June 2014.

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	30%	0%	20%	50%	100%
Will Gove	36%	0%	10%	54%	100%
Tony Tamlin	40%	0%	0%	60%	100%
Bryan Wesley	30%	0%	20%	50%	100%

Remuneration details for the year ended 30 June 2014

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

Table of benefits and payments for the year ended 30 June 2014

2014	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	99,312	-	-	9,186	-	-	-	108,498	0%
John David Nixon (David)	72,378	-	-	-	-	-	-	72,378	0%
Phillip Lockyer	66,207	-	-	6,124	-	-	-	72,331	0%
Ian McCubbing	76,393	-	-	7,066	-	-	-	83,459	0%
Total non-executive directors	314,290	-	-	22,376	-	-	-	336,666	0%
Executive officers									
Kent Swick	517,832	-	-	25,000	-	-	-	542,832	0%
Vahid Haydari	475,276	-	1,766	25,000	-	-	113,924	615,966	18%
Will Gove	264,948	-	25,741	26,078	-	-	30,278	347,045	9%
Tony Tamlin ³	147,769	-	834	12,672	-	-	-	161,275	0%
Nigel Cocliff ²	30,231	-	-	20,594	204,380	-	-	255,205	0%
Bryan Wesley	284,465	-	3,496	17,774	-	-	82,401	388,136	21%
Total other executives	1,720,521	-	31,837	127,118	204,380	-	226,603	2,310,459	10%
Total payments and benefits	2,034,811	-	31,837	149,494	204,380	-	226,603	2,647,125	9%

Notes: 1) resigned 27 June 2013

2) resigned 26 July 2013

3) commenced 10 December 2013

DIRECTORS' REPORT

28 SWICK MINING SERVICES ANNUAL REPORT 2014

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

2013	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	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	166,900	-	25,406	-	-	-	666,901	25%
Vahid Haydari	389,230	184,365	2,248	25,000	-	-	31,338	632,181	34%
Will Gove	261,628	46,518	23,558	25,000	-	-	31,338	388,042	20%
Peter Casement ¹	298,449	-	4,193	30,854	109,309	-	28,004	470,809	6%
Nigel Cocliff ²	256,615	73,718	20,752	25,020	-	-	31,338	407,443	26%
Bryan Wesley	258,973	95,030	2,472	24,960	-	-	31,338	412,773	31%
Total other executives	1,939,490	566,531	53,223	156,240	109,309	-	153,356	2,978,149	24%
Total payments and benefits	2,243,994	566,531	53,223	177,269	109,309	-	153,356	3,303,682	22%

Notes: 1) resigned 27 June 2013 2) resigned 26 July 2013 3) commenced 10 December 2013

Securities received that are not performance related

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

Bonuses

During the year cash bonuses totalling \$566,531 were paid in relation to the 2013 results in accordance with employment contracts as shown in the benefits and payments table above.

No bonuses were provided for in relation to the year ended 30 June 2014.

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
(3) Issued 18 December 2013	18 December 2013	Note 2	\$0.29	Note 2

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

2014	Grant date	Vesting conditions (Note 1)	Vested/paid during year (Note 2)	Forfeited during year	Remaining as unvested	Vesting date
Group key management personnel						
Will Gove	17 January 2012	Note 1	20%		60%	Note 1
Nigel Cocliff	17 January 2012	Note 1		80%		
Bryan Wesley	17 January 2012	Note 1	20%		60%	Note 1
	18 December 2013	Note 2	50%		50%	Note 2
Vahid Haydari	17 January 2012	Note 1	20%		60%	Note 1
	18 December 2013	Note 2	50%		50%	Note 2

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

Note 2 The performance rights with Swick Mining Services Limited vested 50% on issue, and 50% on 31 August 2014.

Note 3 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 share 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 2014				
	Rights series	Original number issued	Original value \$ (Note 1)	Lapsed No	Lapsed \$ (Note 1)	Vested during year No	Vested during year %	Unvested at end of year %	Lapsed %
Group key management personnel									
Vahid Haydari	17 January 2012	500,000	138,688	-	-	100,000	20%	60%	0%
	18 December 2013	377,200	107,502	-	-	188,600	50%	50%	0%
Will Gove	17 January 2012	500,000	138,688	-	-	100,000	20%	60%	0%
Nigel Cocliff	17 January 2012	500,000	138,688	400,000	123,937	-	-	-	-
Bryan Wesley	17 January 2012	500,000	138,688	-	-	100,000	20%	60%	0%
	18 December 2013	235,048	66,989	-	-	117,524	50%	50%	0%

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.

DIRECTORS' REPORT

30 SWICK MINING SERVICES ANNUAL REPORT 2014



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:

30 June 2014		Balance at beginning of year	Granted during the year	Vested and exercised during the year	Forfeited during the year	Balance at end of year
Non executive directors						
Andrew Simpson		-	-	-	-	-
John David Nixon (David)		-	-	-	-	-
Phillip Lockyer		-	-	-	-	-
Ian McCubbing		-	-	-	-	-
Other executives						
Kent Swick		-	-	-	-	-
Vahid Haydari		400,000	377,200	(288,600)	-	488,600
Will Gove		400,000	-	(100,000)	-	300,000
Nigel Cocliff	2	400,000	-	-	(400,000)	-
Tony Tamlin	3	-	-	-	-	-
Bryan Wesley		400,000	235,048	(217,524)	-	417,524
		1,600,000	612,248	(606,124)	(400,000)	1,206,124

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

Notes: 1) resigned 27 June 2013

2) resigned 26 July 2013

3) commenced 10 December 2013

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:

30 June 2014	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
Non executive directors					
Andrew Simpson	605,000	-	-	-	605,000
John David Nixon (David)	55,000	-	-	-	55,000
Phillip Lockyer	22,000	-	-	98,000	120,000
Ian McCubbing	-	-	-	-	-
Other executives					
Kent Swick	32,500,000	-	-	-	32,500,000
Vahid Haydari	100,000	-	288,600	-	388,600
Will Gove	700,000	-	100,000	-	800,000
Nigel Cocliff 2	200,000	-	-	(200,000)	-
Tony Tamlin 3	-	-	-	-	-
Bryan Wesley	280,475	-	217,524	-	497,999
	34,462,475	-	606,124	(102,000)	34,966,599

30 June 2013	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
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	-	-	100,000	-	100,000
Will Gove	600,000	-	100,000	-	700,000
Peter Casement 1	-	-	-	-	-
Nigel Cocliff 2	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

Notes: 1) resigned 27 June 2013

2) resigned 26 July 2013

3) commenced 10 December 2013

Other key management personnel transactions

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

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



Kent Swick
Dated: 22 August 2014

AUDITORS' INDEPENDENCE DECLARATION

32 SWICK MINING SERVICES ANNUAL REPORT 2014



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

22 August 2014

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

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

Yours sincerely

A handwritten signature in blue ink that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in blue ink that reads "Peter Rupp".

Peter Rupp
Partner
Chartered Accountants



CORPORATE GOVERNANCE STATEMENT

SWICK MINING SERVICES ANNUAL REPORT 2014 33

Board Composition

The skills, experience and expertise relevant to the position of each director and board committee member and their term of office, and membership of each board committee and attendance at committee meetings, are detailed in the Director's Report.

The independent directors of the Company are Andrew Simpson, David Nixon, Phil Lockyer and Ian McCubbing. When determining the independent status of a director the Board used the Guidelines detailed in the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations.

The Board sets out below its "if not why not" report in relation to those matters of corporate governance where the Company's practices depart from the Recommendations.

Recommendation	Swick Mining Services Ltd Current Practice
1.1 Companies should establish the functions reserved for the board and those delegated to senior executives and disclose those functions.	Satisfied. The functions reserved for the board and delegated to senior executives have been established. The Board Charter is available at www.swickmining.com.au in the Corporate Governance policy.
1.2 Companies should disclose the process for evaluating the performance of senior executives.	Satisfied. Formal evaluation procedures have been adopted. The Performance Evaluation Policy is available at www.swickmining.com.au in the Corporate Governance policy.
1.3 Companies should provide the information indicated in the Guide for reporting on Principle 1.	Satisfied. The Board Charter is available at www.swickmining.com.au in the Corporate Governance policy. Formal appraisals of senior management were conducted during the year in accordance with performance evaluation policies.
2.1 A majority of the board should be independent directors.	Satisfied. Andrew Simpson, David Nixon, Phil Lockyer and Ian McCubbing are non-executive independent directors as defined in ASX guidelines.
2.2 The chair should be an independent director.	Satisfied. Mr Andrew Simpson is an independent director.
2.3 The roles of chair and Chief Executive Officer should not be exercised by the same individual.	Satisfied.
2.4 The board should establish a nomination committee.	Satisfied.
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Satisfied. Board Performance Evaluation Policy is available at www.swickmining.com.au in the Corporate Governance policy.
2.6 Companies should provide the information indicated in the guide to reporting on Principle 2.	Not Satisfied. No formal board and committee appraisals were completed during the year, however, the Chairman assesses the performance of the Board, individual directors and Board committees on an ongoing basis and undertakes informal appraisals with relevant directors. Directors have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense, subject to the prior written approval of the Chairman, which will not be unreasonably withheld. The Company aims to achieve an appropriate mix of diversity on its board, in senior management and throughout the organisation.
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code.	Satisfied. The Code of Conduct is available at www.swickmining.com.au in the Corporate Governance policy.

CORPORATE GOVERNANCE STATEMENT

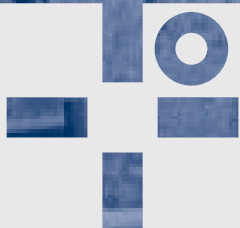
34 SWICK MINING SERVICES ANNUAL REPORT 2014

Recommendation	Swick Mining Services Ltd Current Practice
3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	Satisfied. The Diversity Policy is available at www.swickmining.com.au in the Corporate Governance policy.
3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity and progress towards achieving them.	Not Satisfied. The measurable objectives have yet to be established.
3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Proportion of women employees in the whole organisation is 7%. There are no women in senior executive positions and the board.
3.5 Companies should provide the information indicated in the guide to reporting on Principle 3.	Satisfied.
4.1 The board should establish an audit committee.	Satisfied.
4.2 The audit committee should be structured so that it: • Consists only of non-executive directors • Consists of a majority of independent directors • Is chaired by an independent chair, who is not chair of the board • Has at least three members	Satisfied.
4.3 The audit committee should have a formal charter.	Satisfied.
4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4.	Satisfied. The audit committee charter is available at www.swickmining.com.au in the Corporate Governance policy.
5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	Satisfied. Continuous disclosure policy is available at www.swickmining.com.au in the Corporate Governance policy.
5.2 Companies should provide the information indicated in the Guide to reporting on Principle 5.	Satisfied.
6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of their policy.	Satisfied. Shareholders communication strategy is available at www.swickmining.com.au in the Corporate Governance policy.
6.2 Companies should provide the information indicated in the Guide to reporting on Principle 6.	Satisfied.
7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Satisfied. The Company has established policies for the oversight and management of material business risks. The risk management policy is available at www.swickmining.com.au in the Corporate Governance policy.
7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Satisfied. Management lead by the Managing Director, have designed and implemented a risk management and internal control system to manage material business risks. Management have reported to the board that those risks are being managed effectively.

Recommendation	Swick Mining Services Ltd Current Practice
7.3 The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Satisfied. The board has received a section 295A declaration for the 2014 financial year.
7.4 Companies should provide the information indicated in the Guide to reporting on Principle 7.	Satisfied. The board has received the reports and assurances in 7.2 and 7.3. The policies are available on the Company's web-site.
8.1 The board should establish a remuneration committee.	Satisfied. The appropriate mix of skills and diversity for membership of the board is considered by the remuneration and nomination committee as part of ongoing nomination and succession planning and which recognises the value of balanced gender representation.
8.2 The remuneration committee should be structured so that it: • Consists of a majority of independent directors • Is chaired by an independent chair • Has at least three members	Satisfied.
8.3 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Satisfied. The structure of directors' remuneration is disclosed in the remuneration report section of the annual report.
8.4 Companies should provide the information indicated in the Guide to reporting on Principle 8.	The remuneration and nomination committee charter is available at www.swickmining.com.au in the Corporate Governance policy. Where the Company grants securities under an equity based remuneration scheme, participants are prohibited from entering into arrangements for the hedging, or otherwise limiting their exposure to risk in relation to unvested shares, options or rights issued or acquired under the scheme.

Further information about the Company's corporate governance practices is set out on the Company's website at www.swickmining.com.au.





CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 30 June 2014

CONTENTS

Page

Consolidated Statement of Profit or Loss and Other Comprehensive Income	38
Consolidated Statement of Financial Position	39
Consolidated Statement of Changes in Equity	40
Consolidated Statement of Cash Flows	41
Notes to the Financial Statements	42
Directors' Declaration	82
Independent Auditor's Report	83
ASX Additional Information	85

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Year Ended 30 June 2014

38 SWICK MINING SERVICES ANNUAL REPORT 2014



	Note	CONSOLIDATED GROUP	
		2014 \$000	2013 \$000
Continuing operations			
Revenue	4	116,954	146,031
Other income	4	661	504
Raw materials and consumables used		(16,687)	(18,402)
Employee benefits expense		(66,399)	(76,717)
Depreciation and amortisation expense		(13,118)	(14,432)
Share of loss of associates		(118)	-
Finance costs		(1,617)	(1,731)
Other expenses	5	(17,861)	(20,573)
Profit before income tax		1,815	14,680
Income tax expense	6	(280)	(3,370)
Net Profit from continuing operations		1,535	11,310
 Net Profit for the year		 1,535	 11,310
 Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign controlled entities		(108)	294
Other comprehensive income for the year, net of tax		(108)	294
Total comprehensive income for the year		1,427	11,604
 Total comprehensive income attributable to:			
Members of the parent entity		1,427	11,604
		1,427	11,604
 Earnings per share			
Basic earnings per share (cents)	23	0.71	4.85
Diluted earnings per share (cents)	23	0.70	4.80

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



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

SWICK MINING SERVICES ANNUAL REPORT 2014 **39**

	Note	CONSOLIDATED GROUP	
		2014 \$000	2013 \$000
Assets			
Current assets			
Cash and cash equivalents	9	4,194	20,873
Trade and other receivables	10	18,379	18,480
Inventories	11	19,546	17,328
Other financial assets	12	-	415
Other assets	15	1,581	2,092
Total current assets		43,700	59,188
Non-current assets			
Property, plant and equipment	13	95,655	92,658
Intangible assets	14	9,160	7,030
Other assets	15	2	2
Investment in associates	16	1,913	-
Other financial assets	24	1,000	-
Total non-current assets		107,730	99,690
Total assets		151,430	158,878
Liabilities			
Current liabilities			
Trade and other payables	17	13,766	13,325
Borrowings	18	1,374	2,658
Current tax liabilities		634	4,307
Provisions	19	5,330	6,276
Total current liabilities		21,104	26,566
Non-current liabilities			
Borrowings	18	19,470	19,865
Deferred tax liabilities	6	2,057	2,115
Other provisions	19	792	494
Other financial liabilities	24	36	-
Total non-current liabilities		22,355	22,474
Total liabilities		43,459	49,040
Net assets		107,971	109,838
Equity			
Issued capital	20	75,841	77,644
Reserves	21	856	723
Retained earnings	22	31,274	31,471
Total equity		107,971	109,838

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 2014

40 SWICK MINING SERVICES ANNUAL REPORT 2014



		SHARE CAPITAL		RESERVES		
	Note	Ordinary \$000	Retained Earnings \$000	Foreign Currency Translation Reserve \$000	Share based payments \$000	Total \$000
Consolidated Group						
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
Comprehensive income						
Profit for the year		-	1,535	-	-	1,535
Other comprehensive income for the year		-	-	(108)	-	(108)
Total comprehensive income for the year		-	1,535	(108)	-	1,427
Transactions with owners, in their capacity as owners, and other transfers						
Shares issued during the year		-	-	-	-	-
Share based payments		-	-	-	241	241
Transaction costs		(4)	-	-	-	(4)
Shares bought back during the year		(1,799)	-	-	-	(1,799)
Dividends recognised for the year	8	-	(1,732)	-	-	(1,732)
Total transactions with owners and other transfers		(1,803)	(1,732)	-	241	(3,294)
Balance at 30 June 2014		75,841	31,274	(145)	1,001	107,971

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 2014

SWICK MINING SERVICES ANNUAL REPORT 2014 **41**

	Note	CONSOLIDATED GROUP	
		2014 \$000	2013 \$000
Cash flows from operating activities			
Receipts from customers		129,477	140,310
Payments to suppliers and employees		(113,520)	(103,974)
Income tax paid		(4,471)	-
Net cash provided by operating activities	27	11,486	36,336
Cash flows from investing activities			
Interest received		256	604
Proceeds from sale of property, plant and equipment		445	626
Purchase of property, plant and equipment		(14,232)	(17,331)
Payments for development		(4,447)	(5,254)
Investment in Associates		(2,356)	-
Other financial assets		(1,000)	-
Net cash used in investing activities		(21,334)	(21,355)
Cash flows from financing activities			
Proceeds from borrowings		1,183	8,119
Interest paid		(1,617)	(1,731)
Share transaction costs		(4)	(12)
Share buy-back payment		(1,799)	(4,999)
Repayment of borrowings		(2,862)	(8,702)
Dividends paid by parent entity		(1,732)	(2,589)
Net cash used in financing activities		(6,831)	(9,914)
Net (decrease)/increase in cash and cash equivalents held		(16,679)	5,067
Cash and cash equivalents at beginning of financial year		20,873	15,806
Cash and cash equivalents at end of financial year	9	4,194	20,873

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

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2014

42 SWICK MINING SERVICES ANNUAL REPORT 2014



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 2014 was authorised for issue on 22 August 2014 by the directors of the Company.

Note 1 Application of new and revised Accounting Standards

New and revised AASBs affecting amounts reported and/or disclosures in the financial statements

In the current year, the Group has adopted all applicable new and revised AASBs issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2013.

AASB 2011-4 ‘Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements’

This standard removes the individual key management personnel disclosure requirements in AASB 124 ‘Related Party Disclosures’. As a result the Group only discloses the key management personnel compensation in total and for each of the categories required in AASB 124.

In the current year the individual key management personnel disclosure previously required by AASB 124 is now disclosed in the remuneration report due to an amendment to Corporations Regulations 2001 issued in June 2013.

AASB 2012-2 ‘Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities’

The Group has applied the amendments to AASB 7 ‘Disclosures – Offsetting Financial Assets and Financial Liabilities’ for the first time in the current year. The amendments to AASB 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments have been applied retrospectively. As the Group does not have any offsetting arrangements in place, the application of the amendments does not have any material impact on the consolidated financial statements.

AASB 2012-5 ‘Amendments to Australian Accounting Standards arising from Annual Improvements 2009- 2011 Cycle’

The Annual Improvements to AASBs 2009 - 2011 have made a number of amendments to AASBs. The amendments that are relevant to the Group are the amendments to AASB 101 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.



AASB 2012-9 'Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039'

This standard makes amendment to AASB 1048 'Interpretation of Standards' following the withdrawal of Australian Interpretation 1039 'Substantive Enactment of Major Tax Bills in Australia'. The adoption of this amending standard does not have any material impact on the consolidated financial statements.

AASB CF 2013-1 'Amendments to the Australian Conceptual Framework' and AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments' (Part A Conceptual Framework)

This amendment has incorporated IASB's Chapters 1 and 3 Conceptual Framework for Financial Reporting as an Appendix to the Australian Framework for the Preparation and Presentation of Financial Statements. The amendment also included not-for-profit specific paragraphs to help clarify the concepts from the perspective of not-for-profit entities in the private and public sectors.

As a result the Australian Conceptual Framework now supersedes the objective and the qualitative characteristics of financial statements, as well as the guidance previously available in Statement of Accounting Concepts SAC 2 'Objective of General Purpose Financial Reporting'. The adoption of this amending standard does not have any material impact on the consolidated financial statements.

(b) New and revised Standards on consolidation, joint arrangements, associates and disclosures

In August 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising AASB 10 'Consolidated Financial Statements', AASB 11 'Joint Arrangements', AASB 12 'Disclosure of Interests in Other Entities', AASB 127 (as revised in 2011) 'Separate Financial Statements' and AASB 128 (as revised in 2011) 'Investments in Associates and Joint Ventures'. Subsequent to the issue of these standards, amendments to AASB 10, AASB 11 and AASB 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

In the current year, the Group has applied for the first time AASB 10, AASB 11, AASB 12 and AASB 128 (as revised in 2011) together with the amendments to AASB 10, AASB 11 and AASB 12 regarding the transitional guidance. AASB 127 (as revised in 2011) is applicable to the Parent entity as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'

AASB 10 replaces the parts of AASB 127 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements and Interpretation 112 'Consolidation – Special Purpose Entities'. AASB 10 changes the definition of control such that an investor controls an investee when a) it has power over an investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee, and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in AASB 10 to explain when an investor has control over an investee. Some guidance included in AASB 10 that deals with whether or not an investor that owns less than 50 per cent of the voting rights in an investee has control over the investee is relevant to the Group.

NOTES TO THE FINANCIAL STATEMENTS

44 SWICK MINING SERVICES ANNUAL REPORT 2014



AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'

AASB 11 replaces AASB 131 'Interests in Joint Ventures', and the guidance contained in a related interpretation, Interpretation 113 'Jointly Controlled Entities – Non-Monetary Contributions by Venturers', has been incorporated in AASB 128 (as revised in 2011). AASB 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under AASB 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under AASB 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, AASB 131 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under AASB 131 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

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'

AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB 12 has resulted in more extensive disclosures in the consolidated financial statements (please see notes 2(z), 16 and 29 for details).

AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'

The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.

AASB 13 requires prospective application from 1 July 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by AASB 13 for the 2013 comparative period (please see notes 13, 14 and 25 for the 2014 disclosures). Other than the additional disclosures, the application of AASB 13 does not have any material impact on the amounts recognised in the consolidated financial statements.

AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'

This standard amends AASB 10 and various Australian Accounting Standards to revise the transition guidance on the initial application of those Standards. This standard also clarifies the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments. The adoption of this amending standard does not have any material impact on the consolidated financial statements.

AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'

In the current year, the Group has applied AASB 119 (as revised in 2011) 'Employee Benefits' and the related consequential amendments for the first time.

AASB 119 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of AASB 119 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of AASB 119 are replaced with a 'net interest' amount under AASB 119 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

NOTES TO THE FINANCIAL STATEMENTS

46 SWICK MINING SERVICES ANNUAL REPORT 2014

(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. 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	1 January 2018	30 June 2019
AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2013-3 'Amendments to AASB 135 – Recoverable Amount Disclosures for Non- Financial Assets'	1 January 2014	30 June 2015
AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'	1 January 2014	30 June 2015
AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015
INT 21 'Levies'	1 January 2014	30 June 2015
IFRS 15 Revenue from Contracts with Customers	1 January 2017	30 June 2018
IFRS 9 Financial Instruments (2014) and all related amendments	1 January 2018	30 June 2019
Equity Method in Separate Financial Statements (Amendments to IAS 27)	1 January 2016	30 June 2017

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

- AASB 9 'Financial Instruments' (December 2009), AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures'
- AASB 9 'Financial Instruments' (December 2010), AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosure'
- In December 2013 the AASB issued AASB 2013-9 'Amendment to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments', Part C – Financial Instruments. This amending standard has amended the mandatory effective date of AASB 9 to 1 January 2017. For annual reporting periods beginning before 1 January 2017, an entity may early adopt either AASB 9 (December 2009) or AASB 9 (December 2010) and the relevant amending standards.

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.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- + Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- + Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- + Level 3 inputs are unobservable inputs for the asset or liability.

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 financial statements of Swick Mining Services Limited and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- + has power over the investee;
- + is exposed, or has rights, to variable returns from its involvement with the investee; and
- + has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- + the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- + potential voting rights held by the Company, other vote holders or other parties;
- + rights arising from other contractual arrangements; and

any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

48 SWICK MINING SERVICES ANNUAL REPORT 2014

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

Current tax

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

Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the 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 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 & 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.

NOTES TO THE FINANCIAL STATEMENTS

50 SWICK MINING SERVICES ANNUAL REPORT 2014

(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 & 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) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB 139. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

NOTES TO THE FINANCIAL STATEMENTS

52 SWICK MINING SERVICES ANNUAL REPORT 2014

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

(i) Financial assets

Financial assets held by the company are classified as 'available-for-sale' (AFS) financial assets. The classification is determined by the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Group has investments in an unlisted unit trust that are not traded in an active market but that are classified as AFS financial assets and stated at fair value (because the directors consider that fair value can be reliably measured). Fair value is determined in the manner described in note 24. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

(j) 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 a 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 a 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.

(k) 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.

(l) 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.

(m) Employee benefits

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

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

(n) Loans and borrowings

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.



(o) 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.

(p) 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.

(q) 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 relevant tax authority. 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.

(r) 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.

(s) 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.

(t) 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.



(u) 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.

(v) 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.

(w) 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.

(x) 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.

(y) 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.



(z) Critical accounting estimates and judgements

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) *Impairment of assets*

Determining whether the assets of the Group are impaired requires an estimation of the value in use of the cash generating units to which the assets have been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

In supporting the assumptions behind the value in use calculations, the directors have referenced externally available data and engaged independent advice as appropriate. Key assumptions can be found in note 14.

(ii) *Recoverability of internally generated intangible assets*

During the year, the directors reconsidered the recoverability of the Group's capitalised development, tooling and CAD database which is included in the consolidated statement of financial position at 30 June 2014 at \$9.0m (30 June 2013: \$6.8m).

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

(iii) *Useful lives of property, plant & 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 2014.

(iv) *Recoverability of International tax losses*

The directors have considered the recoverability of international tax losses as included in deferred tax balances at 30 June 2014 of \$2.1m (30 June 2013: \$1.0m). Having regard to the improved performance in the second half of the year, the length of contracts in place and proven past profitability the directors believe it is probable that these amounts will be recovered.

Note 3 Operating segments

General information

Identification of reportable segments

AASB 8 "Operating Segments", 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	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Sales to external customers	106,513	137,891	10,846	8,040	117,359	145,931
Interest income	256	601	-	3	256	604
Total revenue	106,769	138,492	10,846	8,043	117,615	146,535
Cost of sales	77,114	96,903	10,856	6,859	87,970	103,762
Depreciation and amortisation	11,751	13,640	1,367	792	13,118	14,432
Overhead	10,720	10,620	2,375	1,310	13,095	11,930
Interest expenses	1,599	1,722	18	9	1,617	1,731
Total expense	101,184	122,885	14,616	8,970	115,800	131,855
Segment profit/(loss) before tax (continuing operations)	5,585	15,607	(3,770)	(927)	1,815	14,680

Segment assets and liabilities for continuing operations

	DRILLING SERVICES-ASIA PACIFIC		DRILLING SERVICES-INTERNATIONAL		TOTAL	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Total segment assets	261,869	279,709	20,719	18,666	282,588	298,375
Segment liabilities	(161,295)	(179,802)	(22,428)	(17,803)	(183,723)	(197,605)
Eliminations	-	-	-	-	9,106	9,068
Total net assets	100,574	99,907	(1,709)	863	107,971	109,838

Other segment information

Additions to non-current assets

Property, plant and equipment	15,181	20,717	1,368	907	16,549	21,624
Intangible assets	4,447	5,254	-	-	4,447	5,254
Total additions to non-current assets	19,628	25,971	1,368	907	20,996	26,878

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 and finance costs. 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 drilling contract services of \$117.6 million (2013: \$146.5 million) are revenues of approximately \$25.7 million (2013: \$48.0 million) which arose from sales to the Group's one (2013: two) largest customer(s). No other single customer contributed 10% or more to the Group's revenue for 2014 or 2013.

NOTES TO THE FINANCIAL STATEMENTS

60 SWICK MINING SERVICES ANNUAL REPORT 2014

Note 4 Revenue and other income

Revenue from continuing operations

Sales revenue

- Provision of services

Other revenue

- Interest received

- Government subsidies received

Total revenue

Other income

- Gain on disposal of property, plant and equipment

- Other income

Total other income

CONSOLIDATED GROUP	
2014 \$000	2013 \$000
116,622	145,116
116,622	145,116
256	604
76	311
332	915
116,954	146,031
150	299
511	205
661	504

Note 5 Profit before income tax

Profit before income tax from continuing operations includes the following specific expenses:

Expenses

Accommodation and travel

Repairs and maintenance

Administration costs

Insurance

Marketing

Recruitment and training

Other direct costs

Rental expense on operating leases
minimum lease payments

Total other expenses

CONSOLIDATED GROUP	
2014 \$000	2013 \$000
5,165	6,671
5,273	5,845
3,428	3,002
2,150	2,322
141	205
536	740
96	938
1,072	850
17,861	20,573

Note 6 Income tax expense

		CONSOLIDATED GROUP	
		2014 \$000	2013 \$000
(a)	Income tax recognised in profit and loss:		
	<i>Current income</i>		
	Current year tax expense	(1,403)	(4,409)
	Adjustments for prior years income tax expense	1,158	-
		(245)	(4,409)
	<i>Deferred tax</i>		
	Relating to origination and reversal of temporary differences	(205)	(362)
	Adjustments in respect of previously deferred income tax	(868)	373
	Recognition of overseas losses	1,038	1,028
		(35)	1,039
	Net income tax expense reported in income statement	(280)	(3,370)
(b)	The expense for the year can be reconciled as follows:		
	Accounting profit before tax from continuing operations	1,815	14,680
	Accounting profit before income tax	1,815	14,680
	Prima facie tax payable on profit from ordinary activities before income tax at 30% (2013: 30%)	(545)	(4,404)
	- Non-deductible expenses	(23)	(14)
	- Share of associate loss	(14)	-
	- Effect of foreign tax rate	(87)	44
	- Prior year foreign tax losses now recognised	-	531
	- R&D tax offsets	100	100
	- Adjustments in respect of previous deferred income tax	289	373
	Income tax expense attributable to entity	(280)	(3,370)
The tax rate used for the 2014 and 2013 reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.			
	Income tax expense reported in income statement	(280)	(3,370)
	Weighted average effective tax rates are as follows	15.4%	23.0%

The decrease in the weighted average effective consolidated tax rate for 2014 is a result of a larger than previously recognised R&D tax concessions for 2013, claimed in 2014.

NOTES TO THE FINANCIAL STATEMENTS

62 SWICK MINING SERVICES ANNUAL REPORT 2014

(c) **Deferred tax balances:**

Deferred tax assets and liabilities are attributable to the following:

Recognised deferred tax assets

Provisions and accrued expenses

Borrowing costs

Tax deductibility for capital raising costs

Tax losses

Deferred tax liabilities

Set off of tax

Net deferred tax (assets)/liabilities

Recognised deferred tax liabilities

Consumables

Property, plant and equipment

Accrued income

Prepayments

Deferred tax liabilities

Set off of tax

Net deferred tax liabilities

Movements

Opening balance 1 July

Credit to the income statement

Exchange rate revaluation

Closing balance at 30 June

CONSOLIDATED GROUP	
2014 \$000	2013 \$000
1,603	2,011
7	15
-	74
2,160	1,028
3,770	3,128
(3,770)	(3,128)
-	-
(2,617)	(2,867)
(2,755)	(1,904)
(382)	(261)
(73)	(211)
(5,827)	(5,243)
3,770	3,128
(2,057)	(2,115)
(2,115)	(3,154)
(35)	1,039
93	-
(2,057)	(2,115)

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 2014 and 2013.

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

	2014 \$	2013 \$
Short-term employee benefits	2,066,648	2,863,748
Post-employment benefits	149,013	177,269
Termination benefits	204,380	109,309
Share-based payments	226,603	153,356
Total KMP compensation	2,647,125	3,303,682

Note 8 Dividends

Distributions paid

Interim fully franked ordinary dividend of 0.2 (2013: 0.6) cents per share franked at a tax rate of 30% (2013: 30%)

2013 final dividend (fully franked) of 0.6 cents per share paid in 2014 franked at the tax rate of 30% (2012 paid in 2013: 0.5 cents per share)

Interim fully franked ordinary dividend of 0.6 (2012: 0.5 cents) per share franked to 100% at a 30% income tax rate (2012: 30%)

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)

Total dividends per share

(a) **Proposed final 2014 fully franked ordinary dividend of 0.2 (2013: 0.6) cents per share franked at the tax rate of 30% (2013: 30%)**

(b) **Franking account balance:**

Closing balance

Subsequent to year-end, the franking account would be increased by income tax payments as follows:

Subsequent to year-end, the franking account would be reduced by the proposed dividend reflected per (a) as follows:

Adjusted franking account balance

CONSOLIDATED GROUP	
2014 \$000	2013 \$000
432	-
1,300	-
-	1,400
-	1,189
1,732	2,589
432	1,320
4,026	299
198	529
(185)	(566)
4,039	262

Note 9 Cash and cash equivalents

Cash at bank

Cash in hand

CONSOLIDATED GROUP	
2014 \$000	2013 \$000
4,192	20,871
2	2
4,194	20,873

Cash in hand is non interest bearing. Bank balances attract an average interest rate of approximately 0.16% (2013: 3.3%). The Group and parent entity's exposure to interest rate risk is discussed in note 34. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

NOTES TO THE FINANCIAL STATEMENTS

64 SWICK MINING SERVICES ANNUAL REPORT 2014

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 values.

CURRENT

Trade receivables

- Accrued income

- Rebates and credit offsets

Total current trade and other receivables

Risk management

Credit risk and foreign exchange risk is as outlined in note 34.

CONSOLIDATED GROUP	
2014 \$000	2013 \$000
16,979	16,193
1,336	1,785
64	502
18,379	18,480

AUD

Asia Pacific

International

CONSOLIDATED GROUP	
2014 \$000	2013 \$000
17,143	16,008
1,236	2,472
18,379	18,480

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 & 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	PAST DUE AND IMPAIRED	PAST DUE BUT NOT IMPAIRED (DAYS OVERDUE)				WITHIN INITIAL TRADE TERMS
			<30 \$000	31-60 \$000	61-90 \$000	>90 \$000	
2014	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Trade and term receivables	16,979	-	6,694	864	-	26	9,395

CONSOLIDATED GROUP	GROSS AMOUNT	PAST DUE AND IMPAIRED	PAST DUE NOT IMPAIRED (DAYS OVERDUE)				WITHIN INITIAL TRADE TERMS
			<30 \$000	31-60 \$000	61-90 \$000	>90 \$000	
2013	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Trade and term receivables	16,193	-	4,998	728	182	188	10,097

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

CURRENT

At cost

Consumables and stores

Provision for obsolescence

CONSOLIDATED GROUP	
2014 \$000	2013 \$000
20,331	18,400
(785)	(1,072)
19,546	17,328

Note 12 Other financial assets

CURRENT

Finance lease receivable

Total current assets

CONSOLIDATED GROUP	
2014 \$000	2013 \$000
-	415
-	415

Leasing arrangements

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

NOTES TO THE FINANCIAL STATEMENTS

66 SWICK MINING SERVICES ANNUAL REPORT 2014

Note 13 Property, plant and equipment

CONSOLIDATED GROUP	
2014 \$000	2013 \$000
Plant and equipment	
At cost	163,312
Accumulated depreciation	(80,365)
Total plant and equipment	82,947
Leasehold improvements	
At cost	3,108
Accumulated amortisation	(1,524)
Total leasehold improvements	1,584
Office furniture and equipment	
At cost	4,918
Accumulated depreciation	(3,843)
Total office furniture and equipment	1,075
Motor vehicles	
At cost	19,827
Accumulated depreciation	(9,778)
Total motor vehicles	10,049
Total property, plant and equipment	95,655

(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	Leasehold and improvements	Office furniture and equipment	Motor vehicles	Total
Consolidated group					
Balance at 1 July 2012	71,541	1,890	1,311	11,301	86,043
Additions	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
Additions	15,438	110	127	874	16,549
Disposals	(287)	-	-	(108)	(395)
Exchange rate revaluation	(15)	-	(2)	(22)	(39)
Depreciation expense	(10,474)	(263)	(436)	(1,945)	(13,118)
Balance at 30 June 2014	82,947	1,584	1,075	10,049	95,655

Additions include \$2.317 million (2013: \$4.292 million) of development and tooling costs capitalised to plant and equipment.

Note 14 Intangible assets

Goodwill

Cost

Net carrying amount

Development, tooling & CAD database

Cost

Net carrying amount

Total intangibles

Consolidated Group

CONSOLIDATED GROUP	
2014	2013
\$000	\$000
209	209
209	209
8,951	6,821
8,951	6,821
9,160	7,030

Year ended 30 June 2013

Balance at the beginning of 2013

Internal development

Transfers to plant and equipment

Closing value at 30 June 2013

GOODWILL	DEVELOPMENT, TOOLING & CAD DATABASE
\$000	\$000
209	5,859
-	5,254
-	(4,292)
209	6,821

Year ended 30 June 2014

Balance at the beginning of year 2014

Internal development

Transfers to plant and equipment

Closing value at 30 June 2014

209	6,821
-	4,447
-	(2,317)
209	8,951

In assessing any potential impairment management have used 3 separate functional divisions being the cash generating units within the group:

- + Underground Diamond Drilling;
- + Surface Reverse Circulation Drilling; and
- + Underground Production Drilling

Goodwill has been allocated for impairment purposes to Underground Diamond Drilling business cash generating unit.

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 extended to the following 4 years using a combination of growth at management estimates and external market research, with a terminal value growth rate of 2.5%.

The company engaged an independent expert to provide recommendations on an applicable discount rate to be applied as at 30 June 2014. The recoverable amount has been calculated using a pre-tax discount rate of 14.4% per annum (2013: 16.2% per annum).

Based on the testing performed no impairment losses were required to be recognised.

NOTES TO THE FINANCIAL STATEMENTS

68 SWICK MINING SERVICES ANNUAL REPORT 2014

The following table details the sensitivity of the recoverable amounts of the respective cash-generating units to a 1% absolute increase/decrease in the discount rate and the EBITDA margin:

ASSUMPTION	VARIANCE	UNDERGROUND DIAMOND DRILLING	SURFACE REVERSE CIRCULATION DRILLING	UNDERGROUND PRODUCTION DRILLING
\$'million increase/(decrease) in recoverable amount				
Discount rate	+1%	(8.5)	(1.9)	(0.2)
	-1%	10.1	2.2	0.2
EBITDA margin	+1%	7.7	0.6	0.4
	-1%	(7.7)	(0.6)	(0.4)

Note 15 Other assets

CONSOLIDATED GROUP	
2014 \$000	2013 \$000
CURRENT	
Prepayments	1,266
Other	315
1,581	2,092
NON-CURRENT	
Other non-current assets	2
2	2

Note 16 Investments in associates

On 6 November 2013, the Group acquired a 23% interest in Orexplore AB, a company incorporated in Sweden and engaged in mineral analysis and measurement technology. The initial investment was \$1.66 million (23%) with further equity investment of \$2.7 million over 2.5 years in five equal tranches which will increase Swick's equity ownership in Orexplore to 52%. As at 30 June 2014 the Group's ownership interest was 40.6%. The acquisition is treated as an Investment in Associate at 30 June 2014 as Swick has significant influence as per AASB 128:Investments in Associates and Joint Ventures.

CONSOLIDATED GROUP	
2014 \$000	2013 \$000
Cash	2,356
Less: Share in loss of associate	(119)
Less: Foreign exchange revaluation of investment	(324)
1,913	-

Details of the Group's associate at the end of the reporting period is as follows:

NAME OF ASSOCIATE	PRINCIPAL ACTIVITY	PLACE OF INCORPORATION AND OPERATIONS	PROPORTION OF INTEREST AND VOTING POWER HELD BY THE GROUP	
			30/06/14	30/06/13
Orexplore AB (i)(ii)	Mineral analysis and measurement technology	Sweden	40.6%	-

The above associate is accounted for using the equity method in these consolidated financial statements.

- Pursuant to the shareholder agreement, the Company has the right to cast 40.6% of the votes at a shareholder meeting.
- The financial year end date for Orexplore AB is 31 December, which was established prior to the Group taking an interest in the associate. For the purpose of applying the equity method of accounting, the financial statements of Orexplore AB for the year ended 31 December 2013 have been used, and appropriate adjustments have been made for the unaudited results from 1 January 2014 to 30 June 2014.

Note 17 Trade and other payables

CURRENT

Unsecured liabilities

Trade payables

Sundry payables

GST payable

CONSOLIDATED GROUP	
2014 \$000	2013 \$000
9,679	9,023
4,054	3,754
33	548
13,766	13,325

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

Note 18 Borrowings

CURRENT

Secured liabilities

Bank loans

Hire purchase (HP) liabilities

Total current borrowings

18b

CONSOLIDATED GROUP	
2014 \$000	2013 \$000
603	875
771	1,783
1,374	2,658

NON-CURRENT

Secured liabilities

Bank loans

Hire purchase (HP) liabilities

Total non-current borrowings

18c

18b

19,000	19,000
470	865
19,470	19,865

Total borrowings

34

20,844	22,523
---------------	---------------

(a) **Total current and non-current secured liabilities:**

Bank loans

Hire purchase (HP) liabilities

CONSOLIDATED GROUP	
2014 \$000	2013 \$000
19,603	19,875
1,241	2,648
20,844	22,523

(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 6.50% (2013: 7.35%). 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 34.
- (iii) Fair value disclosures: Details of the fair value of interest bearing liabilities for the Group are set out in note 34.

(c) Assets pledged as security

The bank loans and overdraft are secured by fixed and floating charges over the Group's Asia Pacific 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	
2014 \$000	2013 \$000
31,618	34,293
20,844	22,523
10,774	11,770

Bank loan facilities

Total facilities

Used at balance date

Unused at balance date

31.618 34.293

20.844 22.523

10,774	11,770
--------	--------

(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 19.000

Note 19 Provisions

CONSOLIDATED GROUP	
2014 \$000	2013 \$000
5,330	6,276
5,330	6,276

CURRENT

Short-term employee benefits

5,330 6,276

5.330	6.276
-------	-------

NON-CURRENT

Long-term employee benefits

792 494

792 494

Analysis of total provisions

Current

5.330 6.276

792 494

6,122	6,770
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Provision for employee benefits

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

Note 20 Issued capital

(a) **Share capital**
Fully paid ordinary shares

CONSOLIDATED GROUP	
2014 \$000	2013 \$000
75,841	77,644
75,841	77,644

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

(b) **Movement in ordinary shares on issues**

At the beginning of the reporting period

Shares issued during the year

Issue of shares under the Company's Performance Rights Plan

Shares bought back during year

At the end of the reporting period

CONSOLIDATED GROUP	
2014 No.	2013 No.
170,070,477	185,202,974
-	300,000
606,124	400,000
(6,651,825)	(15,832,497)
164,024,776	170,070,477

Consolidated ordinary shares on issue differs from the number of securities listed on the Australian Securities 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 2014 was 216,123,326, including all shares bought back during the period.

On 10 September 2013 the Company announced an on-market share buyback of up to 10%, or 21.7 million shares, of the Company's total ordinary share capital on issue. The share buyback expires on 9 September 2014.

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 21 Reserves

Foreign exchange translation reserve

Share based payments reserve

Balances in reserves

CONSOLIDATED GROUP	
2014 \$000	2013 \$000
(145)	(37)
1,001	760
856	723

(a) **Foreign currency translation reserve**

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

(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 of share based payments can be found in the Remuneration Report and note 30.

NOTES TO THE FINANCIAL STATEMENTS

72 SWICK MINING SERVICES ANNUAL REPORT 2014

Note 22 Retained earnings

Balance at beginning of the year

Net profit attributable to members

Less dividends paid

CONSOLIDATED GROUP	
2014 \$000	2013 \$000
31,471	22,750
1,535	11,310
(1,732)	(2,589)
31,274	31,471

Note 23 Earnings per share

- (a) Reconciliation of earnings used to calculate earnings per share
Profit after income tax expense

CONSOLIDATED GROUP	
2014 \$000	2013 \$000
1,535	11,310
1,535	11,310

- (b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS

Weighted average number of dilutive rights outstanding

Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS

CONSOLIDATED GROUP	
2014 No.	2013 No.
217,122,193	233,411,944
1,194,574	2,156,593
218,316,767	235,568,537

- (c) Basic earnings per share (cents)

- (d) Diluted earnings per share (cents)

0.71 4.85

0.70 4.80

Note 24 Fair value of financial instruments

Other financial assets consist of:

Units in unlisted property trust

CONSOLIDATED GROUP	
2014 \$000	2013 \$000
1,000	-
1,000	-

Other financial liabilities consist of:

Foreign currency forward contracts

CONSOLIDATED GROUP	
2014 \$000	2013 \$000
36	-
36	-

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined.

FINANCIAL ASSETS/ FINANCIAL LIABILITIES	FAIR VALUE AS AT		FAIR VALUE HIERARCHY	VALUATION TECHNIQUE(S) AND KEY INPUT(S)	SIGNIFICANT UNOBSERVABLE INPUT(S)	RELATIONSHIP OF UNOBSERVABLE INPUTS OF FAIR VALUE
	30/06/14	30/06/13				
Foreign currency forward contracts	(36,016)	-	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
Investment in unlisted property trust	1,000,000	-	Level 2	The underlying net asset position with property was valued in accordance with Australian Property Institute guidelines by a Certified Practising Valuer. The valuation analysed sales of similar industrial properties within similar industrial areas taking into account the size, location and shape of the land.	N/A	N/A

As at 31 December 2013 the Company classified the Investment in unlisted property trusts as a level 3 item in the fair value hierarchy. The company has since reviewed this position and has reclassified the investment as level 2 as the value is based on the underlying assets of the trust, which are valued using observable information.

NOTES TO THE FINANCIAL STATEMENTS

74 SWICK MINING SERVICES ANNUAL REPORT 2014

Note 25 Capital and leasing commitments

		CONSOLIDATED GROUP	
		2014	2013
		\$000	\$000
(a) Finance lease/ HP commitments			
Payable – minimum lease payments			
Not later than 12 months		829	1,865
Between 12 months and 5 years		491	895
Minimum lease payments		1,320	2,760
Less future finance charges		(79)	(112)
Present value of minimum lease payments		1,241	2,648
Comprising:			
Current liability	18	771	1,783
Non-current liability	18	470	865
Total financial liability		1,241	2,648
(b) Operating lease commitments			
Payments recognised as an expense		962	658
Non-cancellable operating leases contracted for but not recognised in the financial statements			
Payable- minimum lease payments			
Not later than 12 months		1,100	637
Between 12 months and 5 years		4,332	179
Later than 5 years		10,288	-
		15,720	816

Operating leases relate to leases of business premises with terms of between 1 to 15 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 26 Contingent liabilities and contingent assets

There are no contingent liabilities or assets as at 30 June 2014.

Note 27 Cash flow information

	CONSOLIDATED GROUP	
	2014 \$000	2013 \$000
Reconciliation of cash flow from operations with profit after income tax		
Profit after income tax	1,538	11,310
Non-cash flows in profit		
Depreciation	13,118	14,432
Net (gain)/loss on foreign exchange reserve	108	295
Net gain on disposal of property, plant and equipment	(50)	(74)
Share options/performance rights expensed	240	67
Expense recognised in respect of shares issued in exchange for Investor Relation Services	-	75
Interest paid classified as financing cash flow	1,616	1,731
Interest income classified as investing cash flow	(234)	(604)
Share of losses of associates	117	-
Change in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
(Increase)/decrease in trade and term receivables	(786)	5,305
Decrease in prepayments	622	-
(Increase)/decrease in other assets	1,255	(446)
(Increase)/decrease in inventories	(2,218)	220
(Decrease) in trade payables and accruals	(79)	(235)
Increase/(decrease) in income taxes payable	(3,673)	4,307
Decrease in deferred taxes payable	(58)	(1,039)
Increase in other liabilities	618	-
Increase/(decrease) in provisions	(648)	992
Cash flow from operations	11,486	36,336

NOTES TO THE FINANCIAL STATEMENTS

76 SWICK MINING SERVICES ANNUAL REPORT 2014

Note 28 Parent information

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

Non-current assets

Total assets

Liabilities

Current liabilities

Non-current liabilities

Total liabilities

Equity

Issued capital

Accumulated losses

Reserves

Total equity

Statement of comprehensive income

Total profit/(loss)

Total comprehensive income

CONSOLIDATED GROUP	
2014 \$000	2013 \$000
35	6,069
61,269	64,065
62,156	70,134
120	4,417
36	-
156	4,417
92,265	94,068
(31,725)	(29,111)
608	761
61,148	65,718
(882)	220
(882)	220

There are no commitments or contingent liabilities in the Parent Entity at 30 June 2014.

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.

Note 29 Controlled entities

(a) Controlled entities consolidated

Subsidiaries of Swick Mining Services Limited:

	COUNTRY OF INCORPORATION	PERCENTAGE OWNED (%)	
		2014	2013
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	100*
Swick Drilling Europe Ltd	United Kingdom	100	100*
Swick Mining Services (Indonesia) Pty Ltd	Australia	100	100*

* 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 30 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 2014.

(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	
	2014 No.	2013 No.
Balance at the beginning of the year	1,600,000	2,500,000
Granted	612,248	-
Vested	(606,124)	(400,000)
Expired	(400,000)	(500,000)
Balance at year end	1,206,124	1,600,000

Information relating to the Group's Performance Rights, including details of issued exercised and lapsed is set out in the Directors Remuneration Report.

NOTES TO THE FINANCIAL STATEMENTS

78 SWICK MINING SERVICES ANNUAL REPORT 2014

Note 31 Auditor's remuneration

Remuneration of the auditor for:

- Deloitte audit and review the financial report
- Other services Deloitte

CONSOLIDATED GROUP	
2014 \$000	2013 \$000
127,500	124,500
10,500	-
138,000	124,500

Note 32 Events after the reporting period

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

Note 33 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 transactions other than those related to key management personnel and investments in associates as disclosed.

For details of disclosures relating to key management personnel, refer to note 7 and the Remuneration Report.

Note 34 Financial risk management

Financial risk management objectives

The Group's corporate finance function provides services to the business, coordinates 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 18, 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 20, 21 and 22.

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 2014 and 30 June 2013 are as follows:

	Note	CONSOLIDATED GROUP	
		2014 \$000	2013 \$000
Total borrowings	18	20,844	22,523
Less cash and cash equivalents	9	(4,194)	(20,873)
Net debt		16,650	1,650
Total equity		107,971	109,838
Total capital		124,621	111,488
Gross gearing ratio (excluding cash)		19.3%	20.5%
Net gearing ratio		15.4%	1.5%

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

	Note	CONSOLIDATED GROUP	
		2014 \$000	2013 \$000
Financial assets			
Cash and cash equivalents	9	4,194	20,873
Loans and receivables	10	18,315	18,480
Financial lease receivable	12	-	415
Total financial assets		22,509	39,768
Financial liabilities			
Financial liabilities at amortised cost			
Trade and other payables	17	13,121	13,325
Borrowings	18	20,844	22,523
Total financial liabilities		33,965	35,848

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.

NOTES TO THE FINANCIAL STATEMENTS

80 SWICK MINING SERVICES ANNUAL REPORT 2014

(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.

As disclosed in note 3, the Group has one customer who contributes more than 10% of the revenue. Other than this customer 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 18 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 2014 approximately 60% of group debt is fixed. A one percentage point increase/decrease in interest rates would result in a net profit after tax decrease/increase of approximately \$58,000.

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

	WITHIN 1 YEAR		1 TO 5 YEARS		OVER 5 YEARS		TOTAL	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000	2014 \$000	2013 \$000	2014 \$000	2013 \$000
Consolidated Group								
Financial assets and liabilities:								
Cash and cash equivalents	4,194	20,873	-	-	-	-	4,194	20,873
Finance lease receivable	-	415	-	-	-	-	-	415
Bank overdrafts and loans	(603)	(875)	(19,000)	(19,000)	-	-	(19,603)	(19,875)
Hire purchase/ liabilities	(771)	(1,783)	(470)	(865)	-	-	(1,241)	(2,648)
Net (inflow)/ outflow on financial instruments	2,820	18,630	(19,470)	(19,865)	-	-	(16,650)	(1,235)

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 as outlined in note 18(c).

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

Maturity of notional amounts	CONSOLIDATED GROUP			
	Effective average fixed interest rate payable		Notional principal	
	2014 %	2013 %	2014 \$000	2013 \$000
Less than 1 year	6.03	6.16	11,370	2,658
1 to 2 years	6.53	5.09	358	10,664
2 to 5 years	6.24	6.66	116	201
			11,844	13,523

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:

Floating rate instruments	CONSOLIDATED GROUP			
	Effective average fixed interest rate payable		Effective average fixed interest rate payable	
	2014 %	2013 %	2014 \$000	2013 \$000
Bank loans	5.41	5.63	9,000	9,000

The Group cash balance at 30 June 2014 was \$4.1 million. These funds attract interest up to 0.35% per annum. A 1% increase or decrease in the interest rate will not result in a material variation in earnings.

(e) Foreign exchange risk

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

At each reporting date, monetary items denominated in foreign currencies are re-translated 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 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 in a single year. 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 equity.

Currency	CONSOLIDATED GROUP			
	Net financial assets/(liabilities)		Impact on equity	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
Canadian dollar	(8,581)	(10,019)	858	1,001
US dollar	(683)	85	68	(8)
Euro	(3,372)	(1,049)	337	104
Swedish krona	1,913	-	(191)	-

DIRECTORS' DECLARATION

82 SWICK MINING SERVICES ANNUAL REPORT 2014



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

A handwritten signature in dark ink, appearing to read 'K. Swick'.

Kent Swick

Managing Director

Dated this 22 day of August 2014



INDEPENDENT AUDITOR'S REPORT

SWICK MINING SERVICES ANNUAL REPORT 2014 83

Deloitte

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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 June 30 2014, 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 38 to 82.

Directors' Responsibility for the Financial Report

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

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

INDEPENDENT AUDITOR'S REPORT

84 SWICK MINING SERVICES ANNUAL REPORT 2014

Deloitte

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of 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 2014 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 23 to 31 of the directors' report for the year ended 30 June 2014. 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 2014, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Peter Rupp

Partner

Chartered Accountants

Perth, 22 August 2014



The following additional information, current as at 12 September 2014, is required by the ASX Listing Rules to be disclosed in the annual report.

1. ASX Corporate Governance Council best practice recommendations

The Company strives to adhere to, where practical and relevant, the “Principles of Good Corporate Governance and Best Practice Recommendations” released by the ASX Corporate Governance Council. See Corporate Governance Statement for details of the Company’s departure from the recommendations.

2. Substantial holders

Shareholder	Number of shares
Kent Swick & Tanya Swick	32,500,000
Hercules International Pty Ltd	22,108,502
JP Morgan Nominees Australia Limited	21,438,519
HSBC Custody Nominees (Australia) Limited	17,678,699
National Nominees Limited	15,953,827
Rosanne Thelma Swick	13,874,524
BNP Paribas Noms Pty Ltd	12,562,695

3. Distribution schedule of equity security holders

	Number of holders
	Fully paid shares
1 – 1,000	366
1,001 – 5,000	694
5,001 – 10,000	384
10,001 – 100,000	703
100,001 and over	82
Total number of holders	2,229

4. Holders of unmarketable parcels

There are 543 shareholders holding less than a marketable parcel of ordinary shares (based on a market price of \$0.285 per share).

5. Classes of shares and voting rights

The voting rights attaching to the Company’s ordinary fully paid shares, as set out in Rule 12.11 of the Constitution, are as follows:

“Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at meetings of Shareholders or classes of Shareholders:

- each Shareholder entitled to vote may vote in person or by proxy, attorney or Representative;
- on a show of hands, every person present who is a Shareholder or a proxy, attorney or Representative of a Shareholder has one vote; and
- on a poll, every person present who is a Shareholder or a proxy, attorney or Representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or Representative, have one vote for the Share, but in respect of partly paid Shares, shall have such number of votes being equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable in respect of those Shares (excluding amounts credited).”

ASX ADDITIONAL INFORMATION

86 SWICK MINING SERVICES ANNUAL REPORT 2014

6. Register of securities

The register of securities is kept at the office of the Company's share registry, Security Transfer Registrars Pty Ltd at 770 Canning Highway, Applecross, Western Australia.

7. Stock Exchange listing

The Company's securities are quoted on the Australian Securities Exchange. Trading code: SWK.

8. On-market buy-back

There is currently an on-market buy-back being undertaken by the Company.

9. Twenty largest holders of fully paid shares

	Shareholder	Shares	%
1.	Hercules International Pty Ltd	22,108,502	10.23
2.	JP Morgan Nominees Australia Limited	21,438,519	9.92
3.	HSBC Custody Nominees (Australia) Limited	17,678,699	8.18
4.	National Nominees Limited	15,953,827	7.38
5.	Kent Jason Swick	14,500,651	6.71
6.	Tanya Michelle Swick	14,500,651	6.71
7.	Rosanne Thelma Swick	13,874,524	6.42
8.	BNP Paribas Noms Pty Ltd	12,562,695	5.81
9.	Wroxby Pty Ltd	8,555,515	3.96
10.	HSBC Custody Nominees (Australia) Limited	7,063,794	3.27
11.	Citicorp Nominees Pty Ltd	4,236,235	1.96
12.	Zero Nominees Pty Ltd	3,500,000	1.62
13.	Citicorp Nominees Pty Ltd	3,321,338	1.54
14.	Equitas Nominees Pty Ltd	2,897,683	1.34
15.	ABN Amro Clearing Sydney Nominees Pty Ltd	2,558,528	1.18
16.	Robert Lugton & Gillian Lugton	1,763,000	0.82
17.	BBY Nominees Pty Ltd	1,582,733	0.73
18.	K & T Swick Pty Ltd	1,540,000	0.71
19.	Kent Swick & Tanya Swick	1,428,698	0.66
20.	Jared Lawrence & Kathryn Zaccaria	949,126	0.44
		172,014,718	79.59

10. Unquoted securities

There are 3 holders of 1,206,124 performance rights. Holders of more than 20% are:

Name of holder	Number held
Vahid Haydari	488,600
Bryan Wesley	417,524
Will Gove	300,000
Total	1,206,124



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