

# ANNUAL REPORT 2014

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Runge Pincock Minarco

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# CHAIRMAN'S REPORT

Dear Fellow Shareholders,

The past twelve months have again been challenging for the industry in which the Company operates, particularly in its Advisory and GeoGAS divisions.

The recent mining boom has seen a significant increase in the supply of resources from both new mines and extensions to existing mines. The current situation involves increases in supply outstripping increases in demand, resulting in substantial downward pressure on commodity prices. The overriding imperative for mining companies continues to be to reduce their cost of mining as quickly as possible.

In Australia, the competitiveness of many mines has been seriously eroded due to demanding industrial relations practices, compliance costs, previously negotiated 'take or pay' transportation arrangements and the high value of the Australian dollar.

The significant pull back in new capital investments by the major mining companies has continued throughout 2013 and 2014 and the low levels of coal exploration currently being undertaken are adversely affecting the GeoGAS division. The Junior miners remain bunkered down and are focused on cash preservation rather than exploration investment.

The Company, like most contributors to the industry, has been negatively impacted by this sharp contraction in industry investment. The Company's Advisory division, GeoGAS division and desktop Software sales have all seen a reduction in demand. Not only has absolute demand dropped but pricing competition has intensified which is driving down both prices and margins.

In last year's Report, I assured shareholders that we would continue to closely monitor the industry changes and if needed respond swiftly and decisively, which we have. As we

did last year, we have reduced the ongoing operational costs of the business, particularly in the Advisory and GeoGAS divisions. We have also kept the lid firmly fastened in relation to capital expenditure.

As a result of restructuring activities undertaken by Richard and his management team, operating expenditure (expenses excluding amortisation, depreciation, restructure and impairment) in 2014 is down 15%, or \$10.7 million, on the prior year. As the majority of Company costs are employee related, this down-sizing cost the Company \$1.0 million in redundancy and \$0.5 million in other one-off restructuring expenditure. We have also recognised a non-cash impairment of \$3.0 million to the Goodwill associated with the Advisory division.

Right throughout this difficult process we have ensured that the Company's core capabilities and capacity were retained. The Board believes that the Company's cost structure is now appropriate for our current revenue expectations but we will continue to remain vigilant and monitor the industry situation closely.

While we have reduced the operating costs of the business, we have also invested in technology products. During the year we released HAULSIM, which is a new desktop simulation product, along with three more Commodity Based Solutions (Open Pit Metals, Open Pit Diamonds and Oil Sands). We also released the Company's second enterprise product (XACT for Enterprise) which is fully integrated with SAP's suite of corporate products.

These new products laid the foundation for the Company's 44% increase in software license sales in 2014 and significant increase in the Company's software license pipeline leading into 2015.

In August 2014, the Company acquired a non-exclusive right to the software code of the

# CHAIRMAN'S REPORT

Mine 2-4D software design product from MineRP. Under the terms of the acquisition we have unrestricted rights to rebrand, commercialise and exploit the software code and any successor products. This acquisition will enable us to develop mine design products and offer integrated design capability with the Company's scheduling products.

The Board is firmly of the opinion that these investments, along with the products that will be released in 2015, will provide the growth engine for the business in 2015.

For the second year in a row, we are pleased to report there has been good liquidity in the Company's shares.

Given demand for the stock, in August 2014 the Company executed an Institutional Share Placement Scheme (SPS), placing 35,000,000 ordinary shares at \$0.60 cents (an 8% discount to the then trading price) raising \$21 million in capital for the purpose of accelerating the Group's software strategy.

Institutional representation on the Company's share register has continued to climb and is now greater than 50% of the total issued capital of the Company. As a result of the SPS, both Challenger/Greencape and Colonial (Commonwealth Bank of Australia) became substantial shareholders and we welcome them to the register. The Company is also undertaking a Share Purchase Plan (SPP) for retail shareholders who are able to purchase up to \$15,000 of the Company's stock on the same terms as the institutional placement.

The Board has resolved not to pay a dividend this financial year.

2014 has been another difficult year for mining services providers but one in which we have started to see the potential of our software strategy. As a Board, we support and commend Richard and his management team for making timely and appropriate decisions in

response to market conditions and I would like to acknowledge the effort and commitment our staff continue to demonstrate and the continued progress being made in the year on delivery of our software strategy.

The near term outlook of the Advisory and GeoGAS divisions remains constrained, with no clear indicators that the market is about to turn any time soon. While the Advisory market is difficult, the Company has retained the skills of key people to take advantage of any Advisory opportunities which present themselves.

However, we do believe the new software products which the business has and will bring to market, leave us well positioned for the future and will make our Company more competitive and relevant.



**Allan Brackin**  
Chairman

# MANAGING DIRECTOR'S REPORT

## FINANCIAL RESULTS

The Company's financial performance in 2014 was another poor one. Demand for mining advisory services, desktop software products and coal gas exploration testing were again negatively impacted by weak commodity prices, lack of investment by mining companies and a restriction on capital to the industry by the banking sector.

Group net revenue dropped by 18% to \$60.4 million (2013: \$73.9 million) with Advisory net revenue decreasing by 31% to \$25.9 million (2013: \$37.5 million). Software license revenue finished the year at \$9.8 million, 44% ahead of the previous year's result (2013: \$6.8 million). Software maintenance revenue increased by 12% to \$12.6 million (2013: \$11.3 million). Laboratory testing and consulting net revenue from the GeoGAS business finished the year at \$4.6 million (2013: \$7.7 million) a 40% reduction from the previous year.

All operational areas of the business were impacted by the continuing contraction throughout the industry resulting in a net loss after tax of \$7.4 million (including one-off restructuring and asset write-downs). Basic earnings per share decreased to a loss of 5.2 cents per share after last year reporting a loss of 5.9 cents per share.

## OPERATIONAL RESTRUCTURING

During the year the Company's customer base continued their push to reduce their capital and operating costs as quickly as possible, thereby directly impacting their suppliers' revenue opportunities which of course included the Company.

The Company's Advisory business and GeoGAS business are both sensitive to coal exploration activities which continued to be severely curtailed.

In the Advisory space, there was less work available due to mining companies cutting back on exploration, capacity expansions and mine planning. The work that was available was hotly contested. Employees made redundant by the mining companies started to compete for jobs where they had intimate knowledge of the asset or resource at rates we were and still are unable to match. There were very few feasibility studies or large mine planning studies commenced over the last twelve months. There were however a number of large assets divestments undertaken by the mega mining companies which we were fortunate enough to be involved in - Las Bambas in Peru, Clermont Coal in Australia, Northparkes in Australia, 5 Phosphate Projects in Brazil and 11 Coal Mines in China.

During the year we divided the business into three operating units – Advisory, Software and GeoGAS. This change has aligned us better with our customer base and has enabled our people to better utilise their specific professional skills.

We have worked hard to build a more sales and marketing lead business through the creation of dedicated divisional sales teams who think globally but act locally.

During the 2012 and 2013 years we aggressively reduced the Company's cost structure wherever possible. In 2014 a number of fixed cost contracts came up for renewal (including software support and office occupancy) in each case we have reduced the fixed costs of the business having committed to either less users, less space or renegotiated the applicable rate.

## GROUP SALES AND MARKETING

2014 was focused on building a sales team capable of competing and winning larger deals. During the year we increased the size and capability of the software sales team with the introduction of enterprise software sales

# MANAGING DIRECTOR'S REPORT

professionals. We also increased the size of the product management and global pre-sales team. This investment coupled with the release of new products directly resulted in an increase in software license sales of 44% over the previous year. The Company also has a software sales pipeline which is 5 times greater leading into 2015 than it was leading into 2014.

In terms of marketing, with our rebranding exercise behind us, greater focus was placed on creating great sales collateral for the sales teams.

During the year the Software division launched XACT for Enterprise, Open Pit Metals Solution, Open Pit Diamonds Solution, Oil Sands Solution and HaulSim. Each product was launched at an industry forum which was supported with media, brochures and top draw sales collateral.

The Advisory division had Marketing create a global capability profile which included specific commodity brochures (Open Cut Coal, Copper/Base Metals, Precious Metals, Iron Ore, Laterite Ore, Uranium/REE and Underground Coal) which have been used by both the Business Development team and our consultants.

We continued investment in our new website which is our store window to the world. We launched Russian, Chinese and Portuguese web sites during the year along with an eCommerce portal so customers could directly purchase our smaller desktop products.

Our relationship with SAP continues to strengthen. During the year we expanded the number of integration points between our solutions along with the number of actual middleware tools. We also built integration into SAP's Business Objects (BO) product and Budgeting, Planning and Consolidation applications (BPC). We were also invited to participate in SAP's new PartnerEdge program

which provides us with even greater access to SAP's development software, personnel, development resources and "go-to-market" enablement support. We now have a joint customer who is using the full integration between our two systems.

## RESEARCH AND DEVELOPMENT

The Research and Development team had a magnificent year. They released 7 new products during the year along with significant upgrades to almost all of our desktop products. They also released the first version of our Operating Mining Integration (OMI) platform which forms the basis of our enterprise software strategy.

We increased the size of the development team over the last twelve months and with the acquisition of the Mine2-4D software code we will again increase its size so that we can build out our Mine Design functionality as quickly as possible.

While most of last year's product releases were oriented toward metals, the upcoming year will see a greater emphasis on coal.

We will continue to release specific commodity solutions in 2015 along with the release of an Ultra Short term scheduling product.

## EMPLOYEES

It was a tough year for our employees who saw many of their friends and colleagues leave the business as we continued to right size the Company.

Employee costs make up 72% of the total operating costs for our business. At the end of the financial year we had 284 employees which represents a reduction of 17% in employee numbers from the same period in the prior year.

# MANAGING DIRECTOR'S REPORT

## OUTLOOK

We are expecting mining companies to continue to focus on productivity improvements in the year ahead. We believe our Advisory business will remain under pricing pressure, however, if we can continue to win large merger and acquisition projects, then we will continue to hold our own.

The GeoGAS business will likely remain under pricing pressure given the current position of the coal industry and it will continue responding to competitive pressures by differentiating itself through superior customer and consulting services.

While we see little change in the demand for desktop products, we remain extremely enthusiastic about the release of our Commodity Based Solutions, HaulSim simulation product, enterprise products and planned release of an ultra-short term scheduling applications.

Our cost structure and the investments we have made in our software offerings position us well for the year ahead.



**Richard Mathews**

Managing Director and Chief Executive Officer

# BOARD OF DIRECTORS

## ALLAN BRACKIN

### **Non-Executive Director and Chairman**

Appointed to the Board of Directors in November 2011, Allan is also a Director of ASX listed GBST Holdings Limited, Chairman of Emagine Pty Ltd, and acts in an advisory capacity to several IT companies. Allan has been in the technology industry for more than 25 years.

Allan was formerly Director and Chief Executive Officer of Volante Group Limited, and prior to this, co-founder of Applied Micro Systems (AMS), Netbridge Systems Integration, Prion Technology Distribution, Quadriga Consulting Group and Affinity Recruitment. These businesses were all part of AAG Holdings of which Allan was Managing Director.

Allan holds a Bachelor of Applied Science from the Queensland University of Technology and has completed the OPM (Owner/President Management) Program at Harvard Business School.

## RICHARD MATHEWS

### **Managing Director and Chief Executive Officer**

Richard was appointed as Chief Executive Officer in August 2012. Richard was previously a Non-Executive Director on the RungePincockMinarco Limited Board of Directors. Richard was former Non-Executive Chairman and Chief Executive Officer of eServGlobal Limited. He has more than 20 years of management experience in telecommunications, software and investment. He is a founding partner of MHB Holdings. Richard has extensive knowledge of the mining and technology space and proven track record of running global businesses and creating shareholder value. Richard was formerly CEO of Mincom, Australia's largest enterprise software company. Richard has also held the role of Senior Vice President, International at J D Edwards.

Richard holds a Bachelor of Commerce and a Bachelor of Science from Otago University and is an Associate Chartered Accountant.

## DR IAN RUNGE

### **Non-Executive Director**

Ian Runge founded RungePincockMinarco Limited in 1977 after previously working in the mining industry in central Queensland, Europe and the United States of America. He transitioned from full-time operational involvement in 1992, but has continued to make significant contributions to the company and to the industry since that time in the areas of governance processes and business strategy.

He is recognised as a leading expert in the field of mining economics and strategy and is the author of two books in this field, including the textbook "Mining Economics and Strategy", published by the Society of Mining, Metallurgy and Exploration (Denver).

Ian holds a Master of Engineering (Mining) from the University of Queensland and a Master of Arts and PhD in Economics from George Mason University (Virginia, USA). Ian is a Fellow of the Australasian Institute of Mining and Metallurgy and a Fellow of the Australian Institute of Company Directors.

## ROSS WALKER

### **Non-Executive Director**

Appointed to the Board of Directors in March 2007, Ross is also a partner of Pitcher Partners (Chartered Accountants) having joined them in 1985. Pitcher Partners has more than 140 staff and 16 partners. Ross held previous roles at Arthur Andersen, having worked locally and in various offices throughout the United States of America.

Ross has experience in corporate finance, auditing, valuations and capital raisings. Ross holds a Bachelor of Commerce from the University of Queensland and is a member of the Institute of Chartered Accountants.



# EXECUTIVE GENERAL MANAGERS

## KIERAN WALLIS

### **Executive General Manager – Corporate Services**

Kieran was appointed as Executive General Manager – Corporate Services in September 2012, having previously held the roles of Chief Operating Officer (COO) and Chief Financial Officer (CFO) since he joined RungePincockMinarco Limited in October 2010. Kieran is a Chartered Accountant with more than 20 years' experience in professional services and technology industries.

Kieran has previously held CFO roles in the ASX-listed technology company GBST Holdings and prior to joining RungePincockMinarco Limited was CFO of the mining services company Industrea Limited. Kieran's background includes substantial international management and operational experience including the negotiation and execution of major corporate finance transactions.

Kieran holds a Bachelor of Business (Accountancy) from the Queensland University of Technology and is a member of the Institute of Chartered Accountants in Australia.

## MICHAEL KOCHANOWSKI

### **Executive General Manager – Chief Financial Officer**

Appointed Chief Financial Officer in February 2012, Michael's prior role with RungePincockMinarco Limited included four years as Group Financial Controller.

Michael is a Certified Public Accountant and Fellow of the Tax Institute of Australia. Prior to joining RungePincockMinarco Limited Michael held a senior management position in the business advisory division of chartered accounting firm Moore Stephens.

Michael holds a Bachelor of Commerce and Master of Business Administration from the University of Queensland.

## JAMES O'NEILL

### **Executive General Manager – Group General Counsel and Company Secretary**

James was appointed as Executive General Manager – Group General Counsel and Company Secretary in December 2012.

James has broad experience acting in an in-house legal capacity for multi-national companies, has served as company secretary and has experience in corporate governance, joint ventures, acquisitions and contract negotiation with multi-national licensing and consulting service businesses.

James' most recent role was as Regional General Counsel with Hyder Consulting Pty Ltd, a multi-national advisory and design engineering firm, and he has previously held Senior Legal Counsel roles at Ansaldo STS Australia Pty Ltd and Mincom Pty Ltd respectively.

James holds a Bachelor of Laws and Bachelor of Information Technology from Queensland University of Technology, is a Solicitor, Member of the Queensland Law Society and a Certificated Member of the Governance Institute of Australia.

## CRAIG HALLIDAY

### **Executive General Manager – Software Division**

Craig was appointed as Executive General Manager – Software Division in November 2013. Craig has previously served as CEO and COO at eServGlobal. Craig has a strong record of growing businesses to achieve consistent profitable growth. He has completed acquisitions and been instrumental in bringing private equity funding into previous companies.

Craig has diverse experience within the technology sector including executive management, sales management and financial analysis. He has also set up businesses, turned

# EXECUTIVE GENERAL MANAGERS

around businesses and acquired companies across the globe including India, China, Hong Kong, Taiwan, South Africa, United Arab Emirates, Spain, Chile, Japan, Brazil, Australia, France, Germany and the United States.

Craig was previously COO at Mincom and President of PeopleSoft Japan and held various management positions within J.D. Edwards.

Craig holds a Bachelor of Science from the University of Edinburgh.

## PHILIPPE BAUDRY

### **Executive General Manager – Advisory Division**

Philippe joined RungePincockMinarco as a geologist in 2008 and went on to successfully build the group's advisory business in Asia before recently taking executive ownership of all Advisory Services.

Having started working life in open cut and underground operations in Western Australia, followed by 3 years developing large porphyry copper projects in Russia, Philippe has spent the last eight years focusing on financial market transactions and downstream operational and exploration value creation.

Based out of Beijing for the past 5 years Philippe has managed numerous Due Diligence and Independent Technical Review projects for private acquisitions and listing purposes and has worked closely with leading Chinese state-owned enterprises and international financial institutions in Australia, Hong Kong, Mongolia, China and Russia.

Philippe holds a Bachelor of Science Mineral Exploration and Mining Geology, an Associate Diploma of Geoscience, a Graduate Certificate of Geostatistics and is a Member of the Australian Institute of Geoscientist ("MAIG"). Philippe meets the requirements for Qualified Person ("QP") for 43-101 and SGX reporting, and Competent Person ("CP") for JORC and

HKEx reporting for most metalliferous Mineral Resources.

# CORPORATE DIRECTORY

## Directors

**Allan Brackin**

*Chairman*

**Richard Mathews**

*Managing Director*

**Dr Ian Runge**

*Non-executive Director*

**Ross Walker**

*Non-executive Director*

**Group General Counsel and Company Secretary**

**James O'Neill**

## Registered Office

Level 12, 333 Ann Street

Brisbane QLD 4000

Ph: +61 7 3100 7200

Fax: +61 7 3100 7297

Web: [www.rpmglobal.com](http://www.rpmglobal.com)

## Auditor

BDO Audit Pty Ltd

Level 10, 12 Creek St

Brisbane QLD 4000

## Share Registry

Computershare Investor Services Pty Limited

117 Victoria Street

West End QLD 4101

## Stock Exchange Listing

The company is listed on the Australian Securities Exchange Limited (ASX: RUL)

**ABN 17 010 672 321**

# DIRECTORS' REPORT

Your Directors present their report on RungePincockMinarco Limited and its subsidiaries for the year ended 30 June 2014 (referred to hereafter as the "Group").

## 1. Directors

The Directors of RungePincockMinarco Limited at any time during or since the end of the period were:

### Non-executive

Allan Brackin – *Chairman*

Dr Ian Runge

Ross Walker

### Executive

Richard Mathews – *Managing Director*

## 2. Principal Activities

The Group's principal activities during the financial year consisted of:

- a) Technical, advisory and training services to the resources industry;
- b) Software licensing, consulting, implementation and maintenance; and
- c) Laboratory gas testing.

There were no significant changes in the nature of the Group's principal activities during the financial year.

## 3. Dividends

No dividends were paid or declared during the financial year.

## 4. Review and Results of Operations

Net revenue in the 2014 financial year decreased by 18% to \$60.4 million (2013: \$73.9 million). Despite strong growth in software license and maintenance revenue in the 2014 financial year, revenue from advisory and laboratory services continued to decline due to the ongoing pullback in exploration activity and significantly increased competition in the Australian and American markets.

During the year the Group consolidated the previous regional management structure along divisional lines to provide greater visibility on the drivers of results from the Software, Advisory and GeoGAS operating divisions of the Group. The Software division comprises the largest in the Group, contributing 48% of net operating revenue (2013: 38%).

The Software division grew revenue by 4% to \$28.8 million (2013: \$27.7 million), primarily due to a 44% increase in software license sales to \$9.8 million (2013: \$6.8 million). Net revenue from the Advisory division reduced by \$11.5 million to \$25.9 million (2013: \$37.5 million) and GeoGAS declined to \$4.6 million (2013: \$7.7 million).

The Group undertook further restructuring during the year in response to declining revenues, with Operating costs down 15% to \$61.3 million (2013: \$72.0 million) however the fall in revenue resulted in an Operating EBITDA (Earnings before Interest, Tax, Depreciation, Amortisation, Restructure and Impairment) loss of \$0.9 million (2013: profit \$1.9 million).

The Group reported a \$7.4 million loss after tax inclusive of restructuring and impairment charges (2013: loss \$7.6 million) with a loss of 5.2 cents per share (2013: loss 5.9 cents earnings per share).

The Group had cash reserves of \$7.5 million (2013: \$6.9 million) and no bank debt at the end of the financial year.

# DIRECTORS' REPORT

## 4. Review and Results of Operations (Continued)

### *Software Division*

Seven new software products were released during the 2014 financial year and contributed towards a 44% increase in software license revenue to \$9.8 million (2013: \$6.8 million). Software sales in the traditionally strong fourth quarter of the year were \$3.3 million, marking a significant turnaround from the prior comparative quarter sales of \$1.3 million. This increase in license sales was too late in the year to impact revenue from software consulting services which declined to \$6.9 million (2013: \$10.9 million) but signals a strong start to consulting and software license sales pipelines for FY2015.

Recurring revenue from annual Software Maintenance grew by 11% to \$12.5 million (2013: \$11.3 million).

### *Advisory Division*

The Advisory division provides independent consulting and advisory services which cover technical and economic analysis and assessment of mining activities and resources on behalf of mining companies, financial institutions, government agencies and suppliers to mining projects. The market for advisory services is heavily reliant on expansion, development, financing and transacting of mining assets and projects.

Revenue from advisory services decreased by 30% to \$25.9 million (2013: \$37.5 million) with regions more heavily dependent on the sale of mining product into export markets, such as the Australian and American regions, being most affected by slowing activity. Revenue from these regions fell by 38% and 49% respectively.

Operating expenses for the division reduced by 19% from the prior year to \$24.5 million, primarily as a result of a 20% reduction in divisional staff numbers which finished the year at 111 employees (2013: 139). The reduction in staff numbers saw an increase in the use of associates and sub-contractors on advisory projects managed by the division with direct costs related to advisory projects of \$4.3 million for the year (2013: \$4.5 million).

The Advisory division contributed 43% of Group net revenue in 2014, down from 51% in the 2013 financial year.

### *GeoGAS*

The GeoGAS business provides mine gas consulting and laboratory testing services to the coal industry on the East Coast of Australia. The Australian coal industry experienced further cutbacks in 2014 to exploration budgets and forward planning activity and GeoGAS experienced significant pressure on pricing from its client base. Net revenue was down by 40% to \$4.6 million (2013: \$7.7 million), however, the division remained profitable with a segment contribution of \$1.1 million at an operating margin of 23% (2013: \$2.1 million).

GeoGAS comprised 7% of Group net revenue in 2014 (2013: 10%).

### *Operating expenses*

Operating expenses before amortisation and depreciation decreased by 15% to \$61.3 million during the year (2013: \$72.0 million). Most significantly, Employee Benefits expense was reduced to \$44.0 million (2013: \$51.7 million) due to a decrease in staff headcount to 284 (2013: 341) as a result of restructuring and redundancies.

Operating expenses include a loss from movements in foreign exchange rates of \$0.4 million (2013: gain \$0.2 million) and \$0.9 million (2013: \$0.6 million) in provisioning for doubtful receivables from exploration advisory clients, particularly in developing economies.

# DIRECTORS' REPORT

## 4. Review and Results of Operations (Continued)

### *Restructure and Impairment costs*

Restructure costs for the year totalled \$4.5 million and include \$1.0 million on staff restructuring, \$0.5 million in provisioning for vacant premises costs and \$3.0 million in impairment of Goodwill. The staff restructuring costs will result in annualised savings in employee costs of \$4.5 million. The Group entered into an agreement to downsize and relocate its head office premises in Brisbane during the second half of the year. The new lease will result in annualised cash savings of \$2.1 million from 1 July 2015, however it has necessitated provisioning for surplus rental costs for vacant office space under the current lease agreement.

The Group has recognised a non-cash impairment charge of \$3.0 million against goodwill allocated to the Advisory division. The impairment reflects continued difficult trading conditions for the Advisory division, with revenue down 31% in FY2014 which subsequently resulted in a reduction in Advisory staff throughout the year.

## 5. Likely Future Developments - Business Strategies and Prospects for Future Financial Years

### *Software Division*

In 2014 the Group realigned its reporting and management along divisional lines. In part this change was implemented to increase focus on driving revenue and profitability of the software division. In 2014 Revenue of the Software Division overtook Advisory for the first time since listing in 2008 and is the largest division by revenue and headcount.

During the year the Group has launched to market seven new products and increased Q4 sales this year up 154% compared to Q4 of 2013. New products have allowed the Group to build a much stronger pipeline of opportunities coming into next year.

License sales in 2014 included \$4.0 million from new products released in the past 12 months, with most of this revenue coming from XERAS for Enterprise (X4E) and Open Pit Metals Solution (OPMS).

In November 2013 it was announced that three customers were trialing OPMS, two more customers acquired OPMS in the second half of the year.

In May 2014 the Company announced that one of its new software products, XERAS for Enterprise (X4E) is currently implemented by three major clients in South Africa, Australia and Indonesia. Since this announcement, three more customers acquired X4E in 2014 with implementations in limited trial sites under way.

In many cases the licence sales in 2014 represent pilot or initial licence purchases with further sales to customer groups expected in the future based on go-lives, product rollouts and incremental features and functions being introduced into future releases of the products.

### *Design Software Acquisition*

The Company is well known for its range of short-term and long-term planning and scheduling software solutions. The Company historically provided import/export functionality to various mine design tools of different vendors to allow feedback between design and scheduling process and will continue to do so. However, full integration with its own design tool will greatly improve the Company's software offering.

The Company acquired Mine2-4D design tool software code to develop its own design capability. It is expected that the first release of this new product will be in the second quarter of 2015.

### *Advisory and GeoGAS*

Near term outlook for the businesses remains tough, however, longer term fundamentals remain positive. Management had acted decisively in the past and will continue to do so in future. Abundance of low cost competition is expected to keep pressure on revenue and margins in these businesses in the near term but longer term remains still positive.

# DIRECTORS' REPORT

## 5. Likely Future Developments - Business Strategies and Prospects for Future Financial Years (Continued)

### *New Head Office lease*

The Group entered into a lease agreement to downsize and relocate its Head Office premises in Brisbane at the end of the next financial year. The new lease will result in \$2.1 million in cash savings from July 2015. However, it necessitated increasing provisions for make good and accelerating depreciation of existing fitout costs. The additional costs would amount to \$1.6 million non-cash depreciation expense over 2015 and approximately \$1.1 million in cash costs to make good and reinstate current premises to base building in the last quarter of the next year.

### *Capital Raising*

The Company has raised \$21 million on 1 August 2014 in a share placement from institutional investors. The placement was significantly oversubscribed and provides the Group capacity to expand business through further acquisition and investment in its software products.

## 6. Legal Proceedings on Behalf of the Group

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings, other than for Group pursuing outstanding accounts receivable through courts.

## 7. Significant Changes in the State of Affairs

There was no matter or circumstance during the financial year that has significantly affected the state of affairs of the Group not otherwise disclosed.

## 8. Matters Subsequent to the End of the Financial Year

On 1 August 2014 the Company has completed a placement of 35,000,000 ordinary shares for cash consideration of \$21,000,000 to institutional investors in Australia.

The Company has offered a Share Purchase Plan (SPP) to shareholders on the register as at 31 July 2014. The purpose of SPP is to give all current shareholders the ability to buy up to \$15,000 worth of the Company's shares on the same terms as the institutional placement. The SPP is not underwritten and the Board intends to cap the total raising at \$1,200,000 (2,000,000 shares). No shares were allocated under the SPP as at the date of this report.

On 8 August 2014 the Company acquired a non-exclusive right to the software code of the Mine2-4D mine design application from South African technology company MineRP, for \$1,250,000. The Company intends to rebrand and integrate the product with its existing software product suite. The costs of acquisition and internal software development will be capitalised in accordance with the Intangible Asset accounting policy, refer note 1 (o).

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected the Group's operations, results or state of affairs, or may do so in the future years.

# DIRECTORS' REPORT

## 9. Information on Current Directors and Company Secretary

Directors	Experience	Special responsibilities
Allan Brackin	Chairman, Non-executive Director. Joined the Board in November 2011. Allan was formerly Director and Chief Executive Officer of Volante Group Limited, and prior to this, co-founder of Applied Micro Systems (AMS), Netbridge Systems Integration, Prion Technology Distribution, Quadriga Consulting Group and Affinity Recruitment. Qualifications: Bachelor of Applied Science Other listed company directorships in last three years: Director of GBST Holdings Limited since 2005	<i>Chairman Member and Chairman – HR and Remuneration Committee Member of Audit and Risk Committee (from 12 August 2014)</i>
Dr Ian Runge	Non-executive Director, company founder. Director since December 1986. Qualifications: M.E.(Mining Engineering), Ph D. (Economics), FAusIMM, FAICD Other listed company directorships in last three years: None	<i>Non-executive Director Member – Audit and Risk Committee</i>
Ross Walker	Non-executive Director. Joined the Board in March 2007. Joined Pitcher Partners (previously Johnston Rorke) in 1985, Managing Partner in 1995 - 2013. Predominantly involved in corporate finance, auditing, valuations, capital raisings and mergers and acquisitions for the past 20 years. Qualifications: Bachelor of Commerce, FCA Other listed company directorships in last three years: None	<i>Non-executive Director Member and Chairman – Audit and Risk Committee Member – HR and Remuneration Committee</i>
Richard Mathews	Appointed Managing Director 28 August 2012. Richard was previously the Non-Executive Chairman and Chief Executive Officer of eServGlobal Limited. He has more than 20 years' of management experience in telecommunications, software and investment. He is a founding partner of MHB Holdings Pty Ltd. Richard was formerly CEO of Mincom, Australia's largest enterprise software company. Richard has also held the role of Senior Vice President, International at J D Edwards and Director of TransLink Transport Authority. Qualifications: Bachelor of Commerce, Bachelor of Science, ACA Other listed company directorships in last three years: Non-executive chairman and director of eServGlobal Ltd in 2009 - 2014.	<i>Executive Director Member – HR and Remuneration Committee</i>

All Directors are members of the Nominations Committee.

### Company Secretary

James O'Neill, Group General Counsel and Company Secretary. Joined RungePincockMinarco Limited in December 2012. Qualifications: Bachelor of Laws and Bachelor of Information Technology from Queensland University of Technology and is a Solicitor and Member of the Queensland Law Society.



# DIRECTORS' REPORT

## 10. Meetings of Directors

The number of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2014 and the number of meetings attended by each Director were:

	Full meetings of Directors		Audit & Risk Committee		HR & Remuneration Committee	
	Attended	Held	Attended	Held	Attended	Held
Allan Brackin	10	10	-	-	2	2
Dr Ian Runge	10	10	4	4	-	-
Ross Walker	8	10	4	4	2	2
Richard Mathews	10	10	-	-	2	2

## 11. Insurance of Officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a Director or executive, for which they may be personally liable, except where there is a lack of good faith.

During the financial year, the Company paid insurance premiums to insure the Directors and Officers of the Company against certain risks associated with their activities as officers of the Company. The terms of that policy prohibit disclosure of the nature of liability covered, the limit of such liability and the premium paid.

## 12. Shares Under Option

Unissued ordinary shares of RungePincockMinarco Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
14/12/2010	30/09/2014	\$0.57	294,935
29/05/2012	31/08/2016	\$0.40	1,796,000
03/05/2013	31/08/2016	\$0.55	578,600
26/08/2013*	31/08/2016	\$0.55	1,539,734
29/11/2013*	29/11/2018	\$0.68	1,743,000
19/02/2014	19/02/2019	\$0.67	350,000
31/03/2014	31/03/2019	\$0.73	250,000
			<b>6,552,269</b>

\* Included in these options were options granted as remuneration to the five highest remunerated officers during the year. Details of options granted to the five highest remunerated officers who are also key management personnel are disclosed in the section 20E of the Remuneration report. No options were granted to officers who are among the five highest remunerated officers of the Company and the Group, but are not key management personnel and, hence, not disclosed in the remuneration report.

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

## 13. Shares issued on the exercise of options

The following ordinary shares in the Company were issued during the year on the exercise of options granted under the Company's Employee Shares Option Plan. No further shares have been issued under the plan since 30 June 2014. No amounts are unpaid on any of the shares.

Date options granted	Expiry date	Issue price of shares	Number of shares issued
14/12/2010	30/09/2014	\$0.57	35,734

# DIRECTORS' REPORT

## 14. Environmental Legislation

RungePincockMinarco Limited and its controlled entities are not subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory.

## 15. Non-audit services

There were no non-audit services provided by BDO Audit Pty Ltd, its related practices and non-related audit firms in the 2014 financial year.

## 16. Indemnity of Auditors

The Company has agreed to indemnify and hold harmless its auditors, BDO Audit Pty Ltd, against any and all losses, claims, costs, expenses, actions, demands, damages, liabilities or any other proceedings whatsoever incurred by the auditors in respect of any claim by a third party arising from or connected to any breach by the Company.

## 17. Auditor's Independence Declaration

In accordance with Section 307C of the Corporations Act 2001, a copy of the auditor's independence declaration is enclosed on page 26.

## 18. Directors' Interests

The relevant interest of each director in the shares and options issued by the Company, as notified by the directors to the ASX in accordance with section 205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	RungePincockMinarco Limited	
	Ordinary shares	Options over ordinary shares
A Brackin	927,528	-
Dr I Runge	16,310,484	-
R Walker	900,000	-
R Mathews*	7,109,503	-

\* Includes 175,560 shares held by R Mathews as trustee under a bare trust arrangement for a third party.

## 19. Rounding of Amounts

The Company is of a 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 and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

## 20. Remuneration Report - Audited

The remuneration report is set out under the following main headings:

- A. Principles used to determine the nature and amount of remuneration;
- B. Service agreements;
- C. Details of remuneration;
- D. Bonus and share-based compensation;
- E. Equity instruments held by key management personnel; and
- F. Other transactions with key management personnel.

# DIRECTORS' REPORT

## 20. Remuneration Report - Audited (Continued)

### 20A. Principles Used to Determine the Nature and Amount of Remuneration

Remuneration and compensation have the same meaning in this report.

This report discusses the Group's policies in regard to compensation of key management personnel (KMP). The identified KMP have authority and responsibility for planning, directing and controlling the activities of the Group. In addition to the Directors, the Company assessed the Chief Financial Officer, Group General Counsel & Company Secretary, the EGMs of Software Division, Advisory Division and Corporate Services roles within the Group as having authority and responsibility for planning, directing and controlling all activities of the Group, directly or indirectly, during the 2014 financial year.

The Board has established an HR and Remuneration Committee to assist with remuneration and incentive policies enabling the Group to attract and retain KMP and Directors who will create value for shareholders and support the Group's mission. The HR and Remuneration Committee obtains independent advice if required on the appropriateness of compensation packages given trends in comparative companies. In the 2014 financial year the Committee has not used a remuneration consultant. The Corporate Governance Statement provides further information on the role of this Committee.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic, operational objectives and achieve the broader outcome of creation of value for shareholders.

The compensation structures take into account:

- The capability and experience of the KMP;
- Their ability to control the relevant segment's performance; and
- The segment or Group earnings.

Compensation packages include a mix of fixed and short-term and long-term performance-based incentives.

In addition to their salaries, the Group also provides non-cash benefits to its KMP and contributes to a defined contribution superannuation plan on their behalf.

#### Fixed Compensation

Fixed compensation is calculated on a total cost basis and includes salary, allowances, non-cash benefits, employer contributions to superannuation funds and any fringe benefits tax charges related to employee benefits, including motor vehicles.

Compensation levels are reviewed using an individual approach, based on evaluation of the individual, and a comparison to the market. A KMP's compensation is also reviewed on promotion.

#### Performance Linked Compensation

Performance linked compensation includes both short-term and long-term incentives and is designed to reward KMP for meeting and exceeding their Key Performance Objectives (KPOs). The Short-term Incentive (STI) is an 'at risk' bonus provided in the form of cash, while the Long-term Incentive (LTI) is provided as options over ordinary shares of the Company under the rules of the Employee Share Option Plan (ESOP) (see note 25 to the financial statements). The current long-term performance incentive structure was implemented in the 2008 year and amended in 2010, 2012 and 2014 years.

The table below sets out the performance based compensation paid to KMP together with earnings for the same period. Performance based compensation consists of STI cash bonus and LTI share-based payments.

# DIRECTORS' REPORT

## 20. Remuneration Report - Audited (Continued)

### 20A. Principles Used to Determine the Nature and Amount of Remuneration (Continued)

Year ended 30 June	Performance based compensation			Net profit/(Loss) \$'000	Dividends \$'000	Share price \$
	STI \$'000	LTI \$'000	Total \$'000			
2010	55	115	170	2,288	4,343	0.40
2011	75	-	75	3,590	1,241	0.37
2012	56	68	124	6,237	2,482	0.35
2013	-	(71)	(71)	(7,565)	2,482	0.47
<b>2014</b>	<b>-</b>	<b>33</b>	<b>33</b>	<b>(7,351)</b>	<b>-</b>	<b>0.58</b>

#### **Short-term Incentive Bonus**

Effective 1 July 2012, the Group implemented a variable pay structure, referred to as the Executive General Manager Incentive Plan (EGMIP). Each of the identified KMP have a portion of their remuneration linked to the EGMIP. The key objective of the EGMIP is to create clear alignment between individual and business performance and remuneration by providing a performance-based reward to participants in line with their relative contribution to the business. The EGMIP achieves the alignment by focusing participants on achieving goals which contribute to sustainable shareholder value, and providing a clear link between performance and the Company financial result. In 2014 100% of STI was linked to Company NPAT target.

Cash bonuses are paid, provided for or forfeited in the year to which they relate. All payments under the EGMIP for the 2014 year were forfeited.

#### **Long-term Incentive**

Options were issued in 2011, 2012, 2013 and 2014 under the Employee Share Option Plan (ESOP) to KMP at the discretion of the Board.

Consistent with the current ESOP plan terms approved by shareholders at the Company's 2013 Annual General Meeting, the rules of the ESOP Plan enable the Board to determine the applicable vesting criteria and to set a timetable for vesting of options in the Offer Document, including vesting in tranches over a defined period. The Board has the discretion on whether or not to set performance hurdles for vesting or to link vesting solely to a defined service period in order to drive key staff retention and reward longevity of service.

The options issued since November 2013 vest in tranches over a three year period, have vesting conditions linked to the holder maintaining employment with the Company over that period and were issued at an exercise price based on the volume weighted average price of the Company's shares in the five days prior to each grant.

The options issued in 2012 and 2013 vest in accordance with the table on the following page if the Company's average annual earnings per share (EPS) growth (Average EPS Growth) over the performance period comprising the 2012, 2013 and 2014 financial years (Performance Period), is at least 10 percentage points above the Average Australian Consumer Price Index (CPI) Increase for the corresponding period.

# DIRECTORS' REPORT

## 20. Remuneration Report - Audited (Continued)

### 20A. Principles Used to Determine the Nature and Amount of Remuneration (Continued)

#### EPS Vesting Condition

Average EPS Growth over the Performance Period above Average Australian CPI Increase in the corresponding period	% of Options which vest
Less than 10 percentage points	0%
10 percentage points or more, but less than 20 percentage points	50% plus an additional 5% for each 1% increment
20 percentage points or more	100%

The options issued in 2011 include vesting conditions related to Earnings per Share growth, EBITA margin and TSR peer comparison. The performance hurdles for each condition are as follows:

Vesting Condition	Hurdle	% of Options which vest if vesting condition satisfied
EPS average annual growth from the year preceding grant to the year following grant above average annual Australian CPI increase in the corresponding period.	Less than 4%	0%
	4% or more, but less than 8%	20% plus an additional 5% for each 1% increment
	8% or more	40%
EBITA margin in the year following grant	Less than 15%	0%
	15% or more but less than 20%	20% plus an additional 4% for each 1% increment
	20% or more	40%
TSR growth above peer comparison group	Less than 50th percentile	0%
	50 <sup>th</sup> percentile or higher but lower than 75 <sup>th</sup> percentile	10% plus, from 51 <sup>st</sup> to 75 <sup>th</sup> percentile, 0.4% for every 1 percentile
	75 <sup>th</sup> percentile or higher	20%

The Board has a Margin Loan policy that restricts Directors and executives of the Group from entering into financial contracts secured by shares and other securities of the Company. This policy requires the approval of the Chairman of the Board for any financial arrangements or facilities related to Company shares held by the Directors and executives.

#### Non-executive Directors

Fees and payments to Non-executive Directors reflect the demands which are made on, and the responsibilities of the Directors. Non-executive Directors' fees and payments are reviewed periodically by the Board and are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The pool currently stands \$500,000, unchanged since it was approved in the 2009 Annual General Meeting.

Non-executive Directors' base remuneration was last reviewed with effect from 1 March 2008. Both the Chairman's and Non-executive Directors' remuneration is inclusive of committee fees.

# DIRECTORS' REPORT

## 20. Remuneration Report - Audited (Continued)

### 20B. Service Agreements

Details of contracts with Directors and KMP of the Group are set out below.

	Terms of agreement	Base salary including superannuation	Termination benefit	Notice Period
A Brackin	Unlimited in term	\$120,000	Nil	Nil
Dr I Runge	Unlimited in term	\$80,000	Nil	Nil
R Walker	Unlimited in term	\$80,000	Nil	Nil
R Mathews	Unlimited in term	\$501,250	6 months	6 months
K Wallis	Unlimited in term	\$360,525	6 months	3 months
M Kochanowski	Unlimited in term	\$240,350	3 months	3 months
J O'Neill	Unlimited in term	\$250,574	2 months	2 months
C Halliday	Unlimited in term	US \$350,000	1 month	1 month
P Baudry	Unlimited in term	\$375,000	1 month	1 month

The KMP are also entitled to receive upon termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits. Compensation levels are reviewed each year to meet the principles of the compensation policy.

### 20C. Details of Remuneration

#### Directors

##### Chairman (Non-executive)

Allan Brackin

##### Executive Directors

Richard Mathews - Managing Director

##### Non-executive Directors

Dr Ian Runge

Ross Walker

#### Other Key Management Personnel

In addition to executive Directors mentioned above, the following persons were assessed by the Company as the executives who had the greatest authority and responsibility for planning, directing and controlling all activities of the Group, directly or indirectly, during the 2014 financial year:

Name	Position
Kieran Wallis	Executive General Manager – Corporate Services
Michael Kochanowski	Chief Financial Officer
James O'Neill	Group General Counsel and Company Secretary
Craig Halliday	Executive General Manager – Software Division (commenced 1 November 2013)
Philippe Baudry	Executive General Manager - Advisory Division (commenced in this role 1 November 2013, previously General Manager – Australasia, Russia and CIS)

Details of remuneration of each Director of RungePincockMinarco Limited and each of the other KMP of the Group are set out in the following tables.

# DIRECTORS' REPORT

## 20. Remuneration Report - Audited (Continued)

### 20C. Details of Remuneration (Continued)

	Short-term benefits			Post - employment benefits		Share-based payment	Total	Proportion of remuneration performance related	Value of options as proportion of remuneration
	Cash salary and fees	STI cash bonus	Non – monetary benefits <sup>1</sup>	Superannuation	Termination benefits	Options			
2014	\$	\$	\$	\$	\$	\$	\$	%	%
<b>Directors</b>									
A Brackin	109,840	-	-	10,160	-	-	120,000	-	-
Dr I Runge	80,000	-	-	-	-	-	80,000	-	-
R Walker	80,000	-	-	-	-	-	80,000	-	-
R Mathews	471,373	-	10,075	29,878	-	-	511,326	-	-
	741,213	-	10,075	40,038	-	-	791,326	-	-
<b>Other Key Management Personnel</b>									
K Wallis	330,369	-	10,075	30,156	-	(1,211)	369,389	(0.3)	(0.3)
M Kochanowski	222,293	-	10,075	18,056	-	2,148	252,572	0.9	0.9
J O'Neill	229,358	-	10,075	21,216	-	1,335	261,984	0.5	0.5
C Halliday <sup>2</sup>	244,301	-	12,674	9,723	-	32,500	299,198	10.9	10.9
P Baudry <sup>2</sup>	382,524	-	8,498	-	-	(1,913)	389,109	(0.5)	(0.5)
	1,408,845	-	51,397	79,151	-	32,859	1,572,252	2.0	2.0
<b>Total</b>	<b>2,150,058</b>	<b>-</b>	<b>61,472</b>	<b>119,189</b>	<b>-</b>	<b>32,859</b>	<b>2,363,578</b>	<b>1.3</b>	<b>1.3</b>
<b>2013</b>									
<b>Directors</b>									
A Brackin	110,088	-	-	9,912	-	-	120,000	-	-
Dr I Runge	80,000	-	-	-	-	-	80,000	-	-
R Walker	80,000	-	-	-	-	-	80,000	-	-
R Mathews	415,121	-	7,941	20,966	-	-	444,028	-	-
D Meldrum <sup>3</sup>	86,985	-	54,551	15,627	607,556	(37,611)	727,108	(5.2)	(5.2)
C Larsen <sup>3</sup>	104,959	-	-	4,118	252,899	(25,102)	336,874	(7.5)	(7.5)
	877,153	-	62,492	50,623	860,455	(62,713)	1,788,010	(3.5)	(3.5)
<b>Other Key Management Personnel</b>									
K Wallis	334,950	-	9,472	24,750	-	4,545	373,717	1.2	1.2
M Kochanowski	198,294	-	31,178	19,800	-	2,046	251,318	0.8	0.8
K Lewis <sup>3</sup>	87,995	-	2,647	14,971	95,409	(17,247)	183,775	(9.4)	(9.4)
J O'Neill <sup>2</sup>	128,793	-	5,268	11,591	-	1,915	147,567	1.3	1.3
	750,032	-	48,565	71,112	95,409	(8,741)	956,377	(0.9)	(0.9)
<b>Total</b>	<b>1,627,185</b>	<b>-</b>	<b>111,057</b>	<b>121,735</b>	<b>955,864</b>	<b>(71,454)</b>	<b>2,744,387</b>	<b>(2.6)</b>	<b>(2.6)</b>

<sup>1</sup> Includes car park and health insurance

<sup>2</sup> Became Key Management Personnel during the year

<sup>3</sup> Resigned during the year

The termination benefit includes contractual termination benefit, and any statutory entitlements.

# DIRECTORS' REPORT

## 20. Remuneration Report - Audited (Continued)

### 20D. Bonuses and Share-based Compensation Benefits

All options refer to options over ordinary shares of RungePincockMinarco Limited, which are exercised on a one-for-one basis under the ESOP Plan.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, based on an estimate of the number of options likely to vest, and the amount is included in the remuneration tables above. Fair values at grant date are determined using Trinominal Lattice and Hoadley's Hybrid models that take into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. Model inputs for options granted during the year are disclosed in note 25 in the financial report.

Details of options over ordinary shares in the Company provided as remuneration to each director and each of the KMP and the Group are set out below. When exercisable, each option is convertible into one ordinary share of RungePincockMinarco Limited. Further information on the options is set out in note 25 to the financial statements.

	Number of options granted during the year	Value of options at grant date <sup>1</sup> \$	Number of options vested during the year <sup>2</sup>
A Brackin	-	-	-
Dr I Runge	-	-	-
R Walker	-	-	-
R Mathews	-	-	-
K Wallis	215,734	27,206	15,733
M Kochanowski	85,000	14,734	10,533
J O'Neill	85,000	14,734	-
C Halliday	500,000	113,950	-
P Baudry	300,000	35,245	10,533

<sup>1</sup> The value at grant date calculated in accordance with AASB 2 Share-based Payment of options granted during the year as part of remuneration.

<sup>2</sup> Options with a grant date of 2010 vested in September 2013 with an exercise price of \$0.57.

Options granted under the plan carry no dividend or voting rights.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above.

All cash bonuses for KMP and CEO were forfeited in 2014.

*Details of remuneration: Bonuses and share-based compensation benefits*

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:



# DIRECTORS' REPORT

## 20. Remuneration Report - Audited (Continued)

### 20D. Bonuses and Share-based Compensation Benefits (Continued)

Grant date	Vesting and exercise date	Expiry date	Exercise Price \$	Value per option at grant date
14/12/2010	31/08/2012	30/09/2014	0.57	\$0.20
14/12/2010	31/08/2013	30/09/2014	0.57	\$0.19
14/12/2010	31/08/2014	30/09/2014	0.57	\$0.19
29/05/2012	1/09/2014	31/08/2016	0.40	\$0.12
03/05/2013	1/09/2014	31/08/2016	0.55	\$0.20
26/08/2013	01/09/2014	31/08/2016	0.55	\$0.10
29/11/2013	30/11/2014	29/11/2018	0.68	\$0.21
29/11/2013	30/11/2015	29/11/2018	0.68	\$0.23
29/11/2013	30/11/2016	29/11/2018	0.68	\$0.25

Details of options over ordinary shares in the company provided as remuneration to key management personnel are shown below. When exercisable, each option is convertible into one ordinary share of RungePincockMinarco Limited. The vesting conditions are set out in Section 20A.

The table also shows the percentages of the options granted that vested and were forfeited during the year. Further information on the options is set out in note 25 to the financial statements.

	Year of grant	Years in which option may vest	Number of options granted	Value of option at grant date *	Number of options vested during the year	Vested %	Number of options forfeited during the year	Value at date of forfeiture**	Forfeited %
A Brackin	-	-	-	-	-	-	-	-	-
Dr I Runge	-	-	-	-	-	-	-	-	-
R Walker	-	-	-	-	-	-	-	-	-
R Mathews	-	-	-	-	-	-	-	-	-
K Wallis	2011	2013-2015	118,000	\$0.19 - \$0.20	15,733	13%	-	-	-
	2012	2015	150,000	\$0.12	-	-	-	-	-
	2013	2015	2,800	\$0.20	-	-	-	-	-
	2014	2015	165,734	\$0.10	-	-	-	-	-
	2014	2015-2017	50,000	\$0.21 - \$0.25	-	-	-	-	-
M Kochanowski	2011	2013-2015	79,000	\$0.19 - \$0.20	10,533	13%	-	-	-
	2012	2015	50,000	\$0.12	-	-	-	-	-
	2013	2015	33,400	\$0.20	-	-	-	-	-
	2014	2015	35,000	\$0.10	-	-	-	-	-
	2014	2015-2017	50,000	\$0.21 - \$0.25	-	-	-	-	-
J O'Neill	2013	2015	115,000	\$0.20	-	-	-	-	-
	2014	2015	35,000	\$0.10	-	-	-	-	-
	2014	2015-2017	50,000	\$0.21 - \$0.25	-	-	-	-	-
C Halliday	2014	2015-2017	500,000	\$0.21-\$0.25	-	-	-	-	-
P Baudry	2011	2013-2015	79,000	\$0.19 - \$0.20	10,533	13%	-	-	-
	2012	2015	135,000	\$0.12	-	-	-	-	-
	2013	2015	33,400	\$0.20	-	-	-	-	-
	2014	2015	250,000	\$0.10	-	-	-	-	-
	2014	2015-2017	50,000	\$0.21 - \$0.25	-	-	-	-	-

\* The value at grant date calculated in accordance with AASB 2 Share-based Payment of options granted during the year as part of remuneration

\*\* The value of the options that were granted as part of remuneration and that were forfeited (lapsed) during the year because a vesting condition was not satisfied was determined at the time of lapsing, but assuming the condition was satisfied.

# DIRECTORS' REPORT

## 20E. Equity Instruments held by Key Management Personnel

No shares were granted as compensation in 2014 (2013: nil). The number of shares and options over shares in the Company held during the financial year by each Director of RungePincockMinarco Limited and each of the other key management personnel of the Group, including their personally-related entities, is set out below:

### (i) Options

Name	Balance at the start of the year	Granted as compensation	Forfeited and expired	Balance at the end of the year	Vested and exercisable
A Brackin	-	-	-	-	-
Dr I Runge	-	-	-	-	-
R Walker	-	-	-	-	-
R Mathews	-	-	-	-	-
K Wallis	184,266	215,734	-	400,000	15,733
M Kochanowski	115,000	85,000	-	200,000	21,067
J O'Neill	115,000	85,000	-	200,000	-
C Halliday	-	500,000	-	500,000	-
P Baudry	200,000	300,000	-	500,000	21,067

### (ii) Ordinary Shares

	Balance at the start of the year	Sold during the year	Acquired during the year	Balance at the end of the year
<b>Directors</b>				
A Brackin	327,273	-	600,255	927,528
Dr I Runge	16,310,484	-	-	16,310,484
R Walker	627,273	-	272,727	900,000
R Mathews	6,512,003*	-	540,000	7,052,003*
<b>Other key management personnel of the Group</b>				
K Wallis	17,552	-	-	17,552
M Kochanowski	69,371	-	-	69,371
J O'Neill	-	-	2,000	2,000
C Halliday	1,829,574*	-	387,000	2,216,574*
P Baudry	72,976	-	110,000	182,976

\* Includes 175,560 shares held by R Mathews as trustee under a bare trust arrangement for C Halliday.

# DIRECTORS' REPORT

## 20. Remuneration Report - Audited (Continued)

### 20F. Other Transactions with Key Management Personnel

The Group employs the services of Pitcher Partners Chartered Accountants, an entity associated with Ross Walker. Pitcher Partners received \$9,100 (2013: \$80,290) for taxation and advisory services. Amount payable at year end \$3,740 (2013: \$nil)

Aggregate amounts of each of the above types of other transactions with key management personnel of RungePincockMinarco Limited:

	2014 \$	2013 \$
Amounts recognised as expense		
Professional fees	9,100	80,290
	9,100	80,290

### 2013 Annual General Meeting (AGM)

The Company's 2013 remuneration report was unanimously adopted by show of hands at 2013 AGM. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

### Remuneration report - End

This report is made in accordance with a resolution of the Directors.



**Allan Brackin**

Chairman

Dated: 20 August 2014

**DECLARATION OF INDEPENDENCE BY A S LOOTS TO THE DIRECTORS OF RUNGEPINCOCKMINARCO LIMITED**

As lead auditor of RungePincokMinarco Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of RungePincokMinarco Limited and the entities it controlled during the period.



**A S Loots**  
Director

**BDO Audit Pty Ltd**

Brisbane, 20 August 2014

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 \$'000	2013 \$'000
<b>Revenue from continuing operations</b>			
Services		41,462	60,287
Licence sales		9,779	6,823
Software maintenance		12,570	11,348
Other revenue		1,420	1,238
<b>Revenue</b>		<b>65,231</b>	<b>79,696</b>
Rechargeable expenses		(4,794)	(5,795)
<b>Net Revenue</b>		<b>60,437</b>	<b>73,901</b>
<b>Expenses</b>			
Amortisation	12	(1,381)	(1,554)
Depreciation	11	(2,134)	(2,240)
Employee benefits expense		(43,993)	(51,745)
Other employee costs		(979)	(2,037)
Office expenses		(3,141)	(4,110)
Professional services		(1,625)	(2,112)
Rent		(6,740)	(6,920)
Restructure and Impairment costs	4	(4,459)	(5,416)
Travel expenses		(1,714)	(1,903)
Other expenses		(3,191)	(3,224)
		<b>(69,357)</b>	<b>(81,261)</b>
<b>Loss before finance costs and income tax</b>		<b>(8,920)</b>	<b>(7,360)</b>
Finance income		110	152
Finance costs		(244)	(584)
<b>Net finance costs</b>		<b>(134)</b>	<b>(432)</b>
<b>Loss before income tax</b>		<b>(9,054)</b>	<b>(7,792)</b>
Income tax benefit	5	1,703	227
<b>Loss</b>		<b>(7,351)</b>	<b>(7,565)</b>

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 \$'000	2013 \$'000
<b>Loss</b>		<b>(7,351)</b>	<b>(7,565)</b>
<b>Other comprehensive income</b>			
<b>Items that may be classified subsequently to profit or loss:</b>			
Foreign currency translation differences		(341)	658
<b>Items that will not be classified subsequently to profit or loss:</b>			
Income tax attributable to financial assets		-	(480)
Other comprehensive income / (loss), net of tax		<b>(341)</b>	<b>178</b>
<b>Total comprehensive income</b>		<b>(7,692)</b>	<b>(7,387)</b>
<b>Earnings per share</b>			
Basic earnings per share (cents)	24	<b>(5.2)</b>	<b>(5.9)</b>
Diluted earnings per share (cents)	24	<b>(5.2)</b>	<b>(5.9)</b>

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	Notes	2014 \$'000	2013 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	7,521	6,928
Trade and other receivables	8	11,372	16,887
Work in progress	9	2,700	1,998
Current tax receivable		669	1,201
Other assets	10	1,464	1,583
<b>Total current assets</b>		<b>23,726</b>	<b>28,597</b>
<b>Non-current assets</b>			
Trade and other receivables	8	386	348
Investments accounted for using the equity method	28(c)	26	-
Property, plant and equipment	11	6,361	8,200
Deferred tax assets	6	7,949	6,143
Intangible assets	12	23,257	27,333
<b>Total non-current assets</b>		<b>37,979</b>	<b>42,024</b>
<b>Total assets</b>		<b>61,705</b>	<b>70,621</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	13	5,111	5,154
Borrowings	14	-	14
Provisions	15	2,604	3,285
Current tax liabilities		22	112
Other Liabilities	16	10,353	9,799
<b>Total current liabilities</b>		<b>18,090</b>	<b>18,364</b>
<b>Non-current liabilities</b>			
Provisions	15	681	640
Deferred tax liabilities	6	69	236
Other Liabilities	16	2,831	3,713
<b>Total non-current liabilities</b>		<b>3,581</b>	<b>4,589</b>
<b>Total liabilities</b>		<b>21,671</b>	<b>22,953</b>
<b>Net assets</b>		<b>40,034</b>	<b>47,668</b>
<b>EQUITY</b>			
Contributed equity	17	48,678	48,664
Reserves	18	(4,283)	(3,986)
Retained earnings	18	(4,361)	2,990
<b>Total equity</b>		<b>40,034</b>	<b>47,668</b>

The above 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

	Contributed equity	Reserves	Retained profits	Total equity
	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2013</b>	<b>48,664</b>	<b>(3,986)</b>	<b>2,990</b>	<b>47,668</b>
Loss for the year	-	-	(7,351)	(7,351)
Other comprehensive income	-	(341)	-	(341)
<b>Total comprehensive income</b>	<b>-</b>	<b>(341)</b>	<b>(7,351)</b>	<b>(7,692)</b>
<b>Transactions with owners in their capacity as owners</b>				
Contributions of equity, net of transaction costs	14	-	-	14
Employee share options	-	44	-	44
	<b>14</b>	<b>44</b>	<b>-</b>	<b>58</b>
<b>Balance at 30 June 2014</b>	<b>48,678</b>	<b>(4,283)</b>	<b>(4,361)</b>	<b>40,034</b>
<b>Balance at 1 July 2012</b>	<b>39,418</b>	<b>(4,135)</b>	<b>13,037</b>	<b>48,320</b>
Loss for the year	-	-	(7,565)	(7,565)
Other comprehensive income	-	178	-	178
<b>Total comprehensive income</b>	<b>-</b>	<b>178</b>	<b>(7,565)</b>	<b>(7,387)</b>
<b>Transactions with owners in their capacity as owners</b>				
Contributions of equity, net of transaction costs	9,246	-	-	9,246
Employee share options	-	(29)	-	(29)
Dividends paid	-	-	(2,482)	(2,482)
	<b>9,246</b>	<b>(29)</b>	<b>(2,482)</b>	<b>6,735</b>
<b>Balance at 30 June 2013</b>	<b>48,664</b>	<b>(3,986)</b>	<b>2,990</b>	<b>47,668</b>

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



# CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 \$'000	2013 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		73,191	89,634
Payments to suppliers and employees		(70,350)	(89,278)
		2,841	356
Interest and dividends received		110	152
Finance costs		(219)	(584)
Restructure costs		(1,445)	(2,670)
Income taxes received/(paid)		173	(3,102)
<b>Net cash (outflow) / inflow from operating activities</b>	22	<b>1,460</b>	<b>(5,848)</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(261)	(888)
Proceeds from sale of property, plant and equipment		170	5
Investments		-	(26)
Payments for intangible assets		(379)	(735)
<b>Net cash outflow from investing activities</b>		<b>(470)</b>	<b>(1,644)</b>
<b>Cash flows from financing activities</b>			
Contributions of equity, net of transaction costs		14	9,247
Repayment of finance leases		-	(4)
Proceeds from borrowings		-	-
Repayment of borrowings		-	(5,000)
Dividends paid		-	(2,482)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>14</b>	<b>1,761</b>
<b>Net increase/(decrease) in cash and cash equivalents held</b>		<b>1,004</b>	<b>(5,731)</b>
Cash and cash equivalents at the beginning of the financial year		6,928	12,141
Effects of exchange rate changes on cash and cash equivalents		(411)	518
<b>Cash and cash equivalents at the end of the financial year</b>	7	<b>7,521</b>	<b>6,928</b>

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

# NOTES ON THE FINANCIAL STATEMENTS

## 1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

RungePincockMinarco Limited is a listed public company, incorporated and domiciled in Australia.

The financial report comprises the consolidated entity ("Group") consisting of RungePincockMinarco Limited and its subsidiaries.

### (a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. RungePincockMinarco Limited is a for-profit entity for the purposes of preparing the financial statements.

#### *Compliance with IFRS*

The consolidated financial statements of RungePincockMinarco Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### *Historical cost convention*

These financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets at fair value. The method used to measure fair values is discussed further below.

#### *New and amended standards adopted by the Group*

The following new and amended standards are mandatory for the first time for the financial year beginning 1 July 2013:

AASB 10 Consolidated Financial Statements

AASB 11 Joint Arrangements

AASB 12 Disclosure of Interests in Other Entities

AASB 13 Fair Value Measurement

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosures

AASB 2012-2 & AASB 2012-3 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 7 & AASB 132]

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle [AASB 1, AASB 101, AASB 116, AASB 132 & AASB 134 and Interpretation 2]

The adoption of these standards did not have any material impact on the current or any prior period and is not likely to materially affect future periods.

### (b) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by RungePincockMinarco Limited as at 30 June 2014 and the results of all controlled entities for the year then ended. RungePincockMinarco Limited and its controlled entities together are referred to in this financial report as the "consolidated entity" or the "Group".

# NOTES ON THE FINANCIAL STATEMENTS

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

### (b) Principles of Consolidation (Continued)

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(k)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### (c) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses in the tax jurisdiction in which they arose.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

#### *Tax consolidation legislation*

RungePincockMinarco Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation.

# NOTES ON THE FINANCIAL STATEMENTS

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

### (c) Income Tax (Continued)

The head entity, RungePincockMinarco Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, RungePincockMinarco Limited also recognises the current tax liabilities or assets and the deferred tax assets arising from the unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable or payable to other entities in the Group. Details about the tax funding agreements are disclosed in note 5.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

### (d) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operational decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director.

The assets and liabilities of the Group are regularly reviewed on a consolidated basis but are not regularly reported to the chief operating decision maker at a segment level. As such this information has not been included in the Operating Segment note 2.

### (e) Foreign Currency Translation

#### i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is RungePincockMinarco Limited's functional and presentation currency.

#### ii) *Transactions and balances*

Foreign currency transactions are initially translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities whose changes in the fair value are presented in other comprehensive income are recognized in other comprehensive income.

# NOTES ON THE FINANCIAL STATEMENTS

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

### (e) Foreign Currency Translation (Continued)

#### iii) *Group entities*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement and statement of comprehensive income are translated at daily exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

### (f) Revenue Recognition

#### i) *Sale of licences*

Revenue from the sale of licences is recognised when the amount can be reliably measured and all significant risks and rewards of ownership have been transferred to the buyer. In most cases this coincides with the transfer of legal title or the passing of possession to the buyer.

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

#### ii) *Consulting*

Revenue from the provision of consulting services is recognised on an accruals basis in the period in which the consulting service is provided. Revenue from the provision of these services is calculated with reference to the professional staff hours incurred on each client assignment adjusted for any time that may not be recoverable.

#### iii) *Software maintenance*

When the outcome of a transaction involving software maintenance can be estimated reliably, revenue associated with the transaction is recognised on a straight-line basis over the service period.

#### iv) *Interest revenue*

Interest revenue is recognised using the effective interest method. It includes the amortisation of any discount or premium.

### (g) Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

# NOTES ON THE FINANCIAL STATEMENTS

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

### (g) Trade Receivables (Continued)

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable may be impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the allowance is recognised in other expenses in profit or loss. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

### (h) Work in Progress

Work in progress represents costs incurred and profit recognised on client assignments and services that are in progress at balance date. Work in progress is valued at net realisable value after providing for any foreseeable losses.

### (i) Investments and Other Financial Assets

All equity investments are measured at fair value. Equity investments that are held for trading are measured at fair value through profit or loss. For all other equity investments, the group can make an irrevocable election at initial recognition of each investment to recognise changes in fair value through other comprehensive income (OCI) rather than profit or loss.

All current investments in equity investments are classified as at fair value through other comprehensive income. Such investments are initially and subsequently measured at fair value, with the initial fair value being cost.

Unrealised gains or losses on investments in an equity instrument are recognised in a reserve until the investment is sold, collected or otherwise disposed of, at which time the cumulative gain or loss is transferred to the Asset Realisation Reserve.

The Company derecognises an investment in an equity instrument when it is sold or it transfers the investment and the transfer qualifies for derecognition in accordance with AASB 9. Upon derecognition, unrealised gains/losses net of tax relating to the investment are transferred from the revaluation reserve to the realisation reserve.

Interest bearing investments are recognised initially at fair value and are subsequently measured at amortised cost. Amortised cost is calculated with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the investment on an effective interest basis.

### (j) Leases

Leases of property, plant and equipment, where the Group as lessee has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term borrowings. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the

# NOTES ON THE FINANCIAL STATEMENTS

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

### (j) Leases (Continued)

liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight line basis over the lease term.

### (k) Business Combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group.

The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

### (l) Impairment of Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

# NOTES ON THE FINANCIAL STATEMENTS

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

### (l) Impairment of Assets (Continued)

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### (m) Cash and Cash Equivalents

For cash flow statement presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily converted to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statement of financial position.

### (n) Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated on a straight line basis to write off the net cost of each item of property, plant and equipment over its estimated useful life to the consolidated entity, or in case of lease hold improvements, the shorter lease term. Estimates of remaining useful lives are made on a regular basis for all assets.

The estimated useful lives are as follows:

Plant and equipment	2 – 13 years
Plant and equipment under finance lease	4 years

Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the assets. These are included in profit or loss.

### (o) Intangible Assets

#### i) *Software developed or acquired for sales and licensing*

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new areas of products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs and acquired software are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight line basis over its useful life, which varies from three to five years.

#### ii) *Software – internal management systems*

Software licences used in internal management systems, whether acquired or internally developed are stated at cost less amortisation. They are amortised on a straight line basis over the useful life from 2.5 to 5 years.



# NOTES ON THE FINANCIAL STATEMENTS

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

### (o) Intangible Assets (Continued)

#### iii) *Patents and trademarks*

Costs associated with patents and trademarks are expensed as incurred.

#### iv) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/business at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.

Goodwill is allocated to cash generating units for the purposes of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from business combination in which goodwill arose, identified according to operating segments or components of operating assets (note 2).

### (p) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

### (q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### (r) Borrowing Costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

# NOTES ON THE FINANCIAL STATEMENTS

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

### (s) Employee Benefits

#### i) Short term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and long service leave is recognised in the provision for employee benefits.

#### Other long-term employee benefit obligations

The liability for long service leave and other benefits which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### ii) Bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

#### iii) Superannuation

The Group has a defined contribution superannuation plan for its eligible employees. Contributions to the defined contribution fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

#### iv) Share-based payments

Share-based compensation benefits are provided to employees via the RungePincockMinarco Limited employee share option plan (ESOP) and an employee share purchase plan. Information relating to these schemes is set out in note 25.

The fair value of options granted under the ESOP is recognised as an employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions, but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

# NOTES ON THE FINANCIAL STATEMENTS

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

### (t) Value Added Taxes (Including Goods and Services Tax)

Revenues, expenses and assets are recognised net of the amount of Value Added Tax (VAT), except where the amount of VAT is not recoverable from the relevant tax authority. In these circumstances the VAT is recognised as part of the cost of acquisition of the asset or as part of the item as expense.

Receivables and payables are stated with the amount of VAT included. The net amount of VAT recoverable from, or payable to, the relevant tax authority is included as a current asset or liability in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The VAT components of the cash flows arising from investing and financing activities which are recoverable from, or payable to, the relevant tax authority are classified as operating cash flows.

### (u) Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### (v) Earnings per Share

#### i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year.

#### ii) Diluted earnings per share

Dilutive earnings per share adjusts the figures used in determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### (w) Financial Guarantee Contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate.

### (x) Rounding of Amounts

The Company is of a 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 and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

# NOTES ON THE FINANCIAL STATEMENTS

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

### (y) Comparative Figures

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

### (z) Critical Accounting Estimates and Significant Judgments

The preparation of the financial report in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the accounting policies. The notes in the financial statements set out areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the financial report such as:

- intangible assets, including goodwill (note 12),
- impairment of receivables (note 8 and note 1(g)),
- deferred tax assets (note 6).

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Management believes the estimates used in preparation of the financial report are reasonable.

### (aa) Parent Entity Financial Information

The financial information for the parent entity, RungePincockMinarco Limited, disclosed in note 27 has been prepared on the same basis as the consolidated financial statements, except as set out below:

#### (i) Investments in subsidiaries

Investment in subsidiaries are accounted for at cost in the financial statements of RungePincockMinarco Limited.

### (bb) New Accounting Standards and Interpretations Not Yet Adopted

Relevant accounting standards and interpretations that have recently been issued or amended but are not yet effective and have not been adopted for the annual reporting period ended 30 June 2014, are as follows:

#### (j) IFRS 15 Revenue from Contracts with Customers

This standard establishes a single revenue recognition framework and supersedes IAS 11 Construction Contracts, IAS 18 Revenue, Interpretation 13 Customer Loyalty Programmes, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers, and Interpretation 131 Revenue – Barter Transaction Involving Advertising Services. This standard is applicable to annual reporting periods beginning on or after 1 January 2017, with early adoption permitted once approved by the AASB in Australia. Under the new standard, an entity should recognise revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Hence, the revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently in IAS 18 Revenue. This new standard requires the use of either method using retrospective application to each reporting period in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, or retrospective application with the cumulative effect of initially applying IFRS 15 recognised directly in equity. The Group is currently assessing the impact of this standard.

The group has not adopted changes to the accounting standards that were issued in December 2013 (AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*).

# NOTES ON THE FINANCIAL STATEMENTS

## 2. Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the CEO in order to make decisions about resource allocations and to assess performance of the Group. The reports are split into functional divisions: Software Division, Advisory Division and GeoGAS.

Software Division provides all of the Group's Software offerings, including maintenance, training and implementation services to mining companies.

Advisory Division provides consulting and advisory services which cover technical and economic analysis and assessment of mining activities and resources on behalf of mining companies, financial institutions, customers of mining companies (eg coal fired electricity generators), lessors and potential lessors of mineral rights to mining companies, government departments and agencies and suppliers to mining companies and projects.

GeoGAS provides services to coal mining clients in respect of gas content testing and relevant consulting services.

Segment revenue, expenses and results include transfers between segments. Such transfers are priced on an "arms-length" basis and are eliminated on consolidation.

In the prior year the group did not have a divisional structure and was managed along the regional lines with four regions: Australia, Asia, America and Africa. GeoGAS was reported as a separate division in 2013. June 2013 segments were restated to align with the current internal reporting structure.

### Information about reportable segments

	2014				2013			
	Software Division \$'000	Advisory Division \$'000	GeoGAS \$'000	Total \$'000	Software Division \$'000	Advisory Division \$'000	GeoGAS \$'000	Total \$'000
<b>Revenue</b>								
External Sales	29,215	30,224	4,669	64,108	28,145	41,904	8,570	78,619
Inter-segment sales	495	(478)	(17)	-	210	(25)	(185)	-
<b>Total Revenue</b>	<b>29,710</b>	<b>29,746</b>	<b>4,652</b>	<b>64,108</b>	<b>28,355</b>	<b>41,879</b>	<b>8,385</b>	<b>78,619</b>
Rechargeable expenses	(868)	(3,825)	(101)	(4,794)	(647)	(4,424)	(724)	(5,795)
<b>Net revenue</b>	<b>28,842</b>	<b>25,921</b>	<b>4,551</b>	<b>59,314</b>	<b>27,708</b>	<b>37,455</b>	<b>7,661</b>	<b>72,824</b>
Total Expenses	(17,634)	(24,528)	(3,480)	(45,642)	(19,095)	(30,502)	(5,529)	(55,126)
<b>Segment profit/(loss)</b>	<b>11,208</b>	<b>1,393</b>	<b>1,071</b>	<b>13,672</b>	<b>8,613</b>	<b>6,953</b>	<b>2,132</b>	<b>17,698</b>

# NOTES ON THE FINANCIAL STATEMENTS

## 2. Operating Segments (Continued)

Reconciliation of segment profit to reported net profit:		2014 \$'000	2013 \$'000
Segment result		13,672	17,698
Adjustments:			
Foreign exchange gains/(losses)		(363)	153
Employment benefits – corporate and IT		(3,859)	(4,292)
Other unallocated costs – corporate and IT		(5,601)	(6,728)
Software Development Division		(5,918)	(5,905)
Restructure and impairment costs		(4,459)	(5,416)
Depreciation and amortisation		(3,515)	(3,794)
Net finance costs		(134)	(432)
Unallocated income		1,123	924
Loss before income tax		(9,054)	(7,792)
Income tax benefit		1,703	227
<b>Net loss</b>		<b>(7,351)</b>	<b>(7,565)</b>

### Geographical Information

Segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

	2014		2013	
	Revenues \$'000	Non-current assets <sup>1</sup> \$'000	Revenues \$'000	Non-current assets <sup>1</sup> \$'000
Australia	20,993	23,110	31,053	27,209
Indonesia	8,865	78	9,346	183
Canada	7,325	57	7,951	102
USA	5,446	1,662	5,502	1,747
South Africa	6,480	302	4,971	384
Hong Kong	1,184	137	2,757	131
Mongolia	2,037	14	2,333	20
China	1,771	169	1,995	181
Brazil	874	43	1,920	81
Japan	467	-	1,391	-
India	1,521	-	1,169	-
Other	7,145	51	8,231	77
	<b>64,108</b>	<b>25,623</b>	<b>78,619</b>	<b>30,115</b>

<sup>1</sup>Excludes financial instruments and deferred tax assets.

# NOTES ON THE FINANCIAL STATEMENTS

## 2. Operating Segments (Continued)

Reconciliation of operating segment revenue and non-current assets to amounts reported in the consolidated statement of comprehensive income:

	2014		2013	
	Net Revenue \$'000	Non-current Assets <sup>1</sup> \$'000	Net Revenue \$'000	Non-current Assets <sup>1</sup> \$'000
Operating segment	59,314	25,623	72,824	30,115
Unallocated revenue	1,123	-	924	-
Foreign exchange gains	-	-	153	-
Unallocated corporate assets	-	4,407	-	5,766
<b>Reported</b>	<b>60,437</b>	<b>30,030</b>	<b>73,901</b>	<b>35,881</b>

<sup>1</sup> Excludes financial instruments and deferred tax assets

## 3. Profit Before Income Tax

Profit before income tax includes the following specific expenses / (income)	2014 \$'000	2013 \$'000
Defined contributions superannuation expense	2,510	2,548
Impairment of receivables	892	578
Increase/(Reduction) in provision for impairment of receivables	734	320
Rental expense relating to operating leases - Minimum lease payments	6,649	6,144
Net (profit)/loss on disposal of plant and equipment	(84)	6
Foreign exchange (gains) / losses	363	(153)

## 4. Restructure and Impairment Costs

Following the appointment of Richard Mathews to the role of Managing Director and Chief Executive Officer at the end of August 2012, the Group continued a program of cost reduction and restructuring initiatives to better align the business with the change in the operating environment. The costs incurred in these activities include:

<i>Impairment costs:</i>		
Goodwill – Advisory Division	3,000	-
Plant and equipment (fitout)	-	701
Goodwill – South Africa	-	384
Software development costs	-	321
	<b>3,000</b>	<b>1,406</b>
<i>Other Restructure costs:</i>		
Employment termination costs	933	2,540
Onerous lease obligations	488	1,284
Other closure costs	38	186
	<b>1,459</b>	<b>4,010</b>
	<b>4,459</b>	<b>5,416</b>

# NOTES ON THE FINANCIAL STATEMENTS

## 5. Income Tax Expense

### *Tax Recognised in profit or loss*

	2014 \$'000	2013 \$'000
<i>Income tax expense</i>		
Current tax	(360)	(1,390)
Deferred tax	1,415	1,641
Adjustments to prior periods	648	(24)
<b>Income tax benefit</b>	<b>1,703</b>	<b>227</b>

### *Numerical reconciliation of income tax expense to prima facie tax*

Loss before income tax	(9,054)	(7,792)
Tax at the Australian tax rate of 30% (2013: 30%)	2,716	2,338
Tax effect of amounts which are not taxable/(deductible) in calculating taxable income:		
Attributed income	(7)	(9)
Non-deductible expense	(925)	(202)
Research and development deduction	351	222
Unutilised foreign tax credits	(11)	(960)
Unrecognised deferred tax assets	(1,062)	(1,030)
	1,062	359
Difference in overseas tax rates	(7)	(108)
Over/(under) provision in prior years	648	(24)
<b>Income tax benefit/(expense)</b>	<b>1,703</b>	<b>227</b>

### *Tax consolidation legislation*

RungePincockMinarco Limited and its wholly-owned Australian controlled entities implemented the tax consolidation regime from 13 March 2007.

On adoption of the tax consolidation legislation, the entities in the tax consolidated Group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, RungePincockMinarco Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate RungePincockMinarco Limited for any current tax payable assumed and are compensated for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to RungePincockMinarco Limited under the tax consolidated legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

### *Significant Estimates – Deferred Tax Assets*

An assessment of the recoverability of the net deferred tax assets has been made to determine the carrying value. At each reporting period, the recoverability of the net deferred tax assets will be reassessed. This may lead to the recognition of this unrecognized tax benefit in future reporting periods.



# NOTES ON THE FINANCIAL STATEMENTS

## 6. Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following:

	2014 \$'000	2013 \$'000
Provision for impairment of receivables	277	76
Employee benefits provision	1,228	1,115
Lease incentive liabilities	1,350	1,358
Tax loss	5,398	3,493
Unearned income	465	478
Accrued expenses	29	76
Share capital raising costs	112	154
Financial assets at fair value	3	3
Other deferred tax assets	-	192
Work in progress	(27)	(89)
Intangibles	(310)	(376)
Property, plant and equipment	(389)	(346)
Prepayments	(212)	(194)
Other deferred tax liabilities	(44)	(30)
Deferred tax assets	7,949	6,143
Deferred tax liabilities	(69)	(236)
<b>Net tax assets</b>	<b>7,880</b>	<b>5,907</b>
<b>Movements</b>		
Balance at 1 July	5,907	4,760
Recognised in profit or loss	1,415	1,641
Recognised in other comprehensive income	-	(480)
Recognised in equity	(61)	105
Reclassified from current	76	-
Over/(under) provision in prior years	543	(119)
<b>Balance at 30 June</b>	<b>7,880</b>	<b>5,907</b>
<b>Unrecognised deferred tax assets</b>		
Foreign tax credits	270	211
Tax losses	877	136
Capital losses	485	485
Deductible temporary differences	1,086	889
	<b>2,718</b>	<b>1,721</b>

Foreign tax credits will expire in 2017. Some of the Tax losses expire in 2015. Capital losses do not expire, however, it is not probable that the Group would generate capital gains to utilise the benefit. Deductible temporary differences have not been recognised because it is not probable that sufficient future taxable profit will be available.

# NOTES ON THE FINANCIAL STATEMENTS

## 7. Cash and Cash Equivalents

	2014 \$'000	2013 \$'000
Cash at bank	4,935	4,541
Deposits	2,586	2,387
	<b>7,521</b>	<b>6,928</b>

## 8. Trade and Other Receivables

### Current

Trade receivables	12,500	17,413
Provision for impairment of receivables	(1,336)	(602)
	<b>11,164</b>	<b>16,811</b>
Other receivables	208	76
	<b>11,372</b>	<b>16,887</b>

### Non-current

Other receivables and deposits	386	348
	<b>386</b>	<b>348</b>

As at 30 June 2014, trade receivables of \$4,815,000 (2013: \$9,601,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing of the trade receivables past due at the reporting date but not impaired was:

Past due less than 30 days	1,358	3,928
Past due between 31-90 days	1,247	3,263
Past due more than 90 days	2,210	2,410
	<b>4,815</b>	<b>9,601</b>

The movement in the provision for impairment of trade receivables was as follows:

Balance at 1 July	602	282
Provision no longer required	(12)	(18)
Debtors written off	(78)	(277)
Impairment loss recognised	892	578
Effect of foreign exchange	(68)	37
Balance at 30 June	<b>1,336</b>	<b>602</b>

The provision for impairment of trade receivables in 2014 and 2013 relates to receivables that are past due for more than 90 days.

## 9. Work in Progress

Work in progress	<b>2,700</b>	<b>1,998</b>
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# NOTES ON THE FINANCIAL STATEMENTS

## 10. Other Assets

	2014 \$'000	2013 \$'000
Prepayments	1,464	1,583

## 11. Property, Plant and Equipment

Plant and equipment - at cost	17,766	17,944
Less: accumulated depreciation	(11,405)	(9,745)
	6,361	8,199
Plant and equipment under finance lease	-	33
Less: accumulated depreciation	-	(32)
	-	1
	6,361	8,200

	Note	Plant and equipment		Total \$'000
		Owned \$'000	Under finance lease \$'000	
<b>2014</b>				
Balance at 1 July 2013		8,199	1	8,200
Exchange differences		(25)	(1)	(26)
Additions		672	-	672
Disposals		(351)	-	(351)
Depreciation		(2,134)	-	(2,134)
<b>Balance at 30 June 2014</b>		<b>6,361</b>	<b>-</b>	<b>6,361</b>
<b>2013</b>				
Balance at 1 July 2012		10,190	9	10,199
Exchange differences		40	1	41
Additions		970	-	970
Impairment	4	(701)	-	(701)
Disposals		(69)	-	(69)
Depreciation		(2,231)	(9)	(2,240)
<b>Balance at 30 June 2013</b>		<b>8,199</b>	<b>1</b>	<b>8,200</b>

# NOTES ON THE FINANCIAL STATEMENTS

## 12. Intangible Assets

	2014 \$'000	2013 \$'000
Software for sale and licensing – at cost	5,756	5,623
Less: accumulated amortisation	(4,432)	(4,039)
	1,324	1,584
Software for internal use – at cost	7,001	6,756
Less: accumulated amortisation	(6,101)	(5,073)
	901	1,683
Customer relationships and contracts – at cost	1,494	1,494
Less: accumulated amortisation	(1,494)	(1,494)
	-	-
Goodwill – at cost	24,032	24,450
Less: impairment losses	(3,000)	(384)
	21,032	24,066
	<b>23,257</b>	<b>27,333</b>

	Software For Sales to Customers <sup>1</sup> \$'000	Software For Internal Use \$'000	Goodwill \$'000	Total \$'000
<b>2014</b>				
Balance at 1 July 2013	1,584	1,683	24,066	27,333
Additions	132	219	-	351
Disposal	-	(3)	-	(3)
Exchange differences	-	(9)	(34)	(42)
Impairment <sup>2</sup>	-	-	(3,000)	(3,000)
Amortisation	(392)	(989)	-	(1,381)
<b>Balance at 30 June 2014</b>	<b>1,324</b>	<b>901</b>	<b>21,032</b>	<b>23,257</b>
<b>2013</b>				
Balance at 1 July 2012	1,858	2,528	24,290	28,676
Additions	341	394	-	735
Disposal	-	-	-	-
Exchange differences	-	21	160	181
Impairment <sup>2</sup>	(227)	(94)	(384)	(705)
Amortisation	(388)	(1,166)	-	(1,554)
<b>Balance at 30 June 2013</b>	<b>1,584</b>	<b>1,683</b>	<b>24,066</b>	<b>27,333</b>

<sup>1</sup> Software consists of capitalised development costs.

<sup>2</sup> The carrying amount of intangible assets has been reduced to its recoverable amount through recognition of an impairment loss against software and goodwill. This loss has been disclosed in note 4.

### (a) Impairment Tests for Goodwill

Goodwill is allocated to the Group's cash generating units (CGUs) according to business unit and the country of operation.

# NOTES ON THE FINANCIAL STATEMENTS

## 12. Intangible Assets (Continued)

### (a) Impairment Tests for Goodwill (Continued)

A segment level summary of the goodwill is presented below.

	2014 \$'000	2013 \$'000
Australia	-	17,547
USA	-	1,598
Advisory Division	6,555	-
Software Division	9,556	-
GeoGAS	4,921	4,921
	<b>21,032</b>	<b>24,066</b>

### (b) Key assumptions used for value-in-use calculations

In the current and prior years the recoverable amount of the CGUs has been determined by value-in-use calculations. These calculations were based on the following key assumptions:

	Margin <sup>1</sup>		Growth Rate <sup>2</sup>		Discount Rate <sup>3</sup>	
	2014	2013	2014	2013	2014	2013
Advisory Division	14%	-	2.5%	-	17%	-
Software Division	49%	-	2.5%	-	17%	-
GeoGAS	21%	35%	3.0%	1.0%	15%	18%
Australia	-	16%	-	1.0%	-	19%
USA <sup>4</sup>	-	20%	-	1.0%	-	22%

<sup>1</sup> Budgeted gross margin

<sup>2</sup> Weighted average growth rate used to extrapolate cash flows beyond the budget period

<sup>3</sup> In performing the value-in-use calculations for each CGU, the group has applied post-tax discount rates to discount the forecast future attributable post-tax cash flows. The equivalent pre-tax discount rates are disclosed above

<sup>4</sup> Part of the American operating segment in 2013

These assumptions have been used for the analysis of each CGU. Cash flows were projected based on approved financial budgets and management projections over a five year period. Management determined budgeted gross margin based on past performance and its expectations for the future. The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used reflect specific risks relating to the relevant segments.

In the prior year the group did not have a divisional structure and was managed along the regional lines with four regions: Australia, Asia, America and Africa. Aggregation of assets for CGUs was changed to align with the new CGU structure.

### (c) Impairment charges

The goodwill previously allocated to Australia and USA was split equally between Advisory and Software Divisions. Based on the above assumptions and calculations, an impairment of \$3,000,000 has been applied to goodwill in the Advisory division as the carrying amount of goodwill exceeded its recoverable amount.

### (d) Impact of possible changes in key assumptions

An increase of 80 basis points to the pre-tax discount rate applied to the cash projections of GeoGAS would result in the recoverable amount of the CGU being equal to the carrying amount of goodwill.

# NOTES ON THE FINANCIAL STATEMENTS

## 12. Intangible Assets (Continued)

### (d) Impact of possible changes in key assumptions (Continued)

An increase of 100 basis points to the pre-tax discount rate applicable to the cash projections of the Software Division would not result in impairment of the Goodwill.

An increase of 100 basis points to the pre-tax discount rate applicable to the cash projections of the Advisory Division would result in additional impairment of Goodwill of \$800,000.

## 13. Trade and Other Payables

	2014 \$'000	2013 \$'000
<b>Current</b>		
Trade payables	2,066	1,976
Other payables and accruals	3,045	3,178
	<b>5,111</b>	<b>5,154</b>

## 14. Borrowings

<b>Current</b>		
Lease liabilities (note 21)	-	14
	<b>-</b>	<b>14</b>

### Terms and Conditions

Borrowing facilities	Currency	Nominal interest rate	Maturity	2014		2013	
				Facility \$'000	Utilised \$'000	Facility \$'000	Utilised \$'000
Secured loan	AUD	6.13%	Sep 2014	-	-	15,000	-
Bank overdraft	AUD	7.04%	n/a	5,000	-	-	-
Finance leases	CAD	-	Oct 2013	-	-	14	14
<b>Loans and Borrowings</b>				<b>5,000</b>	<b>-</b>	<b>15,014</b>	<b>14</b>
<b>Other facilities</b>							
Bank guarantee	AUD	2.50%	n/a	3,112	1,633	3,112	2,635

The Australian dollar loan facilities including the bank guarantee are secured by a first registered equitable mortgage over the Group's assets, including uncalled capital.

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

## 15. Provisions

	2014 \$'000	2013 \$'000
<b>Current</b>		
Employee benefits	2,604	3,285
<b>Non-current</b>		
Employee benefits	681	640

# NOTES ON THE FINANCIAL STATEMENTS

## 16. Other Liabilities

	2014 \$'000	2013 \$'000
<b>Current</b>		
Unearned income - software maintenance	6,053	5,660
Unearned income - consulting and other	2,515	3,146
Lease incentive and make good obligations	1,785	993
	<b>10,353</b>	<b>9,799</b>
<b>Non-current</b>		
Lease incentive and make good obligations	<b>2,831</b>	<b>3,713</b>

## 17. Contributed Equity

	2014 Number	2013 Number	2014 \$'000	2013 \$'000
<b>Share capital</b>				
Ordinary shares - fully paid	141,380,950	141,345,216	48,678	48,664

### Movements in Share Capital:

Date		Ordinary shares	
		Number	\$'000
<b>30/06/2012</b>	<b>Balance</b>	<b>124,080,000</b>	<b>39,418</b>
	Partly paid shares paid up	-	2
	Issue of share capital	17,249,482	9,487
	Costs of issue	-	(252)
	Exercise of employee options	15,734	9
<b>30/06/2013</b>	<b>Balance</b>	<b>141,345,216</b>	<b>48,664</b>
	Exercise of employee options	35,754	20
	Costs of issue	-	(6)
<b>30/06/2014</b>	<b>Balance</b>	<b>141,380,950</b>	<b>48,678</b>

### Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a showing of hands every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

### Options

Information relating to the RungePincockMinarco Employee Share Option Plan (ESOP), including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of financial year, is set out in note 25.

# NOTES ON THE FINANCIAL STATEMENTS

## 17. Contributed Equity (Continued)

### Capital Risk Management

The Group's objectives when managing capital include safeguarding the ability to continue as a going concern, so they continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group does not have any externally imposed capital requirements.

Consistent with the industry practice, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' and 'trade and other payables' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The gearing ratios at 30 June 2014 and 30 June 2013 were as follows:

	Notes	2014 \$'000	2013 \$'000
Total borrowings, trade and other payables		5,111	5,168
Less: cash and cash equivalents	7	(7,521)	(6,928)
Net (cash) / debt		(2,410)	(1,760)
Total equity		40,721	47,668
<b>Total capital</b>		<b>38,311</b>	<b>45,908</b>
Gearing ratio		n/a	n/a

## 18. Reserves and Retained Profits

### Reserves

Share-based payments (i)	742	697
Foreign currency translation (ii)	(1,889)	(1,547)
Financial assets revaluation reserve (iii)	(1,601)	(1,601)
Revaluation surplus	18	18
Reserve arising from an equity transaction (iv)	(1,553)	(1,553)
	<b>(4,283)</b>	<b>(3,986)</b>

### Nature and Purpose of Reserves

#### (i) Share-based payments

The fair value of options issued to employees is recognised as an employment cost during the option vesting period with corresponding increase in equity recognised in the employee option reserve.

#### (ii) Foreign currency translation

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as described in accounting policy note 1(e).



# NOTES ON THE FINANCIAL STATEMENTS

## 18. Reserves and Retained Profits (Continued)

### Nature and Purpose of Reserves (Continued)

#### (iii) Financial assets revaluation reserve

Changes in the fair value of investments are recognized in equity securities in other comprehensive income. These changes are accumulated in a separate reserve within equity. The entity has a policy on transferring amounts from this reserve to an asset realization reserve.

#### (iv) Reserve arising from an equity transaction

Arose from the acquisition of an additional interest in the controlled entity, MRM Mining Services (Pty) Ltd.

### Movement in Reserves

	Share-based payments		Foreign Currency Translation		Financial Assets Revaluation Reserve	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Balance at 1 July	697	726	(1,547)	(2,205)	(1,601)	(1,121)
Options expensed	44	(29)	-	-	-	-
Income tax	-	-	-	-	-	(480)
Foreign currency translation	-	-	(342)	658	-	-
Balance at 30 June	741	697	(1,889)	(1,547)	(1,601)	(1,601)

There were no other movements in reserves in 2014 and 2013.

	2014 \$'000	2013 \$'000
<b>Retained Profits</b>		
Balance at 1 July	2,990	13,037
Net profit / (loss) for the year	(7,351)	(7,565)
Dividends provided for or paid	-	(2,482)
<b>Balance at 30 June</b>	<b>(4,361)</b>	<b>2,990</b>

## 19. Dividends

Dividends paid in cash during the year were:

Full year dividend of 1.0 cents per share 50% franked paid on 5 October 2012	-	1,241
Special dividend of 1.0 cents per share unfranked paid on 5 October 2012	-	1,241
	-	2,482

### Franked Dividends

Franking credits available for subsequent financial years based on a tax rate of 30% (2013: 30%)

-	-
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The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for any:

- franking credits that will arise from the payment of the current tax liability;
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date;
- franking credits that may be prevented from being distributed in subsequent financial years; and
- franking credits acquired with subsidiaries that form a tax consolidated group with the parent entity.

# NOTES ON THE FINANCIAL STATEMENTS

## 20. Remuneration of Auditors

During the year the following fees were paid or payable for services provided by the auditors of the Group, and its related entities.

	2014 \$	2013 \$
Audit services - Audit and review of the financial reports:		
Auditor of the parent entity:		
BDO Audit Pty Ltd	157,000	150,000
Auditors of subsidiaries:		
PKF Malaysia	977	2,053
BDO South Africa	21,336	21,725
BDO Hong Kong	17,787	14,400
BDO Indonesia	14,650	13,650
Unistar – Mongolia	3,058	2,997
	<b>214,808</b>	<b>204,825</b>

## 21. Commitments

### (a) Non-cancellable Operating Leases

The Group leases various offices under non-cancellable operating leases expiring within one to seven years. The leases have varying terms, escalation clauses and renewal rights. On renewal the terms of the lease are generally renegotiated. Excess office space is sub-let to third parties also under non-cancellable operating leases.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable:

	2014 \$'000	2013 \$'000
Within one year	6,470	6,074
Later than one year but not later than 5 years	9,614	10,684
Later than 5 years	1,312	1,566
Commitments not recognised in the financial statements	<b>17,396</b>	<b>18,324</b>

### Sub-lease payments

Future minimum lease payments to be received in relation to non-cancellable sub-leases of operating leases:

	2014	2013
Within one year	174	602
Later than one year but not later than 5 years	-	133
	<b>174</b>	<b>735</b>

# NOTES ON THE FINANCIAL STATEMENTS

## 21. Commitments (Continued)

### (b) Finance Leases

	2014 \$'000	2013 \$'000
<b>Commitments in relation to finance leases are payable:</b>		
Within one year	-	14
Later than one year but not later than 5 years	-	1
Minimum lease payments	-	15
Less: future finance charges	-	(1)
Recognised as a liability	-	<b>14</b>
<b>Representing lease liabilities:</b>		
Current	-	14
Non-current	-	-
	-	<b>14</b>

Finance leases relate to motor vehicles which have residual payments with options to purchase at the end of the lease term.

## 22. Reconciliation of Net Profit to Net Cash Inflow / (outflow) from Operating Activities

<b>Net profit / (loss)</b>	<b>(7,351)</b>	<b>(7,565)</b>
Depreciation and amortisation	3,515	3,794
Net loss on sale of property, plant and equipment	90	63
Impairment	3,000	1,406
Net exchange differences	247	(81)
Employee share options	44	(29)
<b>Change in operating assets and liabilities</b>		
Decrease / (increase) in trade and other receivables	4,541	6,242
Decrease / (increase) in current tax asset	532	(938)
Decrease / (increase) in deferred tax asset	(1,806)	(97)
Decrease / (increase) in work in progress	(702)	568
Decrease / (increase) in other assets	(38)	(79)
Increase / (decrease) in trade and other payables	(753)	(2,243)
Increase / (decrease) in provision for impairment of receivables	734	320
Increase / (decrease) in other liabilities	94	(1,180)
Increase / (decrease) in current tax liabilities	(89)	(761)
Increase / (decrease) in deferred tax liability	(167)	(1,530)
Increase / (decrease) in provisions	(431)	(3,738)
<b>Net cash inflow / (outflow) from operating activities</b>	<b>1,460</b>	<b>(5,848)</b>
Non cash financing and investing activities include:		
Additions to plant and equipment	411	82
<b>Total non cash financing and investing activities</b>	<b>411</b>	<b>82</b>

# NOTES ON THE FINANCIAL STATEMENTS

## 23. Financial Risk Management

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Group's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk.

The Board of Directors is ultimately responsible for reviewing, ratifying and monitoring systems of internal controls and risk management. The Board has established an Audit and Risk Committee, which is responsible for overseeing risk management systems.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group's finance division is responsible for development and maintenance of policies which deal with each type of risk related to use of financial instruments.

The Group holds the following financial instruments:

	2014 \$'000	2013 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	7,521	6,928
Trade and other receivables <sup>1</sup>	11,758	17,235
	<b>19,279</b>	<b>24,163</b>
<b>Financial liabilities</b>		
Trade and other payables <sup>2</sup>	5,111	5,154
Borrowings <sup>2</sup>	-	14
	<b>5,111</b>	<b>5,168</b>

<sup>1</sup> Loans and receivables

<sup>2</sup> At amortised cost

### (a) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or a counter party to a financial instrument fails to meet its contractual obligations and arises principally from the Group's cash and cash equivalents and its receivables from customers.

The Group does not require guarantees or collateral of its trade and other receivables. In some foreign regions the Group works on a prepayment basis to avoid credit risk.

The Group has established an allowance for impairment that represents an estimate of incurred losses in respect of trade receivables. This allowance is determined based on the specific information regarding conditions of a particular individual debt. The information regarding the receivables ageing is monitored by both finance and operations management.

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

# NOTES ON THE FINANCIAL STATEMENTS

## 23. Financial Risk Management (Continued)

### (a) Credit Risk (Continued)

The maximum credit risk exposure of financial assets of the Group is represented by the carrying amounts of financial assets set out above. The Group had no significant concentrations of credit risk with any single counterparty or group of counterparties, other than banks or financial institutions.

62% of cash and trade receivables are held with 'AA', 'A', 'BAA', 'BA' or 'B' – rated customers and banks (2013: 53%). The ratings used are set by Moody's as at the end of the financial year. Analysis of the maximum exposure to credit risk for financial assets at balance date by counterparts' credit rating:

	2014 \$'000	2013 \$'000
A - rated counterparts	8,061	5,871
B - rated counterparts	3,957	6,877
Unrated counterparts	7,261	11,415
	<b>19,279</b>	<b>24,163</b>

### (b) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the Group's reputation.

The Group regularly reviews cashflow forecasts, maintains sufficient cash on demand and has unutilised borrowing facilities disclosed in note 14.

Contractual maturities of the Group's financial liabilities, including interest thereon, is as follows:

2014	Carrying amount \$'000	Contractual cash flows \$'000	6 mths or less \$'000	6-12 mths \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
Trade and other payables	5,111	5,111	5,111	-	-	-	-
	<b>5,111</b>	<b>5,111</b>	<b>5,111</b>	-	-	-	-
<b>2013</b>							
Finance lease liabilities	14	15	15	-	-	-	-
Trade and other payables	5,154	5,154	5,154	-	-	-	-
	<b>5,168</b>	<b>5,169</b>	<b>5,169</b>	-	-	-	-

The Group manages its exposure to interest rate and foreign currency fluctuations through a policy approved by the Board of Directors. There are no other significant market risks affecting the Group.

### (c) Market Risk

#### Currency Risk

The current policy is not to take any forward positions. At 30 June 2014 and 2013 the Group had not entered into any derivative contracts to hedge these exposures. The Group does not engage in any significant transactions which are speculative in nature.

# NOTES ON THE FINANCIAL STATEMENTS

## 23. Financial Risk Management (Continued)

### (c) Market Risk (Continued)

As a multinational corporation, the Group maintains operations in foreign countries and as a result of these activities, the Group is exposed to changes in exchange rates which affect its results of operations and cash flows.

The Group's exposure to foreign currency risk at balance date expressed in Australian Dollars was as follows:

2014	USD \$'000	CAD \$'000	ZAR \$'000	Other \$'000	Total \$'000
Cash and deposits	2,919	334	578	1,417	5,248
Trade and other receivables	4,672	767	1,462	573	7,474
Trade and other payables	(661)	(94)	(396)	(729)	(1,880)
Interest bearing liabilities	-	-	-	-	-
<b>Net balance sheet exposure</b>	<b>6,930</b>	<b>1,007</b>	<b>1,644</b>	<b>1,261</b>	<b>10,842</b>
2013					
Cash and deposits	2,059	561	1,559	1,641	5,820
Trade and other receivables	9,201	806	1,235	784	12,026
Trade and other payables	(319)	(182)	(93)	(733)	(1,327)
Interest bearing liabilities	-	(14)	-	-	(14)
<b>Net balance sheet exposure</b>	<b>10,941</b>	<b>1,171</b>	<b>2,701</b>	<b>1,692</b>	<b>16,505</b>

A 10 percent strengthening of the Australian dollar against the above currencies at 30 June 2014 based on assets and liabilities at 30 June 2014 would have increased/(decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2013.

	2014		2013	
	Equity \$'000	Profit/(Loss) \$'000	Equity \$'000	Profit/(Loss) \$'000
	(966)	(118)	(1,172)	(328)

A 10 percent weakening of the Australian dollar against the above currencies at 30 June 2014 would have had equal but opposite effect on the above currencies to the amounts shown above.

### (d) Net Fair Values

The net fair values of financial assets and liabilities approximate their carrying value. No financial assets or liabilities are readily traded on organised markets in standardised form.

## 24. Earnings Per Share

	2014 Cents	2013 Cents
Basic earnings per share	(5.2)	(5.9)
Diluted earnings per share	(5.2)	(5.9)

# NOTES ON THE FINANCIAL STATEMENTS

## 24. Earnings Per Share (Continued)

	2014 \$'000	2013 \$'000
<b>Earnings used in Calculating Earnings Per Share</b>		
Profit / (loss) attributable to the ordinary equity holders used in calculating earnings per share	(7,351)	(7,565)
	2014 Number '000	2013 Number '000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	141,353	128,022
Dilutive options	-	-
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	141,353	128,022

## 25. Share Based Payments

### Tax Exempt Share Plan

The Employee Share Scheme enables the Board to issue up to \$1,000 of shares tax free per employee of the Group each year.

There were no shares issued under \$1,000 Share Purchase Plan in 2014 or 2013.

Eligibility for the tax exempt share plan is approved by the board having regard to individual circumstances and performance. No directors or key management personnel are eligible for the Tax Exempt Share Plan.

### Employee Share Option Plan (ESOP)

The Employee Share Option Plan (ESOP) was approved by the Board of Directors on 5 February 2008, amended on 7 October 2009, 28 October 2011 and most recently on 29 October 2013 following approval of shareholders at the Company's 2013 Annual General Meeting.

Eligible participants of the ESOP include any person who is employed by, or is a director, officer or executive (or their approved permitted nominee), of the Group and whom the Board or its nominee determines is eligible to participate in the Option Plan. A permitted nominee includes a company controlled by the employee, a trust in which the employee has, or may have entitlements or such other entity as approved by the Board. Options are granted at the discretion of the Board of Directors.

All options under the ESOP are to be offered to eligible employees for no consideration. The offer to the eligible participant must be in writing and specify amongst other things, the number of options for which the eligible employee may apply, the period within which the options may be exercised, any conditions to be satisfied before exercise, the option expiry date and the exercise price of the options, as determined by the Board. The Board can impose any restrictions on the exercise of options as it considers fit.

The rules of the ESOP plan enable the Board to determine the applicable vesting criteria and to set a timetable for vesting of options in the offer document, including vesting in tranches over a defined period. The Board has the discretion on whether or not to set performance hurdles for vesting or to link vesting solely to a defined service period in order to drive key staff retention and reward longevity of service.

# NOTES ON THE FINANCIAL STATEMENTS

## 25. Share Based Payments (Continued)

The options may be exercised, in part or full, subject to the employee continuing to be employed at the relevant vesting dates, by the participant giving a signed notice to the Company and paying the exercise price in full. The Company will apply for official quotation of any Shares issued on exercise of any options.

The rules of the plan allow the Board to set the exercise price per Option in the offer document.

Subject to the accelerated expiry terms set out in the ESOP plan (explained further below), options will expire five years after the date of grant subject to the option holder remaining employed by the Company. Unexercised options will automatically lapse upon expiry. Unless determined otherwise by the Board, in the event of stated events detailed in the plan, including termination of employment or resignation, redundancy, death or disablement or in the event of a change of control of an employee's permitted nominee, unvested options shall lapse and the expiry date of any vested options will be adjusted in accordance with the accelerated timetables set out in the ESOP plan rules (subject to the Board's discretion to extend the term of exercise in restricted cases).

Once shares are allotted upon exercise of the options the participant will hold the shares free of restrictions. The shares will rank equally for dividends declared on or after the date of issue but will carry no right to receive any dividend before the date of issue. Should the Company undergo a reorganisation or reconstruction of capital or any other such change, the terms of the options (including number or exercise price or both) will be correspondingly changed to the extent necessary to comply with the Listing Rules. With this exception, the terms for the exercise of each Option remains unchanged. In the event of a change of control of the Company, all options will vest immediately and may be exercised by the employee (regardless of whether the vesting conditions have been satisfied). A holder of options is not entitled to participate in dividends, a new or bonus issue of Shares or other securities made by the Company to Shareholders merely because he or she holds options.

The Options are not transferable, assignable or able to be encumbered, without Board consent and the options will immediately lapse upon any assignment, transfer or encumbrance, with the exception of certain dealings in the event of death of the option holder.

The ESOP plan will be administered by the Board which has an absolute discretion to determine appropriate procedures for its administration and resolve questions of fact or interpretation and formulate terms and conditions (subject to the Listing Rules) in addition to those set out in the ESOP plan.

The ESOP plan may be terminated or suspended at any time by the Board. The ESOP plan may be amended or modified at any time by the Board except where the amendment reduces the rights of the holders of options, unless required by the Corporations Act or the Listing Rules, to correct any manifest error or mistake or for which the option holder consents. The Board may waive or vary the application of the ESOP plan rules in relation to any eligible employee at any time.

The vesting conditions attached to the options are set out in the Remuneration Report (20A) of the Directors' Report.



# NOTES ON THE FINANCIAL STATEMENTS

## 25. Share Based Payments (Continued)

The number and weighted average exercise prices of share options are as follows:

Grant date	Vesting date	Expiry date	Exercise Price \$	Number beginning of year	Granted	Forfeited	Exercised	Number at end of year
<b>2014</b>								
<i>Options granted to management</i>								
14/12/2010	31/08/2012	30/09/2014	0.57	160,278	-	-	(29,068)	131,210
14/12/2010	31/08/2013	30/09/2014	0.57	93,062	-	-	(6,666)	86,396
14/12/2010	31/08/2014	30/09/2014	0.57	93,062	-	(15,733)	-	77,329
29/05/2012	1/09/2014	31/08/2016	0.40	1,956,000	-	(160,000)	-	1,796,000
03/05/2013	1/09/2014	31/08/2016	0.55	578,600	-	-	-	578,600
26/08/2013	01/09/2014	31/08/2016	0.55	-	1,539,734	-	-	1,539,734
29/11/2013	30/11/2014	29/11/2018	0.68	-	580,987	-	-	580,987
29/11/2013	30/11/2015	29/11/2018	0.68	-	581,004	-	-	581,004
29/11/2013	30/11/2016	29/11/2018	0.68	-	581,009	-	-	581,009
19/02/2014	19/02/2015	19/02/2019	0.67	-	116,666	-	-	116,666
19/02/2014	19/02/2016	19/02/2019	0.67	-	116,666	-	-	116,666
19/02/2014	19/02/2017	19/02/2019	0.67	-	116,668	-	-	116,668
31/03/2014	31/03/2015	31/03/2019	0.73	-	83,333	-	-	83,333
31/03/2014	31/03/2016	31/03/2019	0.73	-	83,333	-	-	83,333
31/03/2014	31/03/2017	31/03/2019	0.73	-	83,334	-	-	83,334
<b>Total</b>				<b>2,881,002</b>	<b>3,882,734</b>	<b>(175,733)</b>	<b>(35,734)</b>	<b>6,552,269</b>
Weighted average exercise price				0.45	0.63	0.42	0.57	0.56
<b>2013</b>								
<i>Options granted to management</i>								
14/12/2010	31/08/2012	30/09/2014	0.57	448,346	-	(272,334)	(15,734)	160,278
14/12/2010	31/08/2013	30/09/2014	0.57	448,327	-	(355,265)	-	93,062
14/12/2010	31/08/2014	30/09/2014	0.57	448,327	-	(355,265)	-	93,062
30/11/2011	1/09/2014	30/09/2015	0.35	500,000	-	(500,000)	-	-
29/05/2012	1/09/2014	31/08/2016	0.40	2,374,000	*386,000	(804,000)	-	1,956,000
03/05/2013	1/09/2014	31/08/2016	0.55	-	688,600	(110,000)	-	578,600
<b>Total</b>				<b>4,219,000</b>	<b>1,074,600</b>	<b>(2,396,864)</b>	<b>(15,734)</b>	<b>2,881,002</b>
Weighted average exercise price				0.45	0.50	0.47	0.57	0.45

\* Options granted 8 August 2012 and 22 August 2012 on the same terms as options issued in May 2012.

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.91 years (2013: 2.87 years).

The fair values at grant date for non-market options (EBITA & EPS and Service vesting conditions) were estimated using a Trinomial Lattice model which defines the conditions under which employees are expected to exercise their options after vesting in terms of the stock price reaching a specified multiple of the exercise price.

# NOTES ON THE FINANCIAL STATEMENTS

## 25. Share Based Payments (Continued)

The fair values at grant date for market options (TSR vesting condition) were estimated using a Monte Carlo simulation and a trinomial tree (Hoadley's Hybrid Employee Share Option model - outperform index).

The model inputs for options granted during the 2014, 2013, 2012 and 2011 financial years included:

	Options with market hurdles	Options with non-market hurdles						
	Dec 2010	Dec 2010	Nov 2012	May 2013	Aug 2013	Nov 2013	Feb 2014	Mar 2014
Fair value of share options at grant date:								
Option vesting date								
31/08/2012	\$0.196	\$0.24	-	-	-	-	-	-
31/08/2013	\$0.193	\$0.25	-	-	-	-	-	-
31/08/2014	\$0.193	\$0.24	-	-	-	-	-	-
01/09/2014	-	-	\$0.119	-	-	-	-	-
01/09/2014	-	-	-	\$0.199	-	-	-	-
01/09/2014	-	-	-	-	\$0.095	-	-	-
30/11/2014	-	-	-	-	-	\$0.205	-	-
30/11/2015	-	-	-	-	-	\$0.229	-	-
30/11/2016	-	-	-	-	-	\$0.249	-	-
19/02/2015	-	-	-	-	-	-	\$0.215	-
19/02/2016	-	-	-	-	-	-	\$0.247	-
19/02/2017	-	-	-	-	-	-	\$0.272	-
31/03/2015	-	-	-	-	-	-	-	\$0.239
31/03/2016	-	-	-	-	-	-	-	\$0.274
31/03/2017	-	-	-	-	-	-	-	\$0.302
Assumptions:								
Share price	\$0.57	\$0.57	\$0.40	\$0.595	\$0.50	\$0.68	\$0.65	\$0.715
Exercise price	\$0.57	\$0.57	\$0.40	\$0.55	\$0.55	\$0.68	\$0.67	\$0.73
Expected volatility (weighted average volatility)	70%	70%	50%	50%	37.5%	40%	50%	50%
Option weighted average life	3.8 years	3.8 years	3.8 years	3.3 years	3 years	5 years	5 years	5 years
Expected dividends	5%	5%	6%	3.5%	4%	0%	0%	0%
Risk-free interest rate <sup>1</sup>	5.31%	5.31%	2.60%	2.5%	2.75%	3.44%	3.42%	3.44%

<sup>1</sup> based on government bonds

The expected price volatility is based on the historic volatility compared to that of similar listed companies and the remaining life of the options. This has been adjusted to take into consideration the recent extreme market movements using a mean reversion tendency of volatilities (the concept of volatility returning to normal levels after going to an extreme).

# NOTES ON THE FINANCIAL STATEMENTS

## 25. Share Based Payments (Continued)

### Employee Expenses

#### Share-based payment expense recognised during the financial year

	2014 \$'000	2013 \$'000
Options issued under employee option plan	44	(29)
	<b>44</b>	<b>(29)</b>

## 26. Contingent liabilities and contingent assets

There are no contingent liabilities or contingent assets that require disclosure in the financial report.

## 27. Parent Entity Disclosures

As at and throughout the financial year ending 30 June 2014 the parent entity of the Group was RungePincockMinarco Limited.

### Summary financial information

The individual financial statements for the parent entity show the following aggregation:

#### Result of parent entity

Profit/(loss)	(7,553)	(386)
Other comprehensive income	-	-
Total comprehensive income	(7,553)	(386)

#### Financial position of parent entity at year end

Current assets	12,392	22,870
Total assets	55,818	68,870
Current liabilities	10,095	16,666
Total liabilities	14,802	20,359

#### Total equity of the parent entity comprising of:

Issued capital	48,678	48,664
Employee Option Reserve	741	697
Asset Revaluation Reserve	18	18
Reserve Arising From an Equity Transaction	(600)	(600)
Retained profits	(7,821)	(268)
<b>Total equity</b>	<b>41,016</b>	<b>48,511</b>

Contingent liabilities

Contractual commitments for the acquisition or property, plant or equipment

The parent entity has provided guarantees to third parties in relation to the performance and obligations of its subsidiary, GeoGAS Pty Ltd in respect of property lease rentals. The guarantees are for the terms of the leases and total \$98,000 (2013: \$98,000). The periods covered by the guarantees range from two to three years.

No deficiency of net assets existed in the controlled entities covered by guarantees at 30 June 2014 or 30 June 2013. No liability was recognised by the parent entity in relation to these guarantees, as the fair value of the guarantee is immaterial.

# NOTES ON THE FINANCIAL STATEMENTS

## 28. Interests in other entities

### (a) Material subsidiaries

The Group's principal subsidiaries at 30 June 2014 are set out below. All subsidiaries have share capital consisting solely of ordinary shares that are 100% held directly by the Group, and the proportions of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business/incorporation	Principal Activities
GeoGAS Pty Ltd	Australia	Laboratory Services
Runge Indonesia Technology Pty Ltd	Australia	Software Sales and Services
Runge Inc	USA	Software and Advisory Services
RungePincockMinarco (Canada) Ltd	Canada	Software Sales and Services
PT RungePincockMinarco	Indonesia	Advisory Services
Runge Asia Ltd	Hong Kong	Advisory Services
Core Global Mining Solutions Beijing Co. Ltd	China	Advisory Services
RungePincockMinarco LLC	Mongolia	Advisory Services
CJSC Runge	Russia	Software and Advisory Services
MRM Mining Services (Pty) Ltd	South Africa	Software Sales and Services
RungePincockMinarco Limited Latin America Limitada	Chile	Software Sales and Services
Runge Servicos de Consultoria do Brasil Ltda	Brazil	Software Sales and Services

All entities other than GeoGAS Pty Ltd trade as RungePincockMinarco.

### (b) Significant Restrictions

Cash and Short term deposits held in Chile, Brazil, South Africa, China, Indonesia, Mongolia and Russia are subject to local exchange control regulations. These regulation provide restrictions on exporting capital from those countries other than through normal trading transactions or dividends.

The carrying amount of cash included within the consolidated financial statements to which these restrictions apply is \$3,091,000 (2013: \$4,102,000).

### (c) Interests in joint ventures

The Group has a 49% interest in RungePincockMinarco India Pte Ltd, an entity registered in India, which is accounted for using the equity method. The summary of amounts in the reports for this entity is disclosed below:

	2014 \$'000	2013 \$'000
Carrying Amount	26	-
Group's share of:		
Profit/(loss) from continuing operations	-	-
Other comprehensive income	-	-
Total comprehensive income	-	-

# NOTES ON THE FINANCIAL STATEMENTS

## 29. Key Management Personnel Disclosures

### (a) Compensation

	2014	2013
	\$	\$
Short term employee benefits	2,211,530	1,738,242
Post-employment benefits	119,189	121,735
Termination benefits	-	955,864
Share-based payments	32,859	(71,454)
	<b>2,363,578</b>	<b>2,744,387</b>

### (b) Other Transactions with Key Management Personnel

The Group employs the services of Pitcher Partners Chartered Accountants, an entity associated with Ross Walker. Pitcher Partners received \$9,100 (2013: \$80,290) for taxation and advisory services. Amount payable at year end \$3,740 (2013: \$nil)

Aggregate amounts of each of the above types of other transactions with key management personnel of RungePincockMinarco Limited:

	2014	2013
	\$	\$
<b>Amounts recognised as expense</b>		
Professional fees	9,100	80,290
	<b>9,100</b>	<b>80,290</b>

## 30. Events occurring after the reporting period

On 1 August 2014 the Company has completed a placement of 35,000,000 ordinary shares for cash consideration of \$21,000,000 to institutional investors in Australia.

The Company has offered a Share Purchase Plan (SPP) to shareholders on the register as at 31 July 2014. The purpose of SPP is to give all current shareholders the ability to buy up to \$15,000 worth of the Company's shares on the same terms as the institutional placement. The SPP is not underwritten and the Board intends to cap the total raising at \$1,200,000 (2,000,000 shares). No shares were allocated under the SPP as at the date of this report.

On 8 August 2014 the Company acquired a non-exclusive right to the software code of the Mine2-4D mine design application from South African technology company MineRP, for \$1,250,000. The Company intends to rebrand and integrate the product with its existing software product suite. The costs of acquisition and internal software development will be capitalised in accordance with the Intangible Asset accounting policy, refer note 1 (o).

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected the Group's operations, results or state of affairs, or may do so in the future years.

# DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes thereto comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 (a) to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date;
- the remuneration disclosures included in pages 16 to 25 of the directors' report (as part of audited Remuneration Report), for the year ended 30 June 2014, comply with section 300A of the *Corporations Act 2001*; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors



Allan Brackin,  
Chairman

Dated this 20th day of August 2014

## INDEPENDENT AUDITOR'S REPORT

To the members of RungePincockMinarco Limited

### Report on the Financial Report

We have audited the accompanying financial report of RungePincockMinarco Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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.

#### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, 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 about 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.

## Independence

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 RungePincockMinarco 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 RungePincockMinarco 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 financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

## Report on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 25 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 RungePincockMinarco Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO Audit Pty Ltd

A handwritten signature in black ink, appearing to read 'A S Loots', is written over the printed name.

A S Loots  
Director

Brisbane, 20 August 2014



# CORPORATE GOVERNANCE STATEMENT

## **Corporate Governance Statement – Year Ended 30 June 2014**

The Board and management consider that it is crucial to the Company's economic, social and ethical objectives that it adopts an appropriate corporate governance framework pursuant to which the Group will conduct its operations in Australia and internationally with integrity and in a transparent and open manner.

This corporate governance statement has been approved by the Board of RungePincockMinarco Limited and explains how the Group addresses the requirements of both the Corporations Act 2001, the ASX Listing Rules 2001 and the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations - 2nd Edition' (hereafter referred to as either ASX Principles or Recommendations) and is current as at the date of this report.

### **PRINCIPLE 1: – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT**

#### **Recommendation 1.1: Companies should establish the functions reserved to the Board and those delegated to the Executive Team**

##### Role of the board

The Board is responsible for the governance of the Group. The role of the Board is to provide overall strategic guidance and effective oversight of management. The Board derives its authority to act from the constitution of the Company.

The responsibilities of the Board are set out in the Board Charter can be found on the Company's website, at: <http://www.rpmglobal.com/investor-relations/corporate-governance>

The Board Charter was adopted by the Board on 11 April 2008 and is reviewed periodically to ensure it is operating effectively and in the best interests of the Company. The Board Charter was last amended on 21 August 2013.

As set out in more detail in the Board Charter, the key functions reserved to the Board are to:

- a) oversee the Company, including its control and accountability systems;
- b) oversee the business and strategic direction of the Company in order to maximise performance and generate appropriate levels of shareholder return;
- c) appoint, evaluate and remove the Chairman, the Managing Director, any other Executive Director, the Company Secretary, and where appropriate, senior executives;
- d) review, ratify and monitor systems of internal controls, risk management, codes of conduct and legal compliance;
- e) provide input into and final approval of management's development of corporate strategy and performance objectives;
- f) review the performance and implementation of corporate strategies by senior management and ensure that senior management have the necessary resources to do so;
- g) approve and monitor progress of major capital expenditure, capital management, acquisitions and divestments;

# CORPORATE GOVERNANCE STATEMENT

## PRINCIPLE 1: – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT (CONTINUED)

- h) approve and monitor annual budgets and strategic plans; and
- i) approve and monitor financial and other reporting made to shareholders and the ASX under the continuous disclosure regime.

The Board delegates specific responsibilities to various Board Committees. For the 2014 Financial Year, the Board utilised the following Committees:

- An Audit and Risk Committee, currently chaired by independent director Ross Walker, which among other things responsible for overseeing the external and internal auditing functions of the Company's activities; and
- An Human Resources and Remuneration Committee, which is currently chaired by independent director and Company Chairman Allan Brackin, which is responsible for making recommendations to the Board on remuneration packages for executives, senior managers, Non-executive Directors and overseeing the Human Resources policies of the Company.

The duties of the Nominations Committee are currently being carried out by the entire Board and as such separate meetings for the Nominations Committee did not occur during the 2014 Financial Year.

The Charter of each of the above listed Committees can be found on the Company's website, at: <http://www.rpmglobal.com/investor-relations/corporate-governance>

The Charter of each of the above listed Committees were adopted by the Board on 11 April 2008, are reviewed periodically to ensure it is operating effectively and in the best interests of the Company and were last amended on 12 August 2014.

Timetables for Board and Committee meetings are agreed by the Board annually in advance.

### Delegations to the CEO and the Executive Management Team

The Board are able to delegate any of the power and authorities exercisable by the Board to one director by virtue of the Company's constitution.

The Board delegates certain powers and authorities to the CEO as Managing Director, and in turn to designated management personnel of the Company, to implement the strategic direction set by the Board and for managing the Group's day-to-day operations. This delegation is detailed in a Delegation of Execution, Financial & Negotiation Authority Policy. The Policy:

- defines the delegations of authority for the negotiation, approval & execution of sales and other agreements on behalf of the Company;
- defines the delegations of authority for entering into of financial obligations and authorisation of expenditure on behalf of the Company; and
- provides guidelines on the circumstances and requirements on delegates when exercising those delegations including for sub-delegation.

This Policy is reviewed by the Board on a periodic basis to ensure appropriate levels of control and management of risk are retained by the Board and was last updated on 18 February 2014.

# CORPORATE GOVERNANCE STATEMENT

## PRINCIPLE 1: – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT (CONTINUED)

### Appointment of Directors and Executives and Responsibilities

The Directors are engaged under and Executives are employed under Service Agreements which set out the terms on which the individuals are appointed including details of duties, responsibilities, rights, and remuneration entitlements. Appropriate checks are undertaken by the Company's Human Resources department before new appointments are made, including through use of telephone screening, in person interviews, employment history and character reference checks and criminal history checks for financial related positions.

### **Recommendation 1.2: Companies should disclose the process for evaluating the performance of Senior Executives**

The performance of the CEO has been assessed for the 2014 financial year in accordance with the process adopted by the Board. The assessment for the 2014 financial year was in accordance with the performance criteria set out in the Managing Director's employment contract including evolution and execution of strategy, meeting operational and financial targets. The Chairman presented the assessment to the Board for its comment following the Board meeting on 12 August 2014.

Performance reviews for the Company's Executives have been complete for the 2014 financial year and were reported to the HR and Remuneration Committee on 22 July 2014. Both qualitative and quantitative measures were utilised consistent with KPOs set by the CEO in consultation with the key executives.

## PRINCIPLE 2: - STRUCTURE THE BOARD TO ADD VALUE

The Company's constitution provides for a minimum of 3 directors and a maximum of 8 unless the Company in general meeting determines otherwise.

The Board is of the view that the current size, capabilities and composition of the Board being limited to four (4) directors is appropriate and conducive to decision making for the current operations. The Board will consider appointment of another independent director with the appropriate skills and experience to add value to the Board when appropriate and required to support the Company's operations.

### **Recommendation 2.1: A majority of the board should be independent directors**

The names of the Directors of the Company in office at the date of this report, specifying which are independent, are set out below. The skills, experience and expertise relevant to the position of director held by each director below is set out in Section 9 of the Annual Report in the section entitled "Information on Current Directors and Company Secretary".

### **Current Board Composition**

Director	Board membership	Original Date of appointment
A Brackin	Independent Chairman	November 2011
R Mathews	Executive, Managing Director and CEO	February 2012 (August 2012 in Executive capacity)
Dr I Runge	Non-executive	December 1986
R Walker	Independent	March 2007

# CORPORATE GOVERNANCE STATEMENT

## PRINCIPLE 2: - STRUCTURE THE BOARD TO ADD VALUE (CONTINUED)

The Board is committed to ensuring that there will be at least four Directors of whom a majority will be Non-executive Directors and as far as possible, at least two will be independent Directors.

A Director is regarded as independent if that Director is a Non-executive Director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

When determining the independent status of a Director, the Board has considered whether the Director:

- a) is a substantial shareholder of the Company or an officer of, or otherwise associated directly with a substantial shareholder of the Company;
- b) within the last three years has been employed or has previously been employed in an executive capacity by the Company or another group member;
- c) within the last three years has been a principal of a material professional adviser or a material consultant to the Company or another Group member, or an employee materially associated with the service provided;
- d) is a material supplier or customer of the Company or other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- e) has a material contractual relationship with the Company or another Group member other than as a Director of the Company.

The Board has determined, on an individual by individual basis, that each of the two Directors designated as independent Directors above satisfy all of the above criteria. In addition, the Board comprises a majority of Non-executive Directors and one Executive Director.

The Board presently does not comprise a majority of Independent Directors, but the Board believes that the current individuals on the Board are able to make quality and independent judgements in the best interests of the Company on all relevant issues. The Company may consider appointing an additional Independent Director if and when the scale of its operations justifies such an appointment and an appropriate candidate becomes available. The criteria used to assess independence are reviewed from time to time.

The Non-executive Directors understand the benefits of conferring regularly without management present, and do so.

The Board is also committed to ensuring that all Directors, whether independent or not, bring an independent judgment to bear on Board decisions. To facilitate this, the Board has agreed on a procedure for Directors to have access, in appropriate circumstances, to independent professional advice at the Company's expense.

### **Recommendation 2.2: The Chair should be an independent Director**

It is a requirement of the Company's Board Charter that the Chair should be an independent director.

The Board is satisfied that the Company's Chairman, Allan Brackin, is, and has been throughout the year, an independent Director.

### **Recommendation 2.3: The roles of the chair and chief executive officer should not be exercised by the same individual**

The Chairman and the CEO roles are performed by different persons.

# CORPORATE GOVERNANCE STATEMENT

## PRINCIPLE 2: -STRUCTURE THE BOARD TO ADD VALUE (CONTINUED)

### Recommendation 2.4: The Board should establish a nomination committee

The Board is committed to ensuring that its members have a broad range of skills, experience and expertise. This will assist the Board to maximise performance and ensure appropriate levels of shareholder return.

The Board has, in accordance with ASX Recommendation 2.4 and as stated above, established a Nominations Committee. The primary purpose of the Nominations Committee is to assist the Board to discharge its responsibilities with regard to the following areas:

- overseeing the composition of the Board and competencies of Board members;
- providing recommendations of appointment and evaluation of the Managing Director;
- ensuring that appropriate procedures exist to assess the performance levels of the Chairman, Non-executive Directors, Executive Directors; and
- developing succession plans for the Board and overseeing development by management of succession planning for senior executives.

The Nominations Committee Charter can be found on the Company's website, at: <http://www.rpmglobal.com/investor-relations/corporate-governance>

The Charter requires that a majority of members of the Nominations Committee must, as far as possible, be independent Non-executive Directors. The Chairman of the Nominations Committee is an independent Director.

The current members of the Nominations Committee are the entire Board, so the Committee is not comprised of a majority of independent Directors.

The Board is of the view that the entire Board brings the appropriate mix of skills and experience to satisfy the responsibilities under the Committee's Charter. For that reason the duties of the Nominations Committee are currently being carried out by the entire Board and as such separate meetings for the Nomination Committee did not occur during the 2014 Financial Year.

The skills, experience and length of appointment relevant to each Director are set out in Section 9 of the Directors' Report in the section entitled "Information on Current Directors and Company Secretary".

The name of the Director considered independent and the materiality thresholds are set out in this Statement under Recommendation 2.1. The relevant transactions with the independent Director, Ross Walker are set out in Item 20F of the Remuneration report and note 29(b) (Other Transactions with Key Management Personnel) of the financial statements. The Board considers that the transactions involving Ross Walker are not material.

A record of all Board and Committee meetings held and the attendance of each Director at those meetings are set out in the Directors' Report.

### Recommendation 2.5: The performance of the board should be reviewed regularly against appropriate measures

It is the responsibility of the Board and its Committees to review their performance (group and individually) annually to ensure that they are operating effectively and in the best interests of the Company.

A comprehensive internal review of the Board and its Committees was completed during the 2014 financial year.

# CORPORATE GOVERNANCE STATEMENT

## PRINCIPLE 2: -STRUCTURE THE BOARD TO ADD VALUE (CONTINUED)

The Company Secretary monitors whether Board policy and procedures are being followed, and co-ordinates timely completion and despatch of Board agenda and briefing material.

## PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

The Board fully supports a strong commitment to ethical and responsible decision-making.

### Recommendation 3.1: Companies should establish a code of conduct

The Company has established a Code of Conduct Policy setting out the standards of ethics and conduct to which all Directors, executives and employees within the Group must adhere whilst conducting their duties. The Code of Conduct Policy can be found on the Company's website, at: <http://www.rpmglobal.com/investor-relations/corporate-governance>

The Code of Conduct Policy was adopted by the Board on 11 April 2008 and is reviewed periodically to ensure it remains up-to-date and in the best interest of the Company. The Code was last amended by the Board on 12 August 2014 and incorporates the Company's Whistleblower Policy.

The Code of Conduct Policy sets out a number of overarching principles of ethical behaviour and, among other things, requires the Directors, executives and employees of the Group to:

- a) act with high standards of honesty, integrity, fairness, equity and personal integrity;
- b) comply fully with the content and spirit of all laws, legislation and regulations which govern the Company's operations, its business environment and its employment practices;
- c) not directly or indirectly offer, pay, solicit or accept bribes, secret commissions or other similar payments or benefits in the course of conducting business;
- d) not divulge any information about the Company without appropriate authorisation;
- e) not participate in insider trading by using knowledge not generally available to the market to gain unfair advantage in the buying or selling of the Company's securities;
- f) not knowingly participate in any fraudulent, corrupt, illegal or unethical activity;
- g) not enter into any arrangement or participate in any activity that would conflict with the interests of the Company or prejudice the performance of professional duties;
- h) not take advantage of their position or the opportunities arising therefrom for personal gain; and
- i) report any possible improprieties in financial reporting, internal control or other matters covered by the Code.

The Managing Director in conjunction with the EGM Human Resources ensures that all employees are made aware of all procedures and policies on induction and on an ongoing basis to ensure any necessary reporting steps are undertaken.

The Company is committed to ensuring that employees may raise concerns regarding illegal conduct or unethical behaviour and will support employees who report violations in good faith. RPM will not act to the detriment of any employee as a consequence of them raising any breach of law, concerns about possible improprieties in financial reporting, internal control or other matters including any violation of the Code. All reports received will be thoroughly investigated and any necessary action taken.

# CORPORATE GOVERNANCE STATEMENT

## PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING (CONTINUED)

### **Recommendation 3.2: Companies should establish a policy concerning diversity**

In May 2012, the Board adopted a Diversity Policy to describe how the Company is committed to a diverse workforce that recognises and embraces the value that different people can bring to an organisation. The Company promotes a diverse workplace by aiming to ensure that all employees and applicants for employment are fairly considered according to their skills, qualifications and abilities.

The Diversity Policy can be found on the Company's website, at: <http://www.rpmglobal.com/investor-relations/corporate-governance>.

The Diversity Policy is reviewed periodically by the Board to ensure it remains up-to-date and was last updated by the Board on 12 August 2014.

The Diversity Policy reflects the Company's commitment to a diverse workforce that recognises and embraces the value that different people can bring to an organisation. The Company promotes a diverse workplace by aiming to ensure that all employees and applicants for employment are fairly considered according to their skills, qualifications and abilities.

The Policy sets out the roles and responsibilities of the Board, the Human Resources and Remuneration Committee, and the Company's employees in relation to workplace diversity. The initiatives which have been adopted by the Company to assist with improving gender diversity are also set out within the Policy.

### **Recommendation 3.3: Companies should disclose the measurable objectives for achieving gender diversity and progress towards achieving those objectives**

The Company's measurable objective set in 2012 was to have 35% of women across the whole organisation, subject to the overriding objective that all appointments will be made on the basis of merit. This objective was originally set against a 30 June 2013 target date.

In accordance with the requirements of the Australian Workplace Gender Equality Act 2012 (Act), the Company lodged its annual public report with the Workplace Gender Equality Agency for its Australian operations on 29 May 2014. A copy of this report can be found on the Company's website, at: <http://www.rpmglobal.com/investor-relations/corporate-governance>.

#### Progress

At a Group level, as at 14 August 2014, of the 296 employees employed throughout the Group in full time, part time and casual employment 24% (71) employees are female and 76% (225) are male.

The Company remains committed to its measurable objective for diversity set in 2012 to have 35% of women across the whole organisation, however due to current market conditions the Board has recognised this objective is likely to be achieved over a longer period as the market improves. Accordingly, the Board resolved on 12 August 2014 to reset the target date for achieving this objective to 30 June 2017.

# CORPORATE GOVERNANCE STATEMENT

## PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING (CONTINUED)

### Recommendation 3.4: Companies should disclose proportion of women employees in the Company, in senior executive positions and on the Board

The following table details the proportion of female employees across the Group as at 14 August 2014:

	No.	%
Female Directors on the Board / Chief Executive	-	-
Female Key Management Personnel (KMP)	-	-
Female Other Executive / General Management Positions (excl. KMP)	1	25%
Total Female Employees across Group	71	24%

## PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

### Recommendation 4.1: The Board should establish an Audit Committee

The Board has established an Audit and Risk Committee.

The primary purpose of the Audit and Risk Committee is to assist the Board to discharge its responsibilities with regard to:

- monitoring and reviewing the effectiveness of the control environment in the Group in the areas of operational and balance sheet risk, legal/regulatory compliance and financial reporting; and
- providing an independent and objective review of financial and other information prepared by management, in particular that to be provided to members and/or filed with regulators.

Further, the Audit and Risk Committee leads the review of the performance of the external auditors, and sets the procedures for both the selection and appointment of external auditors and the rotation of external audit engagement partners.

### Recommendation 4.2: The Audit Committee should be appropriately structured

During the 2014 financial year, the Committee consisted of two Non-executive Directors, one of whom is independent and chaired the Committee, and the Chief Financial Officer. To ensure the highest possible level of independence and consistent with best practice governance standards, the Board resolved during its regular periodic review of the Audit and Risk Committee Charter on 12 August 2014 that the committee position previously filled by the Chief Financial Officer would be filled going forward by a second independent director and the Company's Chairman, Mr Allan Brackin. The Committee retains the unrestricted right of access to executive management including the Chief Financial Officer as required. The Committee will remain chaired by Mr Ross Walker who is not the Chairman of the Board. The current composition of the Audit and Risk Committee is:

Mr Ross Walker	Committee Chair (Non-executive and independent)
Dr Ian Runge	Member (Non-executive)
Mr Allan Brackin	Member (Non-executive and independent) <i>[replacing Mr Michael Kochanowski Chief Financial Officer effective 12 August 2014]</i>



# CORPORATE GOVERNANCE STATEMENT

## PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING (CONTINUED)

Each Director has an appropriate knowledge of the Company's affairs and has the financial and business expertise to enable the Committee to discharge its mandate effectively. The qualifications of each Director of the Audit and Risk Committee are set out in Section 9, of the Annual Report in the section entitled "Information on Current Directors and Company Secretary".

The members of the Committee have direct access to employees, external auditors and financial and legal advisers without management present.

### Recommendation 4.3: The Audit Committee should have a formal charter

The Audit and Risk Committee's formal Charter, which complies with ASX Principles, can be found on the Company's website, at: <http://www.rpmglobal.com/investor-relations/corporate-governance>

The Audit and Risk Committee Charter was adopted by the Board on 11 April 2008 and is reviewed periodically to ensure it is operating effectively and in the best interests of the Company. The Charter was last reviewed and updated by the Board on 12 August 2014.

The Committee meets as often as required. Attendance at Audit and Risk Committee meetings is set out in the Directors' Report.

The Company Secretary is the secretary of the Committee. The Audit and Risk Committee keeps minutes of its meetings and includes them for the next full Board Meeting.

The Company does not publish on its website the procedures for the selection and appointment of external auditors, and for the rotation of external audit engagement partners. The Company has had no need to formalise these procedures at this stage although it recognises the potential benefits to developing such procedures should the size and/or operations of the Group require that to occur.

## PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

### Recommendation 5.1: Companies should promote timely and balanced disclosure of all material matters concerning the Company

The Board supports continuous disclosure consistent with ASX Principles. The Company's Board approved a Continuous Disclosure Policy and Market Disclosure Guidelines which are designed to ensure that:

- shareholders have equal and timely access to material information concerning the Company; and
- Company announcements are clear, concise, factual and balanced.

A copy of the Continuous Disclosure Policy and market Disclosure Guidelines can be found on the Company's website, at: <http://www.rpmglobal.com/investor-relations/corporate-governance>

The Continuous Disclosure Policy and market Disclosure Guidelines were adopted by the Board on 30 October 2008 and are reviewed periodically to ensure they remain up-to-date and in the best interests of the Company and Shareholders. The Policy was last reviewed and updated by the Board on 12 August 2014.

The Board has overall responsibility for ensuring compliance with the Continuous Disclosure Policy and Market Disclosure Guidelines. The Board has established a Disclosure Committee, currently consisting of the Chairman, the Managing Director, and the Company Secretary, to assist the Board in ensuring compliance with the Continuous Disclosure Policy and Market Disclosure Guidelines.

# CORPORATE GOVERNANCE STATEMENT

## PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE (CONTINUED)

The Disclosure Committee in turn appoints reporting officers, and those officers are required to:

- immediately disclose any material information which may need to be disclosed under Listing Rule 3.1; and
- ensure awareness of and compliance with the Continuous Disclosure Policy and Market Disclosure Guidelines.

The Company Secretary reports to the Board at each Board meeting as to the matters that were notified to the ASX. Directors receive copies of all announcements immediately after notification to the ASX. All ASX announcements are also made available on the Company website.

## PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

### **Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders**

Shareholder communication is conducted in accordance with the Company's Continuous Disclosure Policy and the Company's Shareholder Communications Policy. Both policies can be found on the Company's website, at: <http://www.rpmglobal.com/investor-relations/corporate-governance>

The Company's Shareholder Communication Policy was adopted by the Board on 30 October 2008 and is reviewed periodically to ensure it remains up-to-date and in the best interests of the Company and Shareholders. The Policy was last reviewed and updated by the Board on 12 August 2014.

Releases made to the ASX are posted on the Company's website. The Company's website also contains general information regarding the Company and its activities, notices of future meetings, announcements, half yearly and annual reports and the Chairman's Annual General Meeting addresses since listing.

Shareholders are encouraged to attend and actively participate at General Meetings. The Company's Directors and the Chairmen of all Committees plus senior management will be present at each Annual General Meeting to answer shareholder questions. The Company's auditor is also present at each Annual General Meeting to answer any shareholder questions.

The Company has established a Securities Trading Policy in respect of trading in Company shares by the Group's Directors, executives and employees. The Policy can be found on the Company's website, at: <http://www.rpmglobal.com/investor-relations/corporate-governance>

The Company's Securities Trading Policy was adopted by the Board on 30 October 2008 and is reviewed periodically to ensure it remains up-to-date and in the best interests of the Company and Shareholders. The Policy was last reviewed and updated by the Board on 12 August 2014.

## PRINCIPLE 7: RECOGNISE AND MANAGE RISK

### **Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks**

The Board understands the importance of maintaining a sound and practical system of risk oversight and management and internal control.

# CORPORATE GOVERNANCE STATEMENT

## PRINCIPLE 7: RECOGNISE AND MANAGE RISK (CONTINUED)

The Group faces a wide variety of risks due to the nature of its operations and the regions in which it operates including commercial risks, legal risks, compliance risks and financial risks. The Group has a number of policies adopted by the Board that directly or indirectly serve to reduce and/or manage risk. These include, but are not limited to:

- Delegations of Authority policy;
- Workplace Health and Safety policies;
- Code of Conduct policies;
- Securities Trading Policy.

The Board maintains oversight on risk and operational, financial and legal reports are provided to the Board at each meeting to highlight and address areas of risk and concern.

### **Recommendation 7.2: The Board should require management to design and implement the risk management and internal control systems to manage key risks**

The Board adopted an Enterprise Risk Management Policy and Manual ("ERM Policy") reflecting the Group's risk profile on 27 September 2011, describing the elements of the Group's risk management and internal control system and setting out the steps to be taken to manage the Group's material business risks. The ERM Policy was prepared and based on the principles of International Standard ISO 31000: 2009 Risk Management – Principles and Guidelines.

To ensure the ERM Policy remains an effective governance document applied practically throughout the Company, the policy remains under review by the Executive management team to ensure it is up-to-date and that it can be practically implemented by the Company. Any findings from this review requiring amendments or improvements to the policy will, where appropriate, be recommended to the Board for consideration.

### **Recommendation 7.3: The Board should disclose whether it has received assurance from the CEO and CFO under s 295A of the Corporations Act 2001**

The Board has received declarations from the Managing Director and the CFO pursuant to s295A of the Corporations Act which state that the financial statements are founded on sound risk management and internal controls and that the system is operating effectively in all material respects in relation to financial reporting risks.

## PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

### **Recommendation 8.1: The Board should establish a Human Resources and Remuneration Committee**

The Company has established a Human Resources and Remuneration Committee ("HR and Remuneration Committee") to assist the Board in establishing appropriate remuneration levels for the Group's employees.

The HR and Remuneration Committee, among other things:

- assists the Board in setting remuneration, recruitment, retention, development and termination policies for senior executives;
- recommends to the Board remuneration packages for Executive Directors;
- recommends to the Board a remuneration framework for Directors and all employees in the Group; and
- recommends to the Board appropriate superannuation arrangements.

# CORPORATE GOVERNANCE STATEMENT

## PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY (CONTINUED)

A copy of the HR and Remuneration Committee Charter can be found on the Company's website at: <http://www.rpmglobal.com/investor-relations/corporate-governance>

The HR and Remuneration Charter was adopted by the Board on 30 October 2008 and is reviewed periodically to ensure it is operating effectively and in the best interests of the Company. The Charter was last reviewed and updated by the Board on 12 August 2014.

### **Recommendation 8.2: The Committee should be structured appropriately**

The Committee is comprised of three Directors, two of whom are independent. The Chairman of the Committee is an independent Director. The current composition of the Committee is as follows:

Mr Allan Brackin	Board & Committee Chairman (independent)
Mr Richard Mathews	Managing Director
Mr Ross Walker	Director (independent)

### **Recommendation 8.3: The Company should distinguish between non-executive Directors remuneration and that of executive Directors and management**

The Company clearly distinguishes the structure of Non-executive Director remuneration from that of Executive Directors and senior executives.

Non-executive Directors are paid a set fee as agreed by the Board annually, and do not receive performance based fees or retirement benefits. The remuneration of Non-executive Directors is not more than the aggregate fixed sum determined by the Company's shareholders in a general meeting.

The remuneration structure for Executive Directors and senior executives is balanced between fixed salary and incentive schemes that are designed to align as closely as possible with the Company's short term and long term objectives.

The Remuneration Report provides a detailed disclosure of Non-executive Directors, Executive Directors and senior Executives in accordance with reporting obligations.

The Directors' Report sets out the number of meetings of the HR and Remuneration Committee and attendance at those meetings.

There is not any scheme for retirement benefits, other than superannuation, for Non-executive Directors.

# SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 8 August 2014.

## A. Distribution of Equity Securities

Analysis of number of equity security holders by size of holding:

	Ordinary Shares	Options
1 – 1,000	92	-
1,001 – 5,000	233	2
5,001 – 10,000	82	4
10,001 – 100,000	327	47
100,001 – and over	96	17
	<b>830</b>	<b>70</b>

The number of shareholdings held in less than marketable parcels of 863 shares is 70.

## B. Equity Security Holders

*Twenty largest quoted security holders*

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Number held	Percentage of issued shares
NATIONAL NOMINEES LIMITED	41,486,880	23.52
RUNGE INTERNATIONAL PTY LTD	15,810,389	8.96
J P MORGAN NOMINEES AUSTRALIA LIMITED	15,436,616	8.75
CITICORP NOMINEES PTY LIMITED	11,804,529	6.69
KINNANE ASSET MANAGEMENT PTY LTD	7,734,983	4.39
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,329,504	4.16
PAUA PTY LTD	6,552,003	3.71
BNP PARIBAS NOMS PTY LTD	4,678,632	2.65
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	3,568,551	2.02
MIRRABOOKA INVESTMENTS LIMITED	3,500,000	1.98
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	2,753,421	1.56
MR STEPHEN JOHN BALDWIN AND MRS ANDREA MAREE BALDWIN	2,642,511	1.50
CITICORP NOMINEES PTY LIMITED	2,382,187	1.35
AMCIL LIMITED	2,000,000	1.13
MR DAVID BRIAN MELDRUM	1,877,811	1.06
ANAJAM PTY LIMITED	1,815,099	1.03
EQUITAS NOMINEES PTY LIMITED	1,488,824	0.84
MS TRACY ROWLANDS	1,245,889	0.71
MRS ANDRE JOAN PHILLIPS	1,173,508	0.67
MRS DONNA MARGARET LUXTON	1,123,001	0.64
	<b>136,404,338</b>	<b>77.32</b>

*Unquoted equity securities*

6,552,269 options over unissued shares: for further details see note 25.

# SHAREHOLDER INFORMATION

## C. Substantial Holders

The names of the substantial shareholders listed in the holding register are:

	Number held	Percentage
IOOF Holdings Limited*	18,748,973	10.63
Runge International Pty Ltd	16,310,484	9.25
Commonwealth Bank of Australia	13,973,890	7.92
Paradice Investment Management Pty Ltd*	12,147,505	6.89
Challenger Limited/Greencape Capital Pty Ltd	11,700,000	6.63
Discovery Asset Management Pty Ltd*	10,778,181	6.11

\* Estimated beneficial holdings as at 8 August 2014.

## D. Voting Rights

Refer to note 17 for voting rights attached to ordinary shares.

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