# BOOM LOGISTICS LIMITED

ABN 28 095 466 961

## Annual Financial Report
## for the year ended 30 June 2014

**Boom Logistics Limited**
**A.B.N. 28 095 466 961**

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## DIRECTORS' REPORT

Your Directors present their report on the consolidated entity (referred to hereafter as "the Group") consisting of Boom Logistics Limited ("Boom Logistics" or "the Company") and the entities it controlled for the financial year ended 30 June 2014.

### Directors

The Directors of the Company at any time during or since the end of the financial year are:

**Rodney John Robinson** BSc, MGSc (Non-executive Chairman) (appointed 15 November 2002)
Mr. Robinson was formerly Managing Director and CEO of Ashton Mining Limited. During the past three years, Mr. Robinson has held another ASX listed public company Directorship and was Chairman of Global Mining Investments Limited (resigned 20 May 2013). Mr. Robinson is Chairman of the Boom Logistics Risk Committee, Nomination & Remuneration Committee and the Health, Safety, Environment & Quality Committee.

**Brenden Clive Mitchell** B.Sc (Chem), B.Bus (Managing Director) (appointed 1 May 2008)
Mr. Mitchell worked for over ten years leading multifaceted and multi-location businesses for Brambles in Australia and the UK. He has previous experience in the fast moving consumer goods sector and upon moving to Brambles, Mr. Mitchell held senior positions in the equipment hire and the high compliance waste industry. Mr. Mitchell's last position for Brambles was leading the capital and people intensive municipal business in the UK with revenue of $550 million and 6,000 employees. During the past three years, Mr. Mitchell has not held any other ASX listed public company Directorships.

**Fiona Rosalyn Vivienne Bennett** BA (Hons), FCA, FAICD, FAIM (Non-executive Director) (appointed 29 March 2010)
Ms. Bennett is a Chartered Accountant with a strong finance and risk management background. She formerly held senior executive roles at BHP Billiton Limited and Coles Group Limited and was Chief Financial Officer at several organisations in the health sector. Ms. Bennett is Chairman of the Victorian Legal Services Board, and a Director of Beach Energy Limited and Hills Holdings Limited. During the past three years, Ms. Bennett has held other ASX listed public company Directorships with Beach Energy Limited (appointed 23 November 2012) and Hills Holdings Limited (appointed 31 May 2010). Ms. Bennett is Chairman of the Boom Logistics Audit and Risk Committee.

**Howard John Critchley** B.Comm, MBA, FAICD (Non-executive Director) (appointed 7 March 2013) (resigned 7 March 2014)
Mr. Critchley has extensive experience in transport and logistics and was formerly Managing Director of TNT Logistics Australia, Asia and China, and later, Ceva Logistics South Pacific when TNT Logistics merged with Eagle Global Logistics to form Ceva Logistics. Mr. Critchley sat on the TVS Logistics Global Board, a privately owned Indian conglomerate. He also was a Non-executive Director of several not-for-profit organisations. During his tenure with Boom Logistics, Mr. Critchley did not hold any other ASX listed public company Directorships.

## DIRECTORS' REPORT (continued)

### Directors (continued)

**Terrence Charles Francis** D Bus (hon. causa), B.E (Civil), MBA, FIE Aust, FAICD, F Fin (Non-executive Director) (appointed 13 January 2005)

Mr. Francis is currently a Non-executive Director of the ANZ Specialist Asset Management Limited (appointed 29 September 2006). He was formerly a Non-executive Director of NBN Co. He also advises business and government on governance and project development. Mr. Francis has extensive experience in resources and infrastructure development, and in finance as Vice President of Continental Illinois Bank, Executive Director of Deutsche Bank Australia, and Chief Executive Officer of Bank of America in Australia. During the past three years, Mr. Francis has not held any other ASX listed public company Directorships.

**Terence Alexander Hebiton** (Non-executive Director) (appointed 22 December 2000)
Mr. Hebiton commenced his commercial career in the rural sector. In 1989, he acquired various business interests associated with land and property rental developments. In the late 1990s, Mr. Hebiton was Managing Director of Hazdon Holdings Pty Ltd. He is currently a Director of a number of private companies and a Director of Integrated Livestock Industries Ltd (appointed 5 September 2005). He was a principal of Alpha Crane Hire, one of the founding entities of Boom Logistics. Mr. Hebiton was the CEO of Boom Logistics at its formation and ceased being an Executive Director in 2004. During the past three years, Mr. Hebiton has not held any other ASX listed public company Directorships.

### Company Secretary

**Iona MacPherson** BA, CA (appointed 30 June 2007)
Ms. MacPherson was appointed to the position of Chief Financial Officer and Company Secretary on 30 June 2007. She previously held the role of Chief Financial Officer and Company Secretary of Australian Air Express Pty Ltd for 4 years and prior to that worked with KPMG for 13 years and has been a Chartered Accountant for over 20 years.

### Directors' Interests in the Shares and Options of the Company
As at the date of this report, the interests of the Directors in the shares of Boom Logistics Limited were:

| *Name* | *Ordinary Shares* |
|---|---|
| R.J. Robinson | 830,000 |
| B.C. Mitchell | 3,057,235 |
| F.R.V. Bennett | 151,885 |
| T.C. Francis | 185,745 |
| T.A. Hebiton | 547,995 |

## DIRECTORS' REPORT (continued)

### Directors Meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director was as follows:

| *Name of director* | *Board of Directors* | | *Audit and Risk Committee* | | *Nomination and Remuneration Committee* | | *Health, Safety, Environment & Quality Committee* | | *Risk Committee* [2] | |
|---|---|---|---|---|---|---|---|---|---|---|
| | *Held* | *Attended* | *Held* | *Attended* | *Held* | *Attended* | *Held* | *Attended* | *Held* | *Attended* |
| R.J. Robinson | 13 | 13 | - | - | 1 | 1 | 4 | 4 | 1 | 1 |
| B.C. Mitchell | 13 | 13 | - | - | - | - | 4 | 4 | 1 | 1 |
| F.R.V. Bennett | 13 | 13 | 6 | 6 | 1 | 1 | - | - | 1 | 1 |
| H.J. Critchley [1] | 9 | 9 | 5 | 5 | - | - | - | - | - | - |
| T.C. Francis | 13 | 13 | 6 | 6 | - | - | 4 | 4 | 1 | 1 |
| T.A. Hebiton | 13 | 12 | - | - | - | - | 4 | 4 | 1 | 1 |

[1] Attendance prior to resignation

[2] The Risk Committee was established in June 2014.

### Corporate Structure

Boom Logistics is a company limited by shares that is incorporated and domiciled in Australia. Boom Logistics Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are listed in note 31 to the financial statements.

### Indemnification and Insurance

The Company has entered into Deeds of Access, Indemnity and Insurance with each of the Directors and the Company Secretary, under which the Company indemnifies, to the extent not precluded by law from doing so, those persons against any liability they incur in or arising out of discharging their duties. No indemnity has been granted to an auditor of the Group in their capacity as auditor.

During the financial year, the Company has paid an insurance premium for the benefit of the Directors and officers of the Company in accordance with common commercial practice. The insurance policy prohibits disclosure of the liability insured and the amount of the premium.

### Nature of Operations and Principal Activities

During the year, the principal activity of the Group was the provision of lifting solutions.

## DIRECTORS' REPORT (continued)

## Operating and Financial Review

***Statutory result***

Boom Logistics Limited ("Boom"), Australia's leading provider of crane logistics and lifting solutions, today announced a statutory net loss after tax for the year ended 30 June 2014 of $79.5 million (FY13: net loss of $2.5 million). Earnings before interest expense and tax were a negative $74.7 million in FY14 (FY13: a positive $7.1 million).

***Trading result [1]***

The net trading profit after tax was $3.9 million compared to $10.7 million in FY13. Trading earnings before interest expense and tax were $14.0 million compared to $26.0 million in FY13.

The trading result in FY14 excludes $80.1 million of non-cash goodwill and asset impairments, $8.3 million of restructuring costs and $0.3 million of other one-off costs (pre tax).

Boom has applied the free cash flows[2] of $25.0 million derived from this trading result to reduce debt, resulting in a net debt balance at 30 June 2014 of $89.5 million (30 June 2013: $115.8 million).

***Financial adjustments***

The following items were brought to account at 30 June 2014:

- a goodwill impairment of $70.8 million;
- a restructuring provision of $6.5 million;
- an impairment of assets held for sale of $4.5 million; and
- an impairment of fixed assets in WA of $4.8 million.

Boom also incurred $2.0 million of non-trading adjustments during the year. These related predominantly to restructuring, redundancies, the "One Boom" project to integrate the Boom Sherrin and Crane Logistics businesses and legal costs associated with advancing Boom's legal claim associated with 18m glove and barrier travel tower units.

***Net tangible asset backing***

After the impairments noted above, Boom's net tangible asset backing per share is $0.49 per share (30 June 2013 - $0.51).

***Capital management***

Boom has continued to generate significant free cash flows which it has applied to further reduce its debt balance. At 30 June 2014, Boom's net debt was $89.5 million (30 June 2013: $115.8 million). Boom has also invested $15.9 million in new capital during the year.

1 Boom's FY14 Trading EBIT result is a non-IFRS measure that excludes $88.7m of one-off items, comprising goodwill impairment ($70.8m), asset impairment ($9.3m), restructuring costs ($8.3m) and legal fees associated with Boom Sherrin's 18m Glove and Barrier legal action ($0.3m). Boom's FY14 Trading NPAT is a non-IFRS measure that excludes the after-tax impact of these one-off items, being $83.4m.

2 Free cash flows = Operating cash flow less investing cash flow.

## DIRECTORS' REPORT (continued)

## Operating and Financial Review

***Capital management (continued)***
Given the prevailing market conditions, the reduction of debt will continue to be a priority in FY15. Once market conditions have stabilised and Boom has some clear foresight of future activity, a share buy back will be considered.

Free cash flows are expected to be strong again in FY15 and will be applied to further debt reduction. The transition from BMA and the restructuring on the East Coast will enable Boom to service new customer contracts and pipeline projects without a requirement for significant new capital spend.

Boom also expects to realise the $15.5 million from the sale of the surplus assets in the Assets Held for Sale account at 30 June 2014. All assets held for sale are carried at their expected sales value. Boom has sold $17.3 million of surplus assets during FY14 and these transactions have provided not only a net profit on sale but also good market insight into prevailing market prices. In assessing the appropriate sales values, Boom has also taken account of the continuing strength of the Australian dollar and its impact on the off-shore market for used equipment sales.

Prior years' investment in Boom's fleet means the fleet is well balanced and sufficient to meet projected demand. After liberating surplus assets for sale as reflected in the Assets Held for Sale account, the average age of Boom's crane fleet is 9.0 years, consistent with prior year.

**Operational Report**

***Key Issues:***

- **Boom continues to adapt in response to volatile market conditions with increased price pressure across the market, particularly in mining.**
- **Significant operational restructuring to continue, supported by recent investment in operating systems and business process improvements.**
- **Strong free cash flows are underpinned by solid operating cash flow, limited requirement for capital expenditure and surplus asset sales.**
- **Uncompetitive EBAs are being addressed but further focus on Boom's labour model is required to provide flexibility in responding to changed market conditions.**
- **Overheads have reduced following the centralisation of certain back office functions, and further cost reductions are expected from the One Boom restructuring.**
- **Consolidation of recently won contracts and conversion of those already in the tender pipeline.**
- **Targeting opportunities for income diversity with infrastructure projects expected to present growth options in late FY15 and beyond.**

## DIRECTORS' REPORT (continued)

## Operating and Financial Review

### Business overview

***Coal markets***
The coal areas of both the Bowen Basin and the Hunter Valley remain under considerable pressure as mines continue to drive for reduced costs resulting in price reductions, volume reductions and general business volatility.

Boom has supported BMA in transitioning to new suppliers and will also support Mount Arthur Coal as they transition to a new supplier in the Hunter Valley. Boom will maintain a greater than 50% market share in the Hunter Valley and is focusing on new revenue and growth in other NSW markets. One such opportunity is the Sydney Entertainment Centre. This work will begin 2Q15 and will improve our exposure to the Sydney market as infrastructure projects come on line. Opportunities are being explored and tenders submitted on a number of maintenance contracts in Queensland to improve our Bowen Basin based businesses.

***New contracts***
Boom is currently working on the construction of the Bald Hills Wind Farm in Victoria. This project has experienced some delays associated with weather and civil works, resulting in the contribution from this work being weighted more to Q215 rather than Q115 as wind tower completions increase.

New contracts include a supplier agreement with Fortescue Metals Group ("Fortescue") for the provision of crane and labour services to Western Australian locations including Cloudbreak mine, Christmas Creek mine, Solomon mine and Anderson Point, Port Hedland. The initial term of the contract is for 24 months with provision for 2 one year extensions. This is an important step forward for Boom Logistics in the North West of WA and presents an opportunity to further progress Boom's relationship with a rapidly growing customer.

Further opportunities in Resources and LNG are being pursued in WA with customers we currently serve on the Gorgon Project.

Boom has also recently signed supplier agreements with Aurizon Operations Limited and Vestas Wind Farm Maintenance Services. The Aurizon contract gives us an opportunity to prove our credentials further with this new customer and improve our revenue and EBIT performance.

***Labour model***
The increasingly competitive market in mining and industrial services has encouraged constructive discussions with a number of workgroups around Australia to improve Boom's labour model. It is important that Boom works to establish agreements that have a labour cost base that reflects the significant changes in market conditions. Success in this regard will mean more effective tendering on projects as Boom's business model responds to excess supply over demand and increasing price pressure.

## DIRECTORS' REPORT (continued)

## Operating and Financial Review

### Business overview (continued)

***Labour model (continued)***
In addition to discussions with direct labour employees, Boom has taken the decision to extend the period of the executive salary freeze, which commenced on 1 July 2012, for another twelve months. We have also asked our senior employees to forgo FY15 short term incentive opportunities to help contain costs.

Employee redundancies have also been a necessary part of responding to changing market conditions. In FY14, 103 positions became redundant and this follows a headcount reduction of 130 in the previous year. A significant portion of the FY14 redundancies related to overhead positions following the transition of certain transactional activities to a shared services centre in Brisbane.

A further 44 redundancies have been provided for at 30 June 2014, predominately associated with the Queensland restructure.

***Restructuring***
As noted in Boom's announcement to the market on 2 May 2014, the transition from the BHPB Mitsubishi Alliance ("BMA") contract that expired on 30 June 2014 involves a significant restructuring of Boom's Queensland business. This includes redundancies, physical relocation of assets and the closure of certain depots.

It also involves a review and assessment of Boom's ongoing fleet requirements. This review has identified a number of assets that are being redeployed across the country and a number of surplus assets that are being made available for sale.

Boom has also commenced a project to merge the Crane Logistics and Boom Sherrin businesses during FY15 with the objective of achieving the following outcomes:

- one interface with Boom's customers;
- revenue synergies with better pull-through of travel towers, cranes and access equipment across core customers;
- lower operational costs at the depot level and lower overheads throughout functional areas; and
- one culture and one brand focused on the best outcomes for the safe delivery of customer service, profitable revenue generation and growth.

Some costs of the One Boom project have been recognised as trading adjustments during FY14 and a restructuring provision of $1.1 million has been raised relating to this project at 30 June 2014. The ongoing annualised cost savings and revenue growth opportunities following the completion of this integration will make a solid contribution to business efficiency and competitiveness. This integration is expected to be largely completed by the end of March 2015.

## DIRECTORS' REPORT (continued)

## Operating and Financial Review

**Outlook and FY15 priorities**
Boom does not expect a significant change in prevailing market conditions until planned infrastructure projects begin to appear in late FY15, followed by an expected increase in activity through FY16 and FY17.

That said, following the transition away from BMA and the execution of the Queensland and East Coast restructuring that will occur in 1Q15, Boom expects performance improvements in WA and Queensland for the remainder of the financial year. A solid performance is expected from Victoria and South Australia and whilst Boom Sherrin has a strong pipeline, its financial outcomes will be determined by project start dates which are still uncertain. Overall, Boom expects to build to a stronger outcome throughout the year as revenues start to increase and cost reduction initiatives realise further benefits.

Boom will continue to drive business improvement in response to market changes. To this end, Boom has a number of key priorities and objectives for FY15:

- driving to convert the sales pipeline into new revenue including targeting opportunities for future growth from infrastructure projects;
- consolidation of Boom's revenue opportunities from new contracts;
- successful execution of the Queensland and East Coast restructure in 1Q15;
- improving Boom's labour model to establish a labour cost base that reflects the significant changes in market conditions;
- successful execution of the One Boom project to achieve revenue synergies and further cost reductions;
- the sale of surplus assets to generate cash; and
- further deleveraging of the balance sheet.

## DIRECTORS' REPORT (continued)

### Significant Changes in the State of Affairs

*Restructure*

During the financial year, several restructuring programs were undertaken throughout the Group. As at 30 June 2014, a headcount reduction of 103 had been completed at a cost of $1.017 million. The restructuring programs will continue into the first half of FY2015 with an estimated additional headcount reduction of 44 employees. The restructures were undertaken in response to the decline in overall operating conditions and have been managed to ensure that all revenue streams can be adequately and safely supported post restructure. The total restructuring costs incurred and provided for in the year were $8.153 million.

### Significant Events After the Balance Date

*Dividend*

On 12 August 2014, the Directors of Boom Logistics Limited declared that no final dividend would be issued for the financial year ended 30 June 2014.

### Likely Developments and Expected Results

The Directors expect that the Group will improve its profitability as a result of the ongoing restructuring. Capital investment will be limited compared to prior years as the Group's fleet has now been reshaped.

Directors are cognisant of the requirement to continuously disclose material matters to the market. At this time, other than matters addressed in this financial report there are no matters sufficiently advanced or at a level of certainty that would require disclosure.

### Environmental Regulation and Performance

The Board confirms that the Group has adequate systems and processes in place to manage and comply with environmental regulations as they apply to the Group. This includes the National Greenhouse and Energy Reporting Act 2007 which requires the Group to report energy consumption and greenhouse gas emissions for the 12 months ended 30 June 2014 and future periods.

There have been no significant known breaches of any environmental regulations to which the Group is subject.

### Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Boom Logistics Limited have followed recommendations set by the ASX Corporate Governance Council. For further information on corporate governance policies adopted by Boom Logistics Limited, refer to our website: www.boomlogistics.com.au/corporate_governance and Annual Reports.

## DIRECTORS' REPORT (continued)

### Remuneration Report – Audited

This report outlines the remuneration arrangements in place for Directors and Senior Executives of Boom Logistics Limited and the Group.

***Remuneration Overview***

- **The fixed annual remuneration ("FAR") cost of Boom's key management personnel ("KMP") in FY14 has reduced year on year by $136,113.**
- **All KMP have been on a salary freeze since 1 July 2012 with one exception where a KMP received a pay increment upon assuming a dual role following the departure of another KMP.**
- **There have been no short term incentive payments made to KMP in relation to FY13 or FY14. Certain KMP met targets that entitled them to a portion of their short term incentive payments in FY13, but these KMP agreed to waive their entitlements.**
- **The short term incentive plan will be suspended for all KMP for FY15.**
- **At the CEO & Managing Director's own request, as of 1 July 2014, the fixed annual remuneration of the CEO & Managing Director has been reduced by 10%.**
- **All shares allocated to Boom's KMP under the Long Term Incentive Plan have been forfeited when they have reached their vesting date.**
- **Remuneration of Non-executive Directors has remained unchanged since 2007.**

**First Strike**

At the Company's Annual General Meeting on 22 October 2013, at least 25% of the votes cast were against the adoption of the Remuneration Report for the year ended 30 June 2013. This constituted a first strike under the Corporations Act 2001.

Based on feedback from investors, the core issue was that shareholders were concerned that short term incentive payments had been made to KMP in relation to the FY13 year and they did not believe this to be appropriate given FY13 targets in respect of financial results had not been met.

The Company would like to clarify that no short term incentive payments were made to KMP in relation to either FY13 or FY14. Certain KMP met targets that entitled them to a portion of their short term incentive payments in FY13, but those KMP agreed to waive their entitlements.

Cash bonuses paid during FY13 were in relation to the FY12 financial year, when the Company's short term incentive targets were exceeded. Short term incentive payments are applied following the completion and audit of each year's annual financial statements and following board approval. Therefore the FY12 short term incentive plan entitlements were paid out during FY13.

There have been several changes to the Company's remuneration policy:

- A salary freeze has been in place since 1 July 2012 and will continue for KMP throughout FY15; and
- The FY15 STIP has been suspended for all KMP.

## DIRECTORS' REPORT (continued)

## Remuneration Report – Audited (continued)

### First Strike (continued)

The Board of Directors remain confident that the Group's remuneration policy of linking Company Performance to Reward is appropriate. The Board will also continue to monitor benchmark KMP remuneration using the Hay Group's market data as it has done in previous years.

***Principles of Remuneration Practices***

The Group's remuneration practices have been designed to maintain alignment with business strategy, shareholder interests and business performance whilst ensuring remuneration is appropriate.

KMP remuneration is reviewed annually by the Board of Directors with the assistance of the Nomination & Remuneration Committee.

In conducting the KMP remuneration review, the following principles are applied:

- Monitoring against external competitiveness, using appropriate independent market survey data comparing the Group's remuneration levels against industry peers in terms of comparable job size and responsibility;
- Internal equity, ensuring KMP remuneration across the Group is based upon a clear view of the scope of individual positions and the respective responsibilities;
- A meaningful "at risk" component with entitlement dependent on achieving Group and individual performance targets set by the Board of Directors and aligned to the Group's strategy; and
- Reward for performance represents a balance of annual and longer term targets.

***Nomination and Remuneration Committee***

The Group is committed to ensuring remuneration is informed by market data and linked to the Group's strategy and performance. In doing so, the Board of Directors rely on the advice provided by the Nomination and Remuneration Committee including:

- Reviewing and making recommendations with regard to remuneration policies applicable to the Directors, Executive KMP and employees generally;
- Reviewing and making recommendations in relation to the remuneration of Directors and Executive KMP;
- Reviewing and recommending general remuneration principles, including incentive schemes, bonuses and share plans that reward individual and team performance;
- Reviewing and making recommendations to the Board of Directors with regard to termination policies and procedures for Directors and Executive KMP;
- Reviewing and making recommendations in relation to the Group's superannuation arrangements; and
- Reviewing and approving the annual Remuneration Report and making recommendations to the Board of Directors for the inclusion of the Remuneration Report in the Group's annual report.

The Nomination and Remuneration Committee comprises only independent Non-executive Directors and is chaired by the Chairman of the Board of Directors. The Nomination and Remuneration Committee also draws upon advice and market survey data from external consultants in discharging its responsibilities (refer page 27).

## DIRECTORS' REPORT (continued)

***Details of Key Management Personnel***
The tables below set out the KMP who are accountable for the strategy, direction, planning and control of the Group.

*Key Management Personnel (Senior Executives)*

| Name | Title | Period as a KMP |
|---|---|---|
| Brenden Mitchell | Chief Executive Officer & Managing Director | All of FY2014 |
| Iona MacPherson | Chief Financial Officer & Company Secretary | All of FY2014 |
| Rosanna Hammond | General Manager – Human Resources | All of FY2014 |
| Paul Martinez | Chief Information Officer and Director of Strategy | All of FY2014 |
| Tony Spassopoulos * | Director of Sales & Marketing and General Manager – Boom Sherrin | All of FY2014 |
| Terese Withington | General Manager – Boom Sherrin | Resigned 1 November 2013 |

* Tony Spassopoulos was appointed General Manager – Boom Sherrin and commenced that role after the resignation of Terese Withington on 1 November 2013. This is in addition to his ongoing role as Director of Sales & Marketing.

*Key Management Personnel (Non-executive Directors)*

| Name | Position | Committees | | |
|---|---|---|---|---|
| | | Audit & Risk | Nomination & Remuneration | Health, Safety, Environment & Quality |
| John Robinson | Chairman | | Chairman | Chairman |
| Fiona Bennett | Non-executive Director | Chairman | Member | |
| Howard Critchley ** | Non-executive Director | Member | Member | |
| Terrence Francis | Non-executive Director | Member | | Member |
| Terence Hebiton | Non-executive Director | | | Member |

** Howard Critchley resigned on 7 March 2014

***Remuneration Arrangements of Executive Key Management Personnel***
As noted above, the short term incentive plan ("STIP") has been suspended for all KMP for FY15 and no payments have been, or will be, made in respect of FY13 or FY14.

However, in the normal course of business, remuneration comprises fixed remuneration (fixed annual reward) and variable or "at risk" remuneration incentives. Positions are evaluated using Hay Group (external independent remuneration specialist) job evaluation methodology. Fixed annual reward is benchmarked annually using the Hay Group remuneration data (refer page 27).

The Group targets fixed annual reward and total annual reward at the 50th percentile for all positions with business critical positions such as KMP targeting the 50th and 75th percentile.  Whilst these are the targets, based on current performance and prevailing market conditions, some KMP are presently remunerated below the 50th percentile.

## DIRECTORS' REPORT (continued)

## Remuneration Report – Audited (continued)

***Remuneration Arrangements of Executive Key Management Personnel (continued)***
The Group's underlying remuneration structure for the Executive KMP comprises two main components:

*Fixed annual reward ("FAR")*
This element comprises base salary, any fringe benefits (e.g. motor vehicle allowance) and employer contributed superannuation. The individual FAR levels to be applied are established on an annual basis informed by external survey data provided by Hay Group.

The survey data is drawn from the industrial sector of ASX listed enterprises and is provided on a comparable basis, taking account of the various factors that determine individual job scope and responsibility. The Group targets the market median for each position, projected ahead to the mid point of each year. The final determination of FAR for each Executive, as a percentage of the market median, takes account of individual performance and experience in the position and is adjusted based on Company performance.

Executive KMP have scope to vary the components that make up their FAR and can tailor their salary package to suit individual requirements.

*Variable remuneration*
This element of reward comprises various components determined by factors related to Group objectives. The proportion of these "at risk" payments in the total remuneration structure is informed by market survey data provided by Hay Group. In this regard the Group targets typical reward structures as related to individual job scope and responsibility.

The Group has a number of variable remuneration arrangements as follows:

a) *Short term incentive plan ("STIP")*

   There have been no short term incentive payments made to KMP in relation to FY13 or FY14. Certain KMP met targets that entitled them to a portion of their short term incentive payments in FY13, but these KMP agreed to waive their entitlements.

   Where short term incentives are paid, the short term reward is determined by the Group's STIP. The objectives of this plan are to:

   - Focus Executive KMP on key annual business goals and reinforce the link between performance and reward;
   - Allow scope to recognise exceptional performance through a sliding scale of reward;
   - Encourage teamwork as well as individual performance in meeting annual goals; and
   - Align reward with the Group's values.

## DIRECTORS' REPORT (continued)

## Remuneration Report – Audited (continued)

### *Remuneration Arrangements of Executive Key Management Personnel (continued)*

*Variable remuneration (continued)*

a) *Short term incentive plan ("STIP") (continued)*

The STIP is applied following the completion and audit of the annual financial report and a review of individual performance against agreed targets set at the beginning of each financial year. Any payments made under the STIP will occur in the first half of the following financial year and following Board approval. No STIP payment is made should results fall short of targets. Individual performance measures are reset each year and are determined by the business drivers appropriate to each position.

b) *Long term incentive plan ("LTIP")*

No LTIP has been paid since 2007 and LTIP will not be paid unless Return on Capital Employed ("ROCE") is greater than 13%. No LTIP will be paid in respect of FY14. Details of the LTIP and associated process are set out below.

The Group's LTIP was established to provide reward for consistent performance over a three year period.

The level of reward available under the LTIP is determined on the basis of market survey data provided by Hay Group. The Group has adopted the policy of aligning the level of LTIP reward to average market practice and the quantum is determined by individual job scope and responsibility.

The annual value of the reward is converted into the Company's shares at a price determined as the volume weighted average over the five business days preceding the grant date.

Vesting requires continued full time employment with the Group over the three year performance period and achieving a ROCE target at the end of the three year performance period.

The LTIP structure also includes Good Leaver and Change of Control provisions, further details of which are set out on page 21.

The 2014 LTIP plan is based on the Group achieving a ROCE of at least 13% at the end of the three year performance period. There is no change proposed for the 2015 LTIP plan.

The ROCE target for the 2013 and prior LTIP plans was based on ROCE of at least 1% greater than the pre tax investment Weighted Average Cost of Capital ("WACC") at the end of the three year performance period.

## DIRECTORS' REPORT (continued)

## Remuneration Report – Audited (continued)

### *Remuneration Arrangements of Executive Key Management Personnel (continued)*

*Variable remuneration (continued)*

b) *Long term incentive plan ("LTIP") (continued)*

ROCE is defined as Trading Earnings Before Interest Expense & Tax / Average Capital Employed less Goodwill. Trading Earnings Before Interest Expense & Tax is defined as "profit before financing expenses & income tax" less one off, non-recurring items. Average Capital Employed is calculated with reference to the opening and closing balances of the financial year for: "trade and other receivables", "inventories", "assets classified as held for sale", "plant and equipment", and "trade and other payables".

The pre tax investment WACC is determined using the 10 year bond rate as the risk free rate and using data sourced independently to determine the average Beta in Boom Logistics Limited's industry sector.

The operation of the LTIP is conducted through an Employee Share Trust administered by an independent third party - Trinity Management Group Pty Ltd ("TMG"). TMG was paid $40,942 (2013: $93,700) for this service.

c) *Other incentive plans*

Executive KMP can receive additional incentive benefits in relation to the delivery of key projects critical to the Group's future performance as assessed by the Nomination and Remuneration Committee. There have been no such incentives paid to any KMP in FY13 or FY14.

The following table shows the potential annual remuneration packages for Executive KMP during the year ending 30 June 2014.

| Name | Title | Fixed | Variable | |
|---|---|---|---|---|
| | | FAR | STIP % of FAR ^ | LTIP % of FAR |
| Brenden Mitchell | Chief Executive Officer & Managing Director | 750,000 | 40% | 45% |
| Iona MacPherson | Chief Financial Officer & Company Secretary | 430,000 | 30% | 25% |
| Rosanna Hammond | General Manager – Human Resources | 245,562 | 20% | 20% |
| Paul Martinez | Chief Information Officer and Director of Strategy | 425,500 | 30% | 25% |
| Tony Spassopoulos * | Director of Sales & Marketing and General Manager – Boom Sherrin | 400,000 | 30% | 30% |
| Terese Withington ** | General Manager – Boom Sherrin | 365,000 | 30% | 20% |

* Tony Spassopoulos was appointed General Manager – Boom Sherrin and commenced that role after the resignation of Terese Withington on 1 November 2013. This is in addition to his ongoing role as Director of Sales & Marketing.

** Terese Withington resigned on 1 November 2013.

^ Scope exists to reward financial performance through a sliding scale award in the range from 90% to 200% of budgeted EBIT.

## DIRECTORS' REPORT (continued)

## Remuneration Report – Audited (continued)

### *Remuneration Arrangements of Executive Key Management Personnel (continued)*

The following table shows the composition of Executive KMP aggregate potential remuneration.

| Name | Title | Fixed | Variable | |
|---|---|---|---|---|
| | | FAR | STIP ^ | LTIP |
| Brenden Mitchell | Chief Executive Officer & Managing Director | 54% | 22% | 24% |
| Iona MacPherson | Chief Financial Officer & Company Secretary | 65% | 19% | 16% |
| Rosanna Hammond | General Manager – Human Resources | 71% | 14.5% | 14.5% |
| Paul Martinez | Chief Information Officer and Director of Strategy | 65% | 19% | 16% |
| Tony Spassopoulos * | Director of Sales & Marketing and General Manager – Boom Sherrin | 63% | 18.5% | 18.5% |
| Terese Withington ** | General Manager – Boom Sherrin | 67% | 20% | 13% |

* Tony Spassopoulos was appointed General Manager – Boom Sherrin and commenced that role after the resignation of Terese Withington on 1 November 2013. This is in addition to his ongoing role as Director of Sales & Marketing.

** Terese Withington resigned on 1 November 2013.

^ Scope exists to reward financial performance through a sliding scale award in the range from 90% to 200% of budgeted EBIT.

All KMP have been on a salary freeze since 1 July 2012 with the exception of Mr Tony Spassopoulos who received a pay increment when he assumed the dual role of Director of Sales & Marketing and General Manager Boom Sherrin in November 2013. This resulted in the overall cost saving to the business of $136,113.

### *Consequences of Performance on Shareholder Wealth*

In considering the Group's performance and benefits for shareholder wealth, the Nomination and Remuneration Committee have regard to the following indices in respect of the current financial year and the previous financial years.

| | **2014 $'000** | 2013 $'000 | 2012 $'000 | 2011 $'000 | 2010 $'000 |
|---|---|---|---|---|---|
| Net profit/(loss) attributable to members of Boom Logistics Limited | **$ (79,455)** | $ (2,476) | $ 19,705 | $ (37,748) | $ 6,541 |
| Dividends paid | **$ -** | $ - | $ - | $ - | $ - |
| Share price at financial year end | **$ 0.12** | $ 0.09 | $ 0.22 | $ 0.30 | $ 0.39 |
| Return on capital employed (as defined on the previous page under "Long Term Incentive Plan" section) | **3.8%** | 6.7% | 9.6% | 5.6% | 2.6% |
| Pre tax investment weighted average cost of capital (as defined on the previous page under "Long Term Incentive Plan" section) | **n/a** | 13.6% | 11.9% | 12.3% | 12.2% |

These indices have been taken into account by the Nomination and Remuneration Committee in assessing fixed annual remuneration and these indices have also resulted in no vesting of any LTIP shares over the five year period.

## DIRECTORS' REPORT (continued)

### *Remuneration Review*
The review of KMP and general staff remuneration is conducted annually through a formal process.

KMP remuneration is reviewed by the Nomination and Remuneration Committee of the Board of Directors with input from the Chief Executive Officer ("CEO") in respect of KMP reporting directly to him. Market survey data provided by Hay Group is combined with individual performance appraisals to determine recommendations to go to the Board of Directors for approval. This process occurs in June of each year and remuneration adjustments take effect from the beginning of each financial year.

The Nomination and Remuneration Committee has direct responsibility for reviewing CEO performance against targets set by the Board of Directors and recommending to the Board of Directors appropriate adjustments to his remuneration package.

Staff reviews are similarly conducted by the relevant Executives and General Managers, with overview from the CEO.

### *CEO & Managing Director Remuneration*
Mr Mitchell has an employment contract that has no fixed term. Both the Company and Mr Mitchell are entitled to terminate the employment contract on six month's written notice, except in the case of serious misconduct or neglect of duty. Contractual arrangements relating to a redundancy event are set out below.

The Hay Group provides information that is used to determine the market position relating to the CEO & Managing Director role, comparing equivalent positions in comparative companies. The Company does not pay above market median for this position.

- At the CEO & Managing Director's own request, as of 1 July 2014, the fixed annual remuneration of the CEO & Managing Director has been reduced by 10% to $675,000.
- No STIP payment will be made to Mr Mitchell in respect of FY14.
- No shares allocated under the LTIP will vest at 30 June 2014.

Mr Mitchell's remuneration package as at 30 June 2014 comprised the following components:
- Fixed annual reward of $750,000 per annum, inclusive of superannuation contributions in line with the Superannuation Guarantee legislation. Mr Mitchell's FAR is reviewed annually effective 1 July each year taking into account the Group's performance, industry and economic conditions and personal performance;
- Short term incentive plan equivalent to 40% of his FAR upon achievement of performance conditions set by the Board of Directors on an annual basis. The payment of any bonus under the STIP would take place after the annual audit of the Group's accounts each year which typically occurs in the first half of the following financial year. No STIP payment is made should results fall short of targets; and
- Long term incentive plan equivalent to 45% of his FAR allocated in shares of the Company with a three year vesting condition and ROCE target of at least 13% at the end of the three year performance period, but subject to shareholder approval at the Company's Annual General Meeting.

## DIRECTORS' REPORT (continued)

## Remuneration Report – Audited (continued)

### *CEO & Managing Director Remuneration (continued)*

If his employment is terminated on the grounds of redundancy or where a diminution in responsibility occurs, in addition to his notice period, he will be entitled to receive:

- 12 months pay calculated in accordance with his fixed annual reward at the date of redundancy or diminution;
- Long term incentive grants that have vested;
- In certain circumstances, Mr Mitchell is entitled to long term incentive grants that have not satisfied the three year performance conditions:
    - In the event of a takeover, scheme of arrangement or other change of control as determined by the Board in respect of the Company, Share Units may vest at the discretion of the Board; and
    - The Share Units of any Participating Employee who ceases employment in special circumstances may vest at the discretion of the Board; and
- Vested employee entitlements.

The STIP provides for a pro-rata payment of bonus on termination but subject to Board of Directors approval.

In the event that Mr Mitchell was to be summarily dismissed, he would be paid for the period served prior to dismissal and any accrued leave entitlements. Mr Mitchell would not be entitled to the payment of any bonus under the STIP or LTIP.

He is subject to restrictive covenants upon cessation of his employment for a maximum period of one year.

### *Other Executive KMP (standard contracts)*

All other Executive KMP have contracts with no fixed term. Either the Company or the Executive KMP may terminate the Executive KMP employment agreement by providing 3 months written notice or providing payment in lieu of the notice period (based upon the fixed component of the Executive KMP remuneration). On termination by notice of the Company or the Executive KMP, any LTIP shares that have vested or that will vest during the notice period will be awarded. In certain circumstances, KMP are entitled to long term incentive grants that have not satisfied the three year performance conditions:

- In the event of a takeover, scheme of arrangement or other change of control as determined by the Board in respect of the Company, Share Units may vest at the discretion of the Board; and
- The Share Units of Participating Employees who cease employment in special circumstances may vest at the discretion of the Board.

The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the Executive KMP is only entitled to that proportion of remuneration that is fixed, and only up to the date of termination. On termination with cause, any unvested LTIP shares will be forfeited.

## DIRECTORS' REPORT (continued)

## Remuneration Report – Audited (continued)

### *Total Remuneration of KMP*

Details of the cost to the Group relating to KMP remuneration for the year ended 30 June 2014 are set out below.

| | Short Term | | | | Post Employment | | Share-based Payments | Long Term | Total Employee Benefits Expense | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Cash salary** | **FY12 Cash bonus** | **Non monetary benefits** | **Other [a]** | **Super-annuation** | **Termination benefits** | **Shares [b]** | **Annual & long service leave [c]** | | **Total performance related** |
| **Executives** | | | | | | | | | | |
| Brenden Mitchell (Chief Executive Officer & Managing Director) | | | | | | | | | | |
| **2014** | **668,416** | **-** | **11,104** | **37,129** | **25,000** | **-** | **7,521** | **(3,291)** | **745,879** | **1.0%** |
| 2013 | 676,832 | 245,904 | 11,054 | 37,129 | 25,000 | - | 18,126 | (122) | 1,013,923 | 26.0% |
| Iona MacPherson (Chief Financial Officer and Company Secretary) | | | | | | | | | | |
| **2014** | **405,008** | **-** | **-** | **-** | **25,000** | **-** | **2,395** | **(10,112)** | **422,291** | **0.6%** |
| 2013 | 405,008 | 106,758 | - | - | 25,000 | - | 5,806 | 31,636 | 574,208 | 19.6% |
| Rosanna Hammond (General Manager - Human Resources) | | | | | | | | | | |
| **2014** | **199,203** | **-** | **-** | **25,571** | **20,792** | **-** | **1,094** | **7,280** | **253,940** | **0.4%** |
| 2013 | 199,203 | 35,368 | - | 25,571 | 23,413 | - | 2,570 | 10,432 | 296,557 | 12.8% |
| Paul Martinez (Chief Information Officer and Director of Strategy) | | | | | | | | | | |
| **2014** | **400,508** | **-** | **-** | **-** | **25,000** | **-** | **2,370** | **8,175** | **436,053** | **0.5%** |
| 2013 | 400,508 | 102,840 | - | - | 25,000 | - | 5,656 | 6,413 | 540,417 | 20.1% |
| Tony Spassopoulos (Director of Sales & Marketing and General Manager - Boom Sherrin) | | | | | | | | | | |
| **2014** | **361,841** | **-** | **-** | **-** | **25,091** | **-** | **2,674** | **9,538** | **399,144** | **0.7%** |
| 2013 | 335,507 | 88,965 | - | - | 25,000 | - | 4,851 | 2,324 | 456,647 | 20.5% |
| Terese Withington (General Manager - Boom Sherrin) [d] | | | | | | | | | | |
| **2014** | **196,611** | **-** | **-** | **16,336** | **13,988** | **-** | **-** | **(100,061)** | **126,874** | **-** |
| 2013 | 300,636 | 114,777 | - | 25,000 | 52,850 | - | 3,901 | 28,579 | 525,743 | 22.6% |
| **Total Remuneration: Executives** | | | | | | | | | | |
| **2014** | **2,231,587** | **-** | **11,104** | **79,036** | **134,871** | **-** | **16,054** | **(88,471)** | **2,384,181** | **-** |
| 2013 | 2,317,694 | 694,612 | 11,054 | 87,700 | 176,263 | - | 40,910 | 79,262 | 3,407,495 | - |
| **Total Remuneration: Non-Executive Directors and Executives - Group** | | | | | | | | | | |
| **2014** | **2,572,777** | **-** | **11,104** | **79,036** | **166,431** | **-** | **16,054** | **(88,471)** | **2,756,931** | **-** |
| 2013 | 2,636,742 | 694,612 | 11,054 | 87,700 | 204,977 | - | 40,910 | 79,262 | 3,755,257 | - |

There have been no short term incentive payments made to KMP in relation to FY13 or FY14. Certain KMP met targets that entitled them to a portion of their short term incentive payments in FY13, but these KMP's agreed to waive their entitlements.

Cash bonuses paid during FY13 were in relation to the FY12 financial year, where the Company's STIP targets were exceeded. Their determination was in accordance with the incentive plans outlined on pages 16 to 21 and 23. As noted above, STIP is applied following the completion and audit of each year's annual financial report. Therefore any payments made under the STIP will occur in the first half of the following financial year, hence the FY12 STIP entitlements being paid out during FY13.

## DIRECTORS' REPORT (continued)

## Remuneration Report – Audited (continued)

### *Total Remuneration of KMP (continued)*

Refer to note 30 for further details.

[a] Other represents motor vehicle allowance and novated lease payments.

[b] Share-based payments represents ordinary shares in Boom Logistics Limited issued for nil consideration. For the purpose of this disclosure, the ordinary shares have been valued at fair value at the grant date being $0.201 per share (2013: $0.305 per share). The share based payment vests over a 3 year period from grant date. Only the expense relating to the period has been recognised in accordance with accounting policy note 3(r).

[c] Long term annual leave and long service leave amounts represent the net movement in balance sheet leave provisions recognised in the income statement during the financial year.

[d] Terese Withington resigned as General Manager – Boom Sherrin on 1 November 2013. Consequently, all share based payments issued to Ms Withington were forfeited as the 3 year vesting condition was not met.

### *Determining the STIP Outcomes of the Executive KMP*

For the FY2013 STIP, the Nomination and Remuneration Committee conducted a review of the Executive KMP performance against their set targets. Whilst certain KMP met targets that entitled them to a portion of their short term incentive payments in FY13, these KMP agreed to waive their entitlements which resulted in no STIP being paid to the Executive KMP for FY13, which would normally be paid during FY14 once the financial results for FY13 are finalised.

There will be no STIP paid during FY15 in relation to FY14.

| Name | Title | Maximum STIP $ | Weighting [a] % | Total Paid $ |
|---|---|---|---|---|
| Brenden Mitchell | Chief Executive Officer & Managing Director | 300,000 | 0% | Nil |
| Iona MacPherson | Chief Financial Officer & Company Secretary | 129,000 | 0% | Nil |
| Rosanna Hammond | General Manager - Human Resources | 49,112 | 0% | Nil |
| Paul Martinez | Chief Information Officer and Director of Strategy | 127,650 | 0% | Nil |
| Tony Spassopoulos | Director of Sales & Marketing and General Manager – Boom Sherrin | 108,150 | 0% | Nil |
| Terese Withington * | General Manager - Boom Sherrin | 109,500 | 0% | Nil |

* Terese Withington resigned on 1 November 2013.

[a] Weighting represents the percentage of total STIP entitlement awarded to Executive KMP based on their financial, safety and individual performance targets.

## DIRECTORS' REPORT (continued)

## Remuneration Report – Audited (continued)

### *Determining the LTIP Outcomes of the Executive KMP*

As part of the Group's Long Term Incentive Plan, the Company allocated shares to the Executive KMP during the year as set out below:

It is important to note that the LTIP only vests on achievement of the ROCE benchmark. This benchmark is currently 13% and since introducing the ROCE benchmark in financial year 2010, no LTIP Shares have vested.

| Name | Year | Grant date | Grant number | Vesting date | Fair value per share at grant date * | Vesting benchmark | Maximum value of grant ^ |
|---|---|---|---|---|---|---|---|
| **Brenden Mitchell** | **2014** | **30 Oct 13** | **1,679,104** | **30 Oct 16** | **$0.201** | **RoCE of at least 13%** | **$335,821** |
| | 2013 | 29 Oct 12 | 1,106,557 | 29 Oct 15 | $0.305 | RoCE > WACC by 1% | $221,311 |
| | 2012 | 4 Nov 11 | 1,057,500 | 5 Nov 14 | $0.300 | RoCE > WACC by 1% | $211,500 |
| **Iona MacPherson** | **2014** | **30 Oct 13** | **534,826** | **30 Oct 16** | **$0.201** | **RoCE of at least 13%** | **$106,965** |
| | 2013 | 29 Oct 12 | 352,459 | 29 Oct 15 | $0.305 | RoCE > WACC by 1% | $70,492 |
| | 2012 | 4 Nov 11 | 349,397 | 5 Nov 14 | $0.292 | RoCE > WACC by 1% | $69,879 |
| **Rosanna Hammond** | **2014** | **30 Oct 13** | **244,340** | **30 Oct 16** | **$0.201** | **RoCE of at least 13%** | **$48,868** |
| | 2013 | 29 Oct 12 | 160,656 | 29 Oct 15 | $0.305 | RoCE > WACC by 1% | $32,131 |
| | 2012 | 4 Nov 11 | 151,405 | 5 Nov 14 | $0.292 | RoCE > WACC by 1% | $30,281 |
| **Paul Martinez** | **2014** | **30 Oct 13** | **529,229** | **30 Oct 16** | **$0.201** | **RoCE of at least 13%** | **$105,846** |
| | 2013 | 29 Oct 12 | 348,770 | 29 Oct 15 | $0.305 | RoCE > WACC by 1% | $69,754 |
| | 2012 | 4 Nov 11 | 336,575 | 5 Nov 14 | $0.292 | RoCE > WACC by 1% | $67,315 |
| **Tony Spassopoulos** | **2014** | **30 Oct 13** | **597,015** | **30 Oct 16** | **$0.201** | **RoCE of at least 13%** | **$119,403** |
| | 2013 | 29 Oct 12 | 295,492 | 29 Oct 15 | $0.305 | RoCE > WACC by 1% | $59,098 |
| | 2012 | 4 Nov 11 | 291,165 | 5 Nov 14 | $0.292 | RoCE > WACC by 1% | $58,233 |

* The fair values per share were assessed as the 5 day volume weighted average market price at the grant dates.

^ The maximum value of grants has been estimated based on a 52 week high in FY2014 of $0.20 per share. The minimum total value of each grant, if the applicable performance conditions are not met is nil.

During the year, the FY2011 shares allocated to the Executive KMP did not vest as the vesting conditions were not met. In accordance with the LTIP rules, the FY2011 shares were forfeited as follows:

| Name | Year | Grant date | Grant number | Vesting date | Fair value per share at grant date | Vesting benchmark | Maximum value of grant in FY2013 |
|---|---|---|---|---|---|---|---|
| Brenden Mitchell | 2011 | 5 Nov 10 | 650,433 | 5 Nov 13 | $0.450 | RoCE > WACC by 1% | $247,165 |
| Iona MacPherson | 2011 | 5 Nov 10 | 210,064 | 5 Nov 13 | $0.450 | RoCE > WACC by 1% | $79,824 |
| Rosanna Hammond | 2011 | 5 Nov 10 | 91,028 | 5 Nov 13 | $0.450 | RoCE > WACC by 1% | $34,591 |
| Paul Martinez | 2011 | 5 Nov 10 | 202,355 | 5 Nov 13 | $0.450 | RoCE > WACC by 1% | $76,895 |
| Tony Spassopoulos | 2011 | 5 Nov 10 | 175,054 | 5 Nov 13 | $0.450 | RoCE > WACC by 1% | $66,521 |
| Terese Withington | 2011 | 5 Nov 10 | 140,043 | 5 Nov 13 | $0.450 | RoCE > WACC by 1% | $53,216 |

## DIRECTORS' REPORT (continued)

## Remuneration Report – Audited (continued)

### *Non-executive Director Fees*

Non-executive Director fees are determined by reference to external survey data, taking account of the Group's relative size and business complexity. No additional payments are made for serving on Board Committees. In addition, non-executive Directors have no entitlement to STIP, no equity incentives are offered and no retirement benefits are payable. The maximum aggregate sum for non-executive Director remuneration of $400,000 was approved by shareholders at the 2004 Annual General Meeting. There has been no increase to Director fees since 2007.

Details of non-executive Directors' remuneration for the year ended 30 June 2014 are as follows:

| | | Short Term | | | Post Employment | Share-based Payments | Long Term | Total | |
|---|---|---|---|---|---|---|---|---|---|
| | Salary & fees | Cash bonus | Non monetary benefits | Other | Super-annuation | Shares | Annual & long service leave | | Total performance related |
| **<u>Non-Executive Directors</u>** | | | | | | | | | |
| John Robinson | | | | | | | | | |
| **2014** | **120,000** | **-** | **-** | **-** | **11,100** | **-** | **-** | **131,100** | **-** |
| 2013 | 120,000 | - | - | - | 10,800 | - | - | 130,800 | - |
| Fiona Bennett | | | | | | | | | |
| **2014** | **60,000** | **-** | **-** | **-** | **5,550** | **-** | **-** | **65,550** | **-** |
| 2013 | 60,000 | - | - | - | 5,400 | - | - | 65,400 | - |
| Howard Critchley | | | | | | | | | |
| **2014** | **41,190** | **-** | **-** | **-** | **3,810** | **-** | **-** | **45,000** | **-** |
| 2013 | 19,048 | - | - | - | 1,714 | - | - | 20,762 | - |
| Terrence Francis | | | | | | | | | |
| **2014** | **60,000** | **-** | **-** | **-** | **5,550** | **-** | **-** | **65,550** | **-** |
| 2013 | 60,000 | - | - | - | 5,400 | - | - | 65,400 | - |
| Terence Hebiton | | | | | | | | | |
| **2014** | **60,000** | **-** | **-** | **-** | **5,550** | **-** | **-** | **65,550** | **-** |
| 2013 | 60,000 | - | - | - | 5,400 | - | - | 65,400 | - |
| **Total Remuneration: Non-Executive Directors** | | | | | | | | | |
| **2014** | **341,190** | **-** | **-** | **-** | **31,560** | **-** | **-** | **372,750** | **-** |
| 2013 | 319,048 | - | - | - | 28,714 | - | - | 347,762 | - |

### *Insurance*

Amounts disclosed for remuneration of Directors and KMP exclude insurance premiums paid by the Company in respect of Directors' and Officers' liability insurance. The premium has not been allocated to the individuals covered by the insurance policy as, based on all available information, the Directors believe that no reasonable basis for such allocation exists.

## DIRECTORS' REPORT (continued)

### *Shareholdings of Directors and Executive KMP*

| **Ordinary shares held in Boom Logistics Limited (number) 30 June 2014** | **Balance 1 July 13** | **Granted and vested** | **Net change other (i)** | **Balance 30 June 14** | **Granted but not vested** |
|---|---|---|---|---|---|
| Non-executive & Executive Directors | | | | | |
| John Robinson | 830,000 | - | - | **830,000** | - |
| Brenden Mitchell | 3,057,235 | - | - | **3,057,235** | 3,843,161 |
| Fiona Bennett (ii) | 151,885 | - | - | **151,885** | - |
| Howard Critchley | 150,000 | - | n/a | **n/a** | - |
| Terrence Francis (ii) | 185,745 | - | - | **185,745** | - |
| Terence Hebiton | 547,995 | - | - | **547,995** | - |
| Executives | | | | | |
| Iona MacPherson | 410,071 | - | - | **410,071** | 1,236,682 |
| Rosanna Hammond | 39,196 | - | - | **39,196** | 556,401 |
| Paul Martinez | 190,452 | - | - | **190,452** | 1,214,574 |
| Tony Spassopoulos | 1,081,565 | - | - | **1,081,565** | 1,183,672 |
| Terese Withington | 20,000 | - | - | **20,000** | - |
| Total | **6,664,144** | **-** | **-** | **6,514,144** | **8,034,490** |

| **Ordinary shares held in Boom Logistics Limited (number) 30 June 2013** | **Balance 1 July 12** | **Granted and vested** | **Net change other (i)** | **Balance 30 June 13** | **Granted but not vested** |
|---|---|---|---|---|---|
| Non-executive & Executive Directors | | | | | |
| John Robinson | 680,000 | - | 150,000 | **830,000** | - |
| Brenden Mitchell | 2,259,235 | - | 798,000 | **3,057,235** | 2,814,490 |
| Fiona Bennett | 151,885 | - | - | **151,885** | - |
| Howard Critchley | - | | 150,000 | **150,000** | - |
| Dr. Huw Davies | 291,547 | - | - | **291,547** | - |
| Terrence Francis (ii) | 185,745 | - | - | **185,745** | - |
| Terence Hebiton | 547,995 | - | - | **547,995** | - |
| Executives | | | | | |
| Iona MacPherson | 337,871 | - | 72,200 | **410,071** | 911,920 |
| Rosanna Hammond | 39,196 | - | - | **39,196** | 403,089 |
| Paul Martinez | 190,452 | - | - | **190,452** | 887,700 |
| Tony Spassopoulos | 681,565 | - | 400,000 | **1,081,565** | 761,711 |
| Teresa Withington | 20,000 | - | - | **20,000** | 612,318 |
| Total | **5,385,491** | **-** | **1,570,200** | **6,955,691** | **6,391,228** |

*(i) These amounts represent ordinary shares purchased or sold directly or indirectly by the directors and executives during the financial year. These transactions have no connection with their roles and responsibilities as employees of the Group.*

*(ii) Includes shares held under a nominee.*

## DIRECTORS' REPORT (continued)

## Remuneration Report – Audited (continued)

### *Shareholdings of Directors and Executive KMP (continued)*

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

### *Use of Remuneration Consultants*

The Nomination and Remuneration Committee engages Hay Group as an independent external remuneration specialist to the Board of Directors to evaluate and benchmark the remuneration of the CEO & Managing Director. Hay group was paid $4,466 (2013: $8,294) for the evaluation and benchmarking of the CEO & Managing Director’s remuneration for the current financial year. The Hay Group evaluations and benchmarking data is provided to the Nomination and Remuneration Committee and is free from undue influence by any member of the Group's KMP.

The following arrangements were made to ensure that the remuneration recommendation was free from undue influence:

- Hay Group was engaged by, and reported directly to, the chair of the Nomination and Remuneration Committee. The agreement for the provision of remuneration consulting services was executed by the chair of the Nomination and Remuneration Committee under delegated authority on behalf of the Board of Directors; and
- The report containing Hay Group's evaluation was provided directly to the Chairman of the Nomination and Remuneration Committee.

As a consequence, the Board of Directors is satisfied that the recommendation made was free from undue influence from any members of the Group’s KMP.

Remuneration for other members of the KMP is determined with reference to Hay Group data. Hay Group provided benchmarking data through their remuneration database on a subscription basis. Hay Group was paid a total of $14,520 (2013: $14,520) for providing this service.

## DIRECTORS' REPORT (continued)

### Auditor's Independence Declaration to the Directors

The auditor's independence declaration is set out on page 29 and forms part of the directors' report for the financial year ended 30 June 2014.

### Non-audit Services

The following non-audit services were provided by KPMG, the Company's auditor. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

KPMG received or are due to receive the following amounts for the provision of non-audit services:

| | |
|---|---|
| Taxation services | $21,950 |
| Other services | $12,890 |
| Total remuneration for non-audit services | $34,840 |

### Proceedings on the Behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

### Rounding

The amounts contained in this report and in the financial report are presented in Australian dollars and have been rounded to the nearest $1,000 (where rounding is applicable) under the option available under ASIC Class Order 98/100. The Group is of a kind to which the Class Order applies.

Signed in accordance with a resolution of the Directors.

John Robinson
Chairman

Brenden Mitchell
Managing Director

Melbourne, 12 August 2014

KPMG

***Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001***

To: the Directors of Boom Logistics Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Paul J McDonald

Paul J McDonald
*Partner*

Melbourne

12 August 2014

**Boom Logistics Limited**
**A.B.N. 28 095 466 961**

**Consolidated Income Statement**
**Year Ended 30 June 2014**

| | Note | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| **Revenue** | 6 | **273,320** | 338,387 |
| Salaries and employee benefits expense | 6(c) | **(129,064)** | (161,880) |
| Equipment service and supplies expense | | **(73,293)** | (87,782) |
| Operating lease expense | | **(11,525)** | (12,240) |
| Other expenses | | **(17,644)** | (21,452) |
| Restructuring expense | 20 | **(8,153)** | (6,753) |
| Depreciation and amortisation expense | 6(c) | **(28,219)** | (30,137) |
| Impairment expense | 6(c) | **(80,121)** | (11,015) |
| **(Loss)/profit before financing expenses and income tax** | | **(74,699)** | 7,128 |
| Financing expenses | 6(c) | **(8,408)** | (10,557) |
| **Loss before income tax** | | **(83,107)** | (3,429) |
| Income tax benefit | 7(a) | **3,652** | 953 |
| **Net loss attributable to members of Boom Logistics Limited** | | **(79,455)** | (2,476) |
| Basic losses per share (cents per share) | 8 | **(16.8)** | (0.5) |
| Diluted losses per share (cents per share) | 8 | **(16.8)** | (0.5) |
| Franked dividends per share (cents per share) | 9 | **-** | - |

The accompanying notes form an integral part of the Consolidated Income Statement.

**Boom Logistics Limited**
**A.B.N. 28 095 466 961**

## Consolidated Statement of Comprehensive Income
## Year Ended 30 June 2014

| | Note | 2014<br>$'000 | 2013<br>$'000 |
|---|---|---|---|
| **Net loss attributable to members of Boom Logistics Limited** | | **(79,455)** | (2,476) |
| **Other comprehensive income** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Cash flow hedges recognised in equity, net of tax | | **361** | 322 |
| **Other comprehensive income for the year, net of tax** | | **361** | 322 |
| **Total comprehensive loss for the year attributable to members of Boom Logistics Limited** | | **(79,094)** | (2,154) |

The accompanying notes form an integral part of the Consolidated Statement of Comprehensive Income.

**Boom Logistics Limited**
**A.B.N. 28 095 466 961**

## Consolidated Statement of Financial Position
**As at 30 June 2014**

| | Note | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 10(a) | **8,557** | 3,572 |
| Trade and other receivables | 11 | **55,402** | 55,440 |
| Inventories | 12 | **300** | 507 |
| Prepayments and other current assets | 13 | **2,495** | 2,843 |
| Assets classified as held for sale | 14 | **15,472** | 10,899 |
| Income tax receivable | 7(c) | **4,450** | 4,450 |
| **TOTAL CURRENT ASSETS** | | **86,676** | 77,711 |
| **NON-CURRENT ASSETS** | | | |
| Plant and equipment | 15 | **300,018** | 336,678 |
| Intangible assets | 16(b) | **2,682** | 74,636 |
| **TOTAL NON-CURRENT ASSETS** | | **302,700** | 411,314 |
| **TOTAL ASSETS** | | **389,376** | 489,025 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 18 | **23,073** | 20,390 |
| Interest bearing loans and borrowings | 19 | **4,166** | - |
| Provisions | 20 | **15,154** | 15,404 |
| Derivative financial instruments | 21 | **837** | 332 |
| Other liabilities | 22 | **5,633** | 5,741 |
| **TOTAL CURRENT LIABILITIES** | | **48,863** | 41,867 |
| **NON-CURRENT LIABILITIES** | | | |
| Interest bearing loans and borrowings | 19 | **93,917** | 119,398 |
| Provisions | 20 | **4,086** | 1,778 |
| Derivative financial instruments | 21 | **-** | 1,019 |
| Deferred tax liabilities | 7(b) | **8,186** | 11,649 |
| **TOTAL NON-CURRENT LIABILITIES** | | **106,189** | 133,844 |
| **TOTAL LIABILITIES** | | **155,052** | 175,711 |
| **NET ASSETS** | | **234,324** | 313,314 |
| **EQUITY** | | | |
| Contributed equity | 23 | **318,065** | 318,065 |
| Retained losses | 24 | **(83,601)** | (4,146) |
| Reserves | 25 | **(140)** | (605) |
| **TOTAL EQUITY** | | **234,324** | 313,314 |

The accompanying notes form an integral part of the Consolidated Statement of Financial Position.

**Boom Logistics Limited**
**A.B.N. 28 095 466 961**

## Consolidated Statement of Cash Flows
## Year Ended 30 June 2014

| | Note | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | **294,947** | 384,887 |
| Payments to suppliers and employees | | **(263,732)** | (324,601) |
| Interest paid | | **(7,745)** | (9,763) |
| Interest received | | **156** | 680 |
| Income tax received | | **-** | 1 |
| **Net cash provided by operating activities** | 10(b) | **23,626** | 51,204 |
| **Cash flows from investing activities** | | | |
| Purchase of plant and equipment | | **(15,885)** | (62,340) |
| Payment for intangible assets - software development costs | | **(34)** | (1,469) |
| Proceeds from the sale of plant and equipment | | **17,283** | 11,233 |
| **Net cash provided by / (used in) investing activities** | | **1,364** | (52,576) |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | **118,802** | 52,420 |
| Repayment of borrowings | | **(138,807)** | (57,578) |
| Payment of dividends | 9(a) | **-** | - |
| **Net cash (used in) financing activities** | | **(20,005)** | (5,158) |
| Net increase/(decrease) in cash and cash equivalents | | **4,985** | (6,530) |
| Cash and cash equivalents at the beginning of the period | | **3,572** | 10,102 |
| **Cash and cash equivalents at the end of the period** | 10(a) | **8,557** | 3,572 |

The accompanying notes form an integral part of the Consolidated Statement of Cash Flows.

**Boom Logistics Limited**
**A.B.N. 28 095 466 961**

## Consolidated Statement of Changes in Equity
**Year Ended 30 June 2014**

| | Note | Issued Capital $'000 | Retained Earnings $'000 | Cash Flow Hedge Reserve $'000 | Employee Equity Benefits Reserve $'000 | Total Equity $'000 |
|---|---|---|---|---|---|---|
| **At 1 July 2012** | | 318,065 | (1,670) | (1,269) | 613 | 315,739 |
| Loss for the year | | - | (2,476) | - | - | (2,476) |
| Other comprehensive income | | - | - | 322 | - | 322 |
| **Total comprehensive loss** | | - | (2,476) | 322 | - | (2,154) |
| **Transactions with owners in their capacity as owners:** | | | | | | |
| Cost of share based payments | 25 | - | - | - | (271) | (271) |
| **At 30 June 2013** | | **318,065** | **(4,146)** | **(947)** | **342** | **313,314** |
| Loss for the year | | **-** | **(79,455)** | **-** | **-** | **(79,455)** |
| Other comprehensive income | | **-** | **-** | **361** | **-** | **361** |
| **Total comprehensive loss** | | **-** | **(79,455)** | **361** | **-** | **(79,094)** |
| **Transactions with owners in their capacity as owners:** | | | | | | |
| Cost of share based payments | 25 | **-** | **-** | **-** | **104** | **104** |
| **At 30 June 2014** | | **318,065** | **(83,601)** | **(586)** | **446** | **234,324** |

The accompanying notes form an integral part of the Consolidated Statement of Changes in Equity.

## 1. Corporate Information

The financial report of Boom Logistics Limited and its subsidiaries ("the Group") for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors on 12 August 2014.

Boom Logistics Limited is a company domiciled in Australia and limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The Group is a for profit entity and the nature of its operations and principal activities are described in note 5.

## 2. Basis of Preparation

### (a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

### (b) Historical cost convention

The financial report has been prepared in accordance with the historical cost convention rounded to the nearest thousand dollars ($'000) in accordance with ASIC Class Order 98/100 unless otherwise stated, except for derivative financial instruments and assets classified as held for sale which are measured at fair value. The financial report is presented in Australian dollars which is the Company's functional currency.

### (c) Critical accounting estimates and assumptions

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the following notes:

*Impairment testing of goodwill*
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 3(l). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 17 for details of these assumptions.

## 2. Basis of Preparation (continued)

### (c) Critical accounting estimates and assumptions (continued)

*Impairment testing of plant and equipment including assets classified as held for sale*
The Group tests annually whether plant and equipment has suffered any impairment, in accordance with the accounting policy stated in note 3(m). The recoverable amounts of plant and equipment have been determined based on their fair value less costs to sell. Refer to note 15.

*Useful lives and residual values of plant and equipment*
The Group determines the estimated useful lives of assets and related depreciation charges for its plant and equipment based on the accounting policy stated in note 3(j). These estimates are based on projected capital equipment lifecycles for periods up to twenty years based on useful life assumptions.

Residual values are determined based on the value the Group would derive upon ultimate disposal of the individual piece of plant and equipment at the end of its useful life. The achievement of these residual values is dependent upon and could be impacted as a result of the industrial cycle.

Management will increase the depreciation charge where useful lives are less than previously estimated lives or there is evidence that residual values can not be achieved.

*Tax balances*
Judgement and estimation is required over the calculation and recognition of current and deferred tax balances. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets, liabilities and expense/benefit in the period in which such determination is made.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable profits will be available to utilise those temporary differences and losses, and the losses continue to be available having regard to their nature and timing of origination. Utilisation of tax losses also depends on the ability of the Group to satisfy certain tests at the time the losses are recouped.

*Going concern assumption*
In preparing the financial report, the Directors made an assessment of the ability of the consolidated entity to continue as a going concern, which contemplates the continuity of business operations, realisation of assets and settlement of liabilities in the ordinary course of business and at the amounts stated in the financial report.

## 2. Basis of Preparation (continued)

### (c) Critical accounting estimates and assumptions (continued)

*Going concern assumption (continued)*
Based on forecast trading results and cash flows, the Directors believe that the consolidated entity will continue to generate sufficient operating results and cash flows to meet its funding requirements and debt covenants. These forecasts are necessarily based on best-estimate assumptions that are subject to influences and events outside of the control of the consolidated entity. The forecasts, taking into account reasonably possible changes in trading performance, show that the consolidated entity will continue to operate within the level and terms of its debt facilities.

After making enquiries and considering the matters described above, the Directors have a reasonable expectation that the consolidated entity will have adequate resources to continue to meet its obligations as they fall due and remain within the limits of its debt facilities. For these reasons, they continue to adopt the going concern basis in preparing the financial report.

### (d) Changes in accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out in note 3. These policies are consistent with those of the previous financial year, with the exception of AASB 119 Employee Benefits has changed the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. The adoption of this standard did not have a material impact on the Group during the financial year.

The Group has not elected to early adopt any accounting standards or amendments (refer to note 3(y)).

## 3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities. Certain comparative amounts in the consolidated financial statements have been reclassified to conform with current year's presentation.

### (a) Basis of consolidation

*Subsidiaries*
The consolidated financial statements comprise the financial statements of Boom Logistics Limited and its subsidiaries as at 30 June each year.

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

### (a) Basis of consolidation (continued)

*Subsidiaries (continued)*
Subsidiaries are entities (including structured entities) controlled by the Group. Control exists 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

In the parent company financial statements (refer to note 35), investments in subsidiaries are carried at cost less impairments.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

### (b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*Rendering of services*
Revenue from the hire of lifting/access equipment and other services provided is recognised where the right to be compensated for the services can be reliably measured.

*Interest revenue*
Interest revenue is recognised on a time proportionate basis using the effective interest method.

### (c) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (ie. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are recognised in the income statement using the effective interest rate method. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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

### (d) Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

### (e) Cash and cash equivalents

Cash on hand and in banks are stated at nominal value.

For the purposes of the cash flow statement, cash includes cash on hand and in banks net of outstanding bank overdrafts.

### (f) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for impairment (refer note 3(m)). Trade receivables are generally due for settlement within 30 – 60 days.

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 used 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 (more than 60 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance 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.

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

### (f) Trade and other receivables (continued)

The amount of the impairment loss is recognised in the income statement within other expenses. When a trade receivable for which an allowance for impairment had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

### (g) Inventories

Inventories are valued at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

### (h) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

### (h) Income tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

*Tax consolidation legislation*
Boom Logistics Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, Boom Logistics 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 stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Boom Logistics Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from 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 from or payable to other entities in the Group.

### (i) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

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

### (i) Goods and Services Tax (GST) (continued)

Commitments and contingencies are disclosed net of the amount of GST recoverable from or payable to the taxation authority.

### (j) Plant and equipment

Plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When a major overhaul is performed, the cost is recognised in the carrying amount of plant and equipment only if the major overhaul extends the expected useful life of the asset or if the continuing operation of the asset is conditional upon incurring the expenditure. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of plant and equipment as a replacement only if it is eligible for capitalisation. The cost of the day-to-day servicing or the replacement of parts of plant and equipment is recognised in profit or loss as incurred.

Depreciation is recognised in the income statement on a straight line basis over the estimated useful life of each part of an item of plant and equipment as follows:

| | |
|---|---|
| Mobile Cranes > 20T | **20 Years** |
| Travel Towers | **20 Years** |
| Mobile Cranes < 20T | **10 Years** |
| Access Equipment | **10 Years** |
| Ancillary Equipment | **10 Years** |
| Office Equipment | **3 to 10 Years** |
| Workshop Equipment | **3 to 10 Years** |
| Leasehold Improvements | **Lesser of lease term or 10 Years** |
| Vehicles | **5 to 10 Years** |
| Computer Equipment | **3 to 5 Years** |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and at more regular intervals when there is an indicator of impairment or when deemed appropriate.

Gains or losses on sale of plant and equipment are included in the income statement in the year the asset is disposed of.

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

### (j) Plant and equipment (continued)

*Assets classified as held for sale*
Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. No depreciation is recognised whilst an asset is held for sale. Interest and other expenses attributable to the assets held for sale continue to be recognised.

### (k) Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate.

Intangible assets with indefinite useful lives are tested for impairment at each reporting date either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed at each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

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

### (k) Intangible assets (continued)

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

| | ***Software Development Costs*** |
|---|---|
| Useful lives | *Finite* |
| Method used | *Life of software* |
| Internally generated / Acquired | *Internally generated* |
| Impairment test / Recoverable amount testing | *Amortisation method reviewed at each financial year end; Reviewed annually for indicators of impairment.* |

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

### (l) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

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

### (m) Impairment of assets

*Financial assets*
Financial assets are assessed at each reporting date to determine whether there is any objective evidence of impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the income statement.

*Non-financial assets*
The carrying amounts of the Group's non-financial assets, other than deferred tax assets and inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit or a group of cash-generating units is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units or a group of cash-generating units that are expected to benefit from the synergies of the combination and at the lowest level monitored by management.

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

### (m) Impairment of assets (continued)

An impairment loss is recognised if the carrying amount of an asset, cash-generating unit or a group of cash-generating units exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### (n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually payable within 45 days of recognition.

### (o) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement when the liabilities are derecognised.

### (p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is probable. The expense relating to any provision is presented in the income statement net of any reimbursement.

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

### (p) Provisions (continued)

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a finance expense.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

### (q) Employee benefits

*Short-term obligations*
Liabilities for wages and salaries, including non monetary benefits, accumulating sick leave and rostered days off that are expected to be settled wholly 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. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

*Other long-term employee benefit obligations*
The liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are 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. 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.

*Termination benefits*
Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

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

### (q) Employee benefits (continued)

*Defined contribution superannuation plans*
A defined contribution superannuation plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contribution plans are recognised as salaries and employee benefits expense in the income statement in the period in which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

### (r) Share-based payments

The Group provides benefits to senior management of the Group in the form of share based payments, whereby senior management receives incentive based share allocations vesting upon achievement of preset performance targets over a rolling three year period.

The cost of these equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

In valuing equity settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Boom Logistics Limited (market conditions) if applicable.

The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

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

### (r) Share-based payments (continued)

If an equity settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

### (s) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

### (t) Dividends

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

### (u) Earnings per share (EPS)

Basic EPS is calculated as net profit attributable to members, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares outstanding during the year, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

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

### (v) Financial instruments

Non-derivative financial instruments comprise investments in trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Measurement of each of the non-derivative financial instruments is covered in the respective policy notes – trade and other receivables 3(f), cash and cash equivalents 3(e), interest bearing loans and borrowings 3(o), and trade and other payables 3(n). Refer to note 26 for detailed disclosures.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control and substantially all risks and rewards of the asset.

Regular purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

### (w) Derivatives and hedging

The Group uses derivative financial instruments, such as forward foreign currency and interest rate swap contracts, to hedge its foreign currency risks and interest rate risks, respectively. Such derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or
- hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

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

### (w) Derivatives and hedging (continued)

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 21. Movements in the hedging reserve in shareholders' equity are shown in note 25. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged income or expenses are recognised or when a forecast sale or purchase occurs. When the hedged item is a non financial asset (for example, inventory or fixed assets), the amounts taken to equity are transferred to the initial carrying amount of the non financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the income statement.

### (x) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). The CODM is responsible for allocating resources and assessing performance of the operating segments.

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

### (y) New accounting standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Group in the period of initial application. They are not yet effective and have not been adopted by the Group in preparing this financial report.

(i) AASB 9 Financial Instruments (effective 1 January 2017).

(ii) AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets (effective 1 January 2014 for calendar year ends or 1 July 2014 for financial year ends).

(iii) AASB 2013-6 Amendments to AASB 136 arising from Reduced Disclosure Requirements (effective 1 January 2014 for calendar year ends or 1 July 2014 for financial year ends).

(iv) AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting (effective 1 January 2014 for calendar year ends or 1 July 2014 for financial year ends).

## 4. Financial Risk Management

The Board of Directors has overall responsibility for the oversight of the Company's risk management framework including the identification and management of material business, financial and regulatory risks. Boom management report regularly to the Risk Committee and the Board of Directors on relevant activities.

Risk management guidelines have been further developed to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management guidelines are regularly reviewed to reflect changes in market conditions and the Group's activities.

Until June 2014, the Audit and Risk Committee was responsible for overseeing how management monitors compliance with the Group's risk management guidelines, policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. A Risk Committee was formed in June 2014 and it is now responsible for this oversight.

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, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

### Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and derivative instruments. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group does not hold any credit derivatives to offset its credit exposure.

The Group's policy is to trade with recognised, creditworthy third parties. It is the Group's practice that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Refer to note 26 for detailed disclosure.

## 4. Financial Risk Management (continued)

### 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 financial obligations as they fall due under both normal and stressed conditions without incurring unacceptable losses or damage to the Group's reputation. In order to meet these requirements management estimates the cash flows of the Group on a weekly basis.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. At 30 June 2014, the Group's balance sheet gearing ratio was 38% (2013: 37%). This ratio is calculated as net debt divided by equity. Net debt is calculated as total interest bearing loans and borrowings less cash and cash equivalents. Equity is as shown on the Balance Sheet. Refer to note 26 for detailed disclosure.

### Market risk

Market risk is the risk that changes in foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. Refer to note 26 for detailed disclosure.

*Foreign exchange risk*
Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group has transactional currency exposures arising from purchases of plant and equipment in currencies other than the functional currency. It is the Group's policy to hedge 100% of its estimated foreign currency purchases. The Group's policy is not to enter into forward currency contracts until a firm commitment is in place and to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

*Interest rate risk*
The Group is exposed to interest rate risk as entities in the Group borrow funds at floating interest rates. The level of variable rate debt is disclosed in note 26.

### Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to maintain robust capital ratios, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to minimise the cost of capital.

## 4. Financial Risk Management (continued)

### Capital Management (continued)

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 monitors capital on the basis of the balance sheet gearing ratio. This ratio is calculated as net debt divided by equity. Information regarding compliance with debt facility requirements is disclosed in note 19.

| | Note | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| Interest bearing loans and borrowings | 19 | **98,083** | 119,398 |
| Less: cash and cash equivalents | 10(a) | **(8,557)** | (3,572) |
| Net debt | | **89,526** | 115,826 |
| Total equity | | **234,324** | 313,314 |
| Gearing ratio | | **38%** | 37% |

## 5. Segment Reporting

### Description of operating segments

Management has determined the operating segments based on the reports reviewed by the Chief Operating Decision Maker ("CODM") to make decisions about resource allocation and to assess performance.

The business is considered from a product perspective and has one reportable segment: "Lifting Solutions", which consists of all lifting activities including the provision of cranes, travel towers, access equipment and all associated services.

The segment information provided to the CODM is measured in a manner consistent with that of the financial statements.

Transfer prices between operating segments are at cost.

Boom Logistics Limited is domiciled in Australia and all core revenue is derived from external customers within Australia. Revenues of approximately $34.366 million or 13% of total segment revenue (2013: $70.136 million or 21%) are derived from a single external customer. These revenues are attributable to the Lifting Solutions segment.

## 5. Segment Reporting (continued)

### Segment information provided to the CODM

| | Lifting Solutions $'000 | Other * $'000 | Consolidated $'000 |
|---|---|---|---|
| ***Year ended:*** | | ***30 June 2014*** | |
| ***Segment revenue*** | | | |
| Total external revenue | **267,292** | **900** | **268,192** |
| Inter-segment revenue | **-** | **-** | **-** |
| Revenue from external customers | **267,292** | **900** | **268,192** |
| Other income | **4,972** | **-** | **4,972** |
| Total segment revenue | **272,264** | **900** | **273,164** |
| Interest income from other persons/corporations | | | **156** |
| Total revenue | | | **273,320** |
| ***Segment result*** | | | |
| Loss before net interest and tax | **(62,567)** | **(12,288)** | **(74,855)** |
| Net interest | | | **(8,252)** |
| Income tax benefit | | | **3,652** |
| Loss from continuing operations | | | **(79,455)** |
| ***Segment assets and liabilities*** | | | |
| Segment assets | **377,014** | **12,362** | **389,376** |
| Segment liabilities | **142,220** | **12,832** | **155,052** |
| Additions to non-current assets | **15,633** | **1,223** | **16,856** |
| Depreciation and amortisation | **26,647** | **1,572** | **28,219** |
| Restructuring expense | **7,906** | **247** | **8,153** |
| Impairment of plant and equipment | **4,798** | **-** | **4,798** |
| Impairment of assets classified as held for sale | **4,513** | **-** | **4,513** |
| Impairment of goodwill | **70,810** | **-** | **70,810** |

** Other represents centralised costs including national office and shared services.*

## 5. Segment Reporting (continued)

### Segment information provided to the CODM (continued)

| | Lifting Solutions $'000 | Other * $'000 | Consolidated $'000 |
|---|---|---|---|
| ***Year ended:*** | | ***30 June 2013*** | |
| ***Segment revenue*** | | | |
| Total external revenue | 336,164 | - | 336,164 |
| Inter-segment revenue | - | - | - |
| Revenue from external customers | 336,164 | - | 336,164 |
| Other income | 1,441 | 102 | 1,543 |
| Total segment revenue | 337,605 | 102 | 337,707 |
| Interest income from other persons/corporations | | | 680 |
| Total revenue | | | 338,387 |
| ***Segment result*** | | | |
| Profit before net interest and tax | 19,922 | (13,474) | 6,448 |
| Net interest | | | (9,877) |
| Income tax benefit | | | 953 |
| Loss from continuing operations | | | (2,476) |
| ***Segment assets and liabilities*** | | | |
| Segment assets | 479,407 | 9,618 | 489,025 |
| Segment liabilities | 158,722 | 16,989 | 175,711 |
| Additions to non-current assets | 50,450 | 1,811 | 52,261 |
| Depreciation and amortisation | 28,689 | 1,448 | 30,137 |
| Impairment of plant and equipment | 4,999 | - | 4,999 |
| Impairment of assets classified as held for sale | 6,016 | - | 6,016 |

** Other represents centralised costs including national office and shared services.*

## 6. Revenue and Expenses

| | Note | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| **(a) Revenue from continuing operations** | | | |
| Revenue from services | | **268,192** | 336,164 |
| Interest income from other persons/corporations | | **156** | 680 |
| | | **268,348** | 336,844 |
| **(b) Other income** | | | |
| Net profit on disposal of plant and equipment | | **4,972** | 1,543 |
| | | **4,972** | 1,543 |
| **Total revenue** | | **273,320** | 338,387 |
| **(c) Expenses** | | | |
| Salaries and employee benefits | | **121,066** | 152,193 |
| Defined contribution plan expense | | **7,998** | 9,687 |
| Total salaries and employee benefits expense | | **129,064** | 161,880 |
| Depreciation of plant and equipment | 15 | **27,041** | 29,089 |
| Amortisation of intangible assets - software development costs | 16(c) | **1,178** | 1,048 |
| Total depreciation and amortisation expense | | **28,219** | 30,137 |
| Impairment of plant and equipment | 15 | **4,798** | 4,999 |
| Impairment of assets classified as held for sale | 14 | **4,513** | 6,016 |
| Impairment of goodwill | 16 | **70,810** | - |
| Total impairment expense | | **80,121** | 11,015 |
| Financing expenses | | **8,408** | 10,557 |

| | Note | 2014 $'000 | 2013 $'000 |
|---|---|---|---|

## 7. Income Tax

The major components of income tax (benefit) / expense are:

### (a) Income tax (benefit) / expense

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| *Current income tax* | | |
| Current income tax (benefit) / expense | **(11)** | 3,580 |
| Adjustments in respect of current income tax of previous years | **(24)** | - |
| *Deferred income tax* | | |
| Relating to origination and reversal of temporary differences | **(3,617)** | (4,533) |
| | **(3,652)** | (953) |

A reconciliation between tax benefit and the accounting loss before income tax (multiplied by the Group's applicable income tax rate) is as follows:

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Accounting loss before tax from continuing operations | **(83,107)** | (3,429) |
| At the Group's statutory income tax rate of 30% (2013: 30%) | **(24,932)** | (1,029) |
| Expenditure not allowable for income tax purposes | **61** | 76 |
| Goodwill impairment not allowable for income tax purposes | **21,243** | - |
| Adjustments in respect of current income tax of previous years | **(24)** | - |
| Income tax benefit reported in the consolidated income statement | **(3,652)** | (953) |

### (b) Deferred income tax

Deferred income tax at 30 June relates to the following:

| | BALANCE SHEET | | INCOME STATEMENT | |
|---|---|---|---|---|
| | **2014 $'000** | 2013 $'000 | **2014 $'000** | 2013 $'000 |
| *Deferred tax assets* | | | | |
| - Employee leave provisions | **3,678** | 4,017 | **339** | (26) |
| - Allowance for impairment on financial assets | **237** | 206 | **(31)** | 180 |
| - Liability accruals | **793** | 127 | **(666)** | 268 |
| - Restructuring provisions | **1,099** | 1,118 | **19** | (1,118) |
| - Tax losses | **8,981** | 6,673 | **(2,308)** | (2,167) |
| - Cash flow hedges (recognised in other comprehensive income) | **251** | 405 | | |
| Gross deferred income tax assets | **15,039** | 12,546 | | |
| *Deferred tax liabilities* | | | | |
| - Plant and equipment | **(23,225)** | (24,195) | **(970)** | (1,670) |
| Gross deferred income tax liabilities | **(23,225)** | (24,195) | | |
| Net deferred tax assets / (liabilities) | **(8,186)** | (11,649) | | |
| Deferred tax expense / (income) | | | **(3,617)** | (4,533) |

| | Note | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| **7. Income Tax (continued)** | | | |
| **(c) Income tax (receivable) / payable** | | | |
| Income tax receivable | (i) | **(4,450)** | (4,450) |

(i) Income tax receivable represents the anticipated tax refund in respect of the FY2014 year of $4.450 million (2013: $4.450 million).

### (d) Tax losses

The Group has unused tax losses of $8.981 million (2013: $6.673 million) which have been recognised as a deferred tax asset as it is probable that sufficient taxable profit will be available to allow all the tax losses to be utilised.

## 8. Earnings Per Share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the calculation of basic and diluted earnings per share:

| | 2014 | 2013 |
|---|---|---|
| Net loss after tax | **(79,455)** | (2,476) |
| | **No. of shares** | |
| Weighted average number of ordinary shares used in calculating basic earnings per share | **473,441,468** | 469,533,006 |
| *Effect of dilutive securities:* | | |
| - employee share awards | **-** | - |
| Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share | **473,441,468** | 469,533,006 |
| Number of ordinary shares at financial year end | **474,868,764** | 470,598,576 |

| | Note | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| **9. Dividends Paid and Proposed** | | | |
| **(a) Dividends paid during the year** | | | |
| *Current year interim* | | | |
| Fully franked dividends (nil cents per share) (2013: nil cents per share) | | **-** | - |
| *Previous year final* | | | |
| Fully franked dividends (nil cents per share) (2013: nil cents per share) | | **-** | - |
| | | **-** | - |
| **(b) Dividends proposed and not recognised as a liability** | | | |
| Fully franked dividends (nil cents per share) (2013: nil cents per share) | | **-** | - |
| **(c) Franking credit balance** | | | |
| The amount of franking credits available for the subsequent financial year are: | | | |
| - Franking credits as at the end of the financial year at 30% (2013: 30%) | | **3** | 2 |
| - Franking (deficits) / credits that will arise from the payment / (receipt) of income tax payable / (receivable) as at the end of the financial year | 7(c) | **(4,450)** | (4,450) |
| - Franking debits that will arise from the payment of dividends as at the end of the financial year | | **-** | - |
| | | **(4,447)** | (4,448) |
| The amount of franking credits available for future reporting periods: | | | |
| - Impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period | | **-** | - |
| | | **(4,447)** | (4,448) |

## 10. Cash and Cash Equivalents

### (a) Reconciliation of cash

| | Note | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| Cash at bank and on hand | | **8,557** | 3,572 |
| Closing cash balance | | **8,557** | 3,572 |

Cash at bank earns interest at floating rates based on daily bank deposit rates. The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 26.

### (b) Reconciliation of the net profit/(loss) after tax to the net cash flows from operations

| | Note | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| Net loss after tax | | **(79,455)** | (2,476) |
| *Non cash items* | | | |
| Depreciation and amortisation of non-current assets | 6(c) | **28,219** | 30,137 |
| Impairment of assets | 6(c) | **80,121** | 11,015 |
| Net profit on disposal of plant and equipment | 6(b) | **(4,972)** | (1,543) |
| Share based payments | 25 | **104** | (271) |
| Reversal of unused provisions | 20 | **-** | (150) |
| *Changes in assets and liabilities* | | | |
| (Increase)/decrease in trade and other receivables | | **38** | 14,508 |
| (Increase)/decrease in inventories | | **207** | (194) |
| (Increase)/decrease in prepayments and other assets | | **348** | 687 |
| (Increase)/decrease in current tax receivables | | **-** | 3,580 |
| (Decrease)/increase in trade and other payables | | **2,683** | (4,404) |
| (Decrease)/increase in deferred tax liabilities | | **(3,463)** | (4,223) |
| (Decrease)/increase in provisions | | **2,058** | 3,143 |
| (Decrease)/increase in other liabilities | | **(2,262)** | 1,395 |
| Net cash flow from operating activities | | **23,626** | 51,204 |

## 11. Trade and Other Receivables

| | Note | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| Trade receivables | (i) | **52,436** | 53,706 |
| Allowance for impairment | 26(a) | **(789)** | (687) |
| | | **51,647** | 53,019 |
| Other receivables | | **3,755** | 2,421 |
| Total trade and other receivables | | **55,402** | 55,440 |

(i) Trade receivables are non interest bearing and are generally on 30 - 60 day terms. An allowance for impairment is made when there is objective evidence that a trade receivable is impaired.

## 12. Inventories

| | **2014 $'000** | 2013 $'000 |
|---|---|---|
| Stock on hand at cost | **97** | 280 |
| Stock on hand at net realisable value | **-** | - |
| | **97** | 280 |
| Fuel at cost | **203** | 227 |
| Total inventories | **300** | 507 |

Inventories recognised as an expense during the year ended 30 June 2014 amounted to $7.995 million (2013: $9.660 million) representing fuel and tyres.

## 13. Prepayments and Other Current Assets

| | **2014 $'000** | 2013 $'000 |
|---|---|---|
| Prepayments | **1,764** | 2,264 |
| Other current assets | **731** | 579 |
| Total prepayments and other current assets | **2,495** | 2,843 |

## 14. Assets Classified as Held For Sale

| | **2014 $'000** | 2013 $'000 |
|---|---|---|
| Plant and equipment | **15,472** | 10,899 |
| Total assets classified as held for sale | **15,472** | 10,899 |

Assets classified as held for sale at year end consists of cranes, plant & equipment, travel towers and access equipment in the Lifting Solutions segment that are no longer in use and are available for immediate sale.

All assets held for sale are measured at their fair value in accordance with AASB 5.To provide an indication about the reliability of the inputs when determining fair value, the Group has classified its assets held for sale into the three levels prescribed under the accounting standards. An explanation of each is provided in note 26(e). Assets held for sale are classified as Level 2.

At the end of each reporting period the Directors update their assessment of the fair value of assets held for sale by considering information from a variety of sources including any independent valuations obtained during the year and current prices in an active market for similar assets.

The balance in the Group's assets classified as held for sale account at 30 June 2014 is $15.472 million. All assets classified as assets held for sale have been reviewed to ensure they are being carried at their recoverable amount less any selling costs. An impairment charge of $4.513 million has been recorded in profit and loss in respect of these assets (2013: $6.016 million), which are targeted for sale in FY2015.

| **15. Plant and Equipment** | **Note** | **Rental Equipment $'000** | **Motor Vehicles * $'000** | **Machinery, Furniture, Fittings & Equipment $'000** | **Total $'000** |
|---|---|---|---|---|---|
| *Opening balance at 1 July 2012* | | | | | |
| At cost | | 474,242 | 43,190 | 24,468 | 541,900 |
| Accumulated depreciation | | (162,499) | (19,491) | (17,620) | (199,610) |
| Net carrying amount | | 311,743 | 23,699 | 6,848 | 342,290 |
| *Year ended 30 June 2013* | | | | | |
| Carrying amount at beginning net of accumulated depreciation and impairment | | 311,743 | 23,699 | 6,848 | 342,290 |
| Additions | | 45,876 | 3,180 | 1,736 | 50,792 |
| Disposals | | (9,363) | (272) | (170) | (9,805) |
| Transfers | | (187) | 109 | (121) | (199) |
| Transfer to / from assets held for sale | | (9,299) | (2,866) | (147) | (12,312) |
| Impairment | | (1,685) | (19) | (3,295) | (4,999) |
| Depreciation charge for the year | 6(c) | (24,415) | (2,555) | (2,119) | (29,089) |
| Carrying amount at end net of accumulated depreciation and impairment | | 312,670 | 21,276 | 2,732 | 336,678 |
| *Closing balance at 30 June 2013* | | | | | |
| At cost | | 468,601 | 36,385 | 18,648 | 523,634 |
| Accumulated depreciation | | (155,931) | (15,109) | (15,916) | (186,956) |
| Net carrying amount | | 312,670 | 21,276 | 2,732 | 336,678 |
| *Year ended 30 June 2014* | | | | | |
| Carrying amount at beginning net of accumulated depreciation and impairment | | **312,670** | **21,276** | **2,732** | **336,678** |
| Additions | | **15,180** | **153** | **1,489** | **16,822** |
| Disposals | (i) | **(9,925)** | **(1,908)** | **(478)** | **(12,311)** |
| Transfers | | **(3,576)** | **188** | **3,142** | **(246)** |
| Transfer to / from assets held for sale | | **(10,544)** | **1,447** | **11** | **(9,086)** |
| Impairment | 6(c) | **(4,798)** | **-** | **-** | **(4,798)** |
| Depreciation charge for the year | 6(c) | **(22,051)** | **(2,987)** | **(2,003)** | **(27,041)** |
| Carrying amount at end net of accumulated depreciation and impairment | | **276,956** | **18,169** | **4,893** | **300,018** |
| *Closing balance at 30 June 2014* | | | | | |
| At cost | | **413,113** | **34,863** | **16,148** | **464,124** |
| Accumulated depreciation | | **(136,157)** | **(16,694)** | **(11,255)** | **(164,106)** |
| Net carrying amount | | **276,956** | **18,169** | **4,893** | **300,018** |

* *Motor vehicles represent prime movers, trailers and forklifts.*

(i) Disposals include assets classified as held for sale that were disposed during the year.

Plant and equipment with a carrying amount of $300.018 million (2013: $336.678 million) is pledged as securities for current and non current interest bearing loans and borrowings as disclosed in note 19.

## 15. Plant and Equipment (continued)

***Impairment***

The carrying value of the Group’s fixed assets was tested at 30 June 2014 by reference to management’s assessment of their fair value less costs of disposal. Fair value was determined after considering information from a variety of sources including any independent valuations obtained during the year and current prices in an active market for similar assets.

A total fixed asset impairment loss of $9.3 million (2013: $11 million) was recognised across the Group's fixed asset base. This impairment included:

*Western Australia Cash Generating Unit (“CGU”)*

The carrying value of Boom’s fixed asset values was independently tested as part of the debt refinancing exercise in December 2013. The outcome of that assessment was that the market value of Boom’s operating assets nationally was in excess of their carrying value. At 31 December 2013 the carrying value of plant and equipment was supported by a value in use model.

However, at 30 June 2014 under the requirements of AASB 136: Impairment Testing an impairment charge is required to be recognised when the carrying value of assets is greater than their recoverable value for any particular Cash Generating Unit. As a consequence, an impairment of $4.8 million will be recognised against the $99.9 million net book value of fixed assets in the WA business.

A large proportion of this impairment has been applied against five assets that were committed to prior to the Global Financial Crisis, at rates that reflected the scarcity of cranes in the market at that time. Their arrival into the WA business during the Global Financial Crisis, when the value of the Australian dollar had dropped significantly, compounded their high valuation.

*Sale of Assets*

The Group has sold $17.3 million of surplus assets during FY14 and these transactions provided a good insight into prevailing market prices. In assessing the appropriateness of sales values, the Group has also taken account of continuing strength of the Australian dollar and its impact on the off-shore market for used equipment sales.

The Group has historically realised a net profit on surplus asset sales in each of the past six years.

## 16. Intangible Assets

| | Note | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| **(a) Opening balance at 1 July** | | | |
| Goodwill | | **70,810** | 70,810 |
| Software development costs (net carrying amount) | | **3,826** | 3,405 |
| Total net carrying amounts | | **74,636** | 74,215 |
| **(b) Closing balance at 30 June** | | | |
| Goodwill | 17 | **-** | 70,810 |
| Software development costs (net carrying amount) | | **2,682** | 3,826 |
| Total net carrying amounts | | **2,682** | 74,636 |
| **(c) Reconciliations** | | | |
| ***Goodwill*** | | | |
| Carrying amount at beginning of year net of impairment | | **70,810** | 70,810 |
| Impairment | 6(c) | **(70,810)** | - |
| Carrying amount at end of year net of impairment | | **-** | 70,810 |
| Represented by: | | | |
| Cost (gross carrying amount) | | **111,496** | 111,496 |
| Accumulated impairment | | **(111,496)** | (40,686) |
| Net carrying amount | | **-** | 70,810 |
| ***Software development costs*** | | | |
| Carrying amount at beginning net of accumulated amortisation and impairment | | **3,826** | 3,405 |
| Additions - internal development | | **34** | 1,469 |
| Amortisation charge for the year | 6(c) | **(1,178)** | (1,048) |
| Carrying amount at end net of accumulated amortisation and impairment | | **2,682** | 3,826 |
| Represented by: | | | |
| Cost (gross carrying amount) | | **5,843** | 5,808 |
| Accumulated amortisation and impairment | | **(3,161)** | (1,982) |
| Net carrying amount | | **2,682** | 3,826 |

## 17. Impairment Testing of Goodwill

| | **2014** | 2013 |
|---|---|---|
| | **$'000** | $'000 |
| *Carrying amount of goodwill allocated to each CGU:* | | |
| - Crane Hire (Lifting Solutions segment) | **-** | 51,089 |
| - Travel Towers (Lifting Solutions segment) | **-** | 19,721 |
| | **-** | 70,810 |

***Impairment testing***

Goodwill acquired through business combinations has been allocated to cash generating units ("CGUs") for impairment testing and the recoverable amount of the consolidated entity's goodwill has been determined by a value-in-use calculation.

The Group's post-tax discount rate applied to the cash flow projections was 11.6%. All variables impacting the discount rate calculation have been updated to reflect current company and market conditions.

***Goodwill impairment***

A Goodwill impairment expense of $70.8 million (included within the Lifting Solutions segment) has been recognised and results in the carrying value of goodwill on the Group's balance sheet at 30 June 2014 being reduced to nil.

Whilst some improvement in market conditions in the medium to long term is expected, particularly through the commencement of infrastructure projects, the Group has taken a conservative approach in determining the carrying value of goodwill at this time given the continuing market volatility which has led to the recognition of this impairment charge.

The Directors also considered recent guidance from ASIC when determining the carrying value of goodwill, particularly their focus on whether there has been variability between prior periods' actual cash flows compared to budgeted expectations. This goodwill impairment is a non-cash adjustment.

## 18. Trade and Other Payables

| | Note | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| *Current* | | | |
| Trade payables - creditors | | **20,468** | 14,508 |
| Other payables | | **2,605** | 5,882 |
| Total current trade and other payables | | **23,073** | 20,390 |

Trade payables are non-interest bearing and are normally subject to settlement within 45 day terms.

The Group's exposure to liquidity risk related to trade and other payables is disclosed in note 26.

## 19. Interest Bearing Loans and Borrowings

| | Note | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| *Current* | | | |
| Secured bank loans | | **4,166** | - |
| Total current interest bearing liabilities | 27(b) | **4,166** | - |
| *Non-current* | | | |
| Secured bank loans | | **93,917** | 119,398 |
| Total non-current interest bearing liabilities | 27(b) | **93,917** | 119,398 |
| Total interest bearing liabilities | 26(d) | **98,083** | 119,398 |

*Terms and debt repayment schedule*

| | Currency | Nominal interest rate | Year of maturity | Carrying amount | |
|---|---|---|---|---|---|
| Secured bank loans | **AUD** | **7.7%** | **2017** | **98,083** | 119,398 |
| Total interest bearing liabilities | | | | **98,083** | 119,398 |

Refer to note 26(e) for disclosure of fair value versus carrying value.

## 19. Interest Bearing Loans and Borrowings (continued)

*Covenant position*

The Group was in compliance with all financial and non-financial banking covenants throughout the financial year and as at 30 June 2014.

*Syndicated debt facility refinancing*

The Group's syndicated debt facility agreement is with National Australia Bank, GE Capital and ANZ Bank. The current facility limit is $105 million and the facility will amortise down to $75 million over its life. The facility has an expiry date of January 2017. In addition, the Group has an existing $10 million working capital facility arrangement with National Australia Bank which is predominately for letters of credits and bank guarantees.

*Financing facilities available*

At reporting date, the following financing facilities had been negotiated and were available:

| | Note | **2014 $'000** | 2013 $'000 |
|---|---|---|---|
| Total facilities: | | | |
| - bank overdraft | | **1,000** | 1,500 |
| - bank loans and borrowings | | **114,000** | 178,500 |
| | | **115,000** | 180,000 |
| Facilities used at reporting date: | | | |
| - bank overdraft | | **-** | - |
| - bank loans and borrowings | | **98,083** | 119,398 |
| | | **98,083** | 119,398 |
| Facilities unused at reporting date: | | | |
| - bank overdraft | | **1,000** | 1,500 |
| - bank loans and borrowings | | **15,917** | 59,102 |
| | | **16,917** | 60,602 |

## 19. Interest Bearing Loans and Borrowings (continued)

*Assets pledged as security*
Fixed and floating charges are held over all of the assets of the Group including the following financial assets and plant and equipment:

| | | | |
|---|---|---|---|
| *Current* | | | |
| - Cash at bank and in hand | 10 | **8,557** | 3,572 |
| - Trade and other receivables | 11 | **55,402** | 55,440 |
| - Assets classified as held for sale | 14 | **15,472** | 10,899 |
| Total current assets pledged as security | | **79,431** | 69,911 |
| *Non current* | | | |
| - Plant and equipment | | **300,018** | 336,678 |
| Total non-current assets pledged as security | 15 | **300,018** | 336,678 |
| Total value of assets pledged as security | | **379,449** | 406,589 |

## 20. Provisions

| | | |
|---|---|---|
| Employee related provisions | **12,259** | 13,390 |
| Property leases | **3,317** | 1,389 |
| Restructuring | **3,664** | 2,403 |
| Total provisions | **19,240** | 17,182 |
| Current | **15,154** | 15,404 |
| Non-current | **4,086** | 1,778 |
| | **19,240** | 17,182 |

## 20. Provisions (continued)

Movements in each class of provision during the financial year, other than employee leave entitlements, are set out below:

| | Restructuring $'000 | Property lease $'000 | Total $'000 |
|---|---|---|---|
| At 1 July | 2,403 | 1,389 | **3,792** |
| Arising during the year | 5,210 | 2,943 | **8,153** |
| Utilised | (3,949) | (1,015) | **(4,964)** |
| Unused amounts reversed | - | - | **-** |
| At 30 June | **3,664** | **3,317** | **6,981** |

*Employee related provisions*
Employee related provisions include accrued annual leave, vesting sick leave, rostered days off, long service leave and bonus provisions.

*Property leases*
The provision for property leases includes make good provisions and surplus leased spaces in respect of the Boom Sherrin and Queensland leased properties.

*Restructuring*
During the financial year, several restructuring programs were undertaken throughout the Group. Restructuring costs incurred during the year totalled $5.210 million, of which $3.664 million had yet to be utilised at year end. The restructuring costs relate to employee termination benefits based on employment contracts and other restructuring expenses. The remaining restructuring provision is expected to be fully utilised by the first half of FY2015.

## 21. Derivative Financial Instruments

| | **2014 $'000** | 2013 $'000 |
|---|---|---|
| *Current liabilities* | | |
| Forward foreign exchange contracts - cash flow hedges | **309** | - |
| Interest rate swap contracts - cash flow hedges | **528** | 332 |
| Total current derivative financial instruments | **837** | 332 |
| *Non-current liabilities* | | |
| Interest rate swap contracts - cash flow hedges | **-** | 1,019 |

## 21. Derivative Financial Instruments (continued)

*Instruments used by the Group*
The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Group's financial risk management policies (refer to note 4).

*Forward foreign exchange contracts - cash flow hedges*
The Group imports plant and equipment from various overseas countries. In order to protect against exchange rate movements, the Group enters into forward exchange contracts to purchase the foreign currencies. These contracts are hedging highly probable forecasted purchases and are timed to mature when payments are scheduled to be made.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the balance sheet by the related amount deferred in equity.

There was no hedge ineffectiveness in the current or prior year.

*Interest rate swap contracts - cash flow hedges*
Secured bank loans of the group are currently charged at variable interest rates. In order to protect from exposure to variability in interest rates, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps currently in place cover 100% (2013: 84%) of the variable loan principal outstanding. The fixed interest rates range between 3.2% and 4.0% (2013: between 3.9% and 4.0%) and the variable rates are between 2.6% and 2.9% (2013: between 2.8% and 3.6%). The contracts are settled on a net basis and coincide with the dates on which interest is payable on the underlying debt.

All swaps are matched directly against the hedged item and as such are considered highly effective. The swaps are measured at fair value and all gains and losses attributable to the hedged risk are taken directly to equity and re-classified into profit or loss when the interest expense is recognised.

*Risk exposures*
Information about the Group's exposure to credit risk, foreign exchange and interest rate risk is provided in note 4. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of derivative financial assets mentioned above.

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| **22. Other Liabilities** | | |
| *Current* | | |
| PAYG tax withheld | **412** | 441 |
| Goods and services tax | **1,567** | 1,718 |
| Other accrued expenses | **3,654** | 3,582 |
| Total other current liabilities | **5,633** | 5,741 |

## 23. Contributed Equity

### (a) Issued and paid up capital

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Ordinary shares fully paid | **318,065** | 318,065 |

Ordinary shares have no par value and the company does not have a limited amount of authorised capital. All issued shares are fully paid. Fully paid ordinary shares carry one vote per share and carry the right to dividends.

### (b) Movements in shares on issue

| | Note | 2014 No. of shares | 2014 $'000 | 2013 No. of shares | 2013 $'000 |
|---|---|---|---|---|---|
| Beginning of the financial year | | **470,598,576** | **318,065** | 468,663,585 | 318,065 |
| Issued during the year: | | | | | |
| - employee share incentive schemes | (i) | **4,270,188** | **-** | 1,934,991 | - |
| Total issued during the year | | **4,270,188** | **-** | 1,934,991 | - |
| End of the financial year | | **474,868,764** | **318,065** | 470,598,576 | 318,065 |

(i) This amount represents the issue of 4,270,188 (2013: 1,934,991) ordinary shares to employees as part of the employee share incentive schemes for nil consideration during the financial year. Refer to note 29 for further details.

## 24. Retained Earnings

| | Note | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| Balance at the beginning of year | | **(4,146)** | (1,670) |
| Net loss for the year | | **(79,455)** | (2,476) |
| Total | | **(83,601)** | (4,146) |
| Dividends paid | 9(a) | **-** | - |
| Balance at end of year | | **(83,601)** | (4,146) |

## 25. Reserves

| | Note | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| *Employee equity benefits reserve* | | | |
| Balance at the beginning of year | | **342** | 613 |
| Share based payments | (i) | **104** | (271) |
| Balance at end of year | | **446** | 342 |
| *Cash flow hedge reserve* | | | |
| Balance at the beginning of year | | **(947)** | (1,269) |
| Revaluation | (ii) | **(480)** | (31) |
| Deferred tax | | **(154)** | (310) |
| Transfer to profit and loss | | **995** | 663 |
| Balance at end of year | | **(586)** | (947) |
| Total reserves | | **(140)** | (605) |

(i) The employee equity benefits reserve is used to record the value of share based payments to employees, including key management personnel, as part of their remuneration. Refer to note 29 for further details of these plans.

(ii) The cash flow hedge reserve is used to record the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item.

| | Note | 2014 $'000 | 2013 $'000 |
|---|---|---|---|

## 26. Financial Instruments

### (a) Credit risk

***Exposure to credit risk***

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

| | Note | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| Cash and cash equivalents | 10 | **8,557** | 3,572 |
| Trade and other receivables | 11 | **55,402** | 55,440 |
| | | -------------- | -------------- |
| | | **63,959** | 59,012 |
| | | ======== | ======== |

The Group's trade receivables only relate to Australian customers.

The Group has no customers that owed more than $10 million of the total trade receivables as at 30 June 2014 (2013: one customer that owed more than $10 million or 19% of total trade receivables). The Group's credit risk is predominately concentrated in the mining, resources, energy, utilities and infrastructure sectors which have a geographical spread across Australia.

***Impairment losses***

Trade receivables are non-interest bearing and are generally on 30 - 60 day terms. An allowance for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. A net impairment increase of $102,000 (2013: $599,000) has been recognised by the Group in the current year. These amounts have been included in other expenses in the Consolidated Income Statement.

Movements in the allowance for impairment losses were as follows:

| | Note | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| Balance at 1 July | | **687** | 1,286 |
| Impairment loss recognised | | **1,249** | 339 |
| Amounts written-off and/or written back | | **(1,147)** | (938) |
| | | -------------- | -------------- |
| Balance at 30 June | 11 | **789** | 687 |
| | | ======== | ======== |

At 30 June, the aging analysis of trade receivables is as follows:

| | **Total $'000** | **Current $'000** | **31-60 days $'000 PDNI* (i)** | **31-60 days $'000 CI^ (ii)** | **+61 days $'000 PDNI* (i)** | **+61 days $'000 CI^ (ii)** |
|---|---|---|---|---|---|---|
| **2014** | **52,436** | **39,573** | **2,923** | **19** | **8,900** | **1,022** |
| 2013 | 53,706 | 41,981 | 3,611 | - | 7,427 | 687 |

* Past due not impaired ('PDNI')
^ Considered impaired ('CI')

(i) Based upon the credit history of these classes of trade receivables, it is expected that these amounts will be received.

(ii) As at 30 June 2014, current trade receivables of the Group with a nominal value of $1,041,000 (2013: $687,000) were considered impaired. Of this amount, a provision of $789,000 (2013: $687,000) was recognised as it was assessed that a portion of the receivables is expected to be recovered.

## 26. Financial Instruments (continued)

### (a) Credit risk (continued)

Due to the short term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at reporting date is the carrying amount of each class of receivables mentioned above. There are no receivables that would otherwise be past due or impaired whose terms have been renegotiated.

### (b) Liquidity risk

The tables below analyse the Group's financial liabilities and net and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

| 30 June 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 |
|---|---|---|---|---|---|---|---|
| ***Non-derivative financial liabilities*** | | | | | | | |
| Trade and other payables | **23,073** | **(23,073)** | **(23,073)** | **-** | **-** | **-** | **-** |
| Secured bank loans | **98,083** | **(113,290)** | **(5,656)** | **(5,656)** | **(21,041)** | **(80,937)** | **-** |
| ***Derivative financial liabilities*** | | | | | | | |
| Forward exchange contracts used for hedging purchases | **309** | **(309)** | **(309)** | **-** | **-** | **-** | **-** |
| Interest rate swaps - net settled | **528** | **(528)** | **(220)** | **(308)** | **-** | **-** | **-** |
| | **121,993** | **(137,200)** | **(29,258)** | **(5,964)** | **(21,041)** | **(80,937)** | **-** |

| 30 June 2013 | 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 |
|---|---|---|---|---|---|---|---|
| ***Non-derivative financial liabilities*** | | | | | | | |
| Trade and other payables | 20,390 | (20,390) | (20,390) | - | - | - | - |
| Secured bank loans | 119,398 | (126,294) | (3,047) | (3,047) | (120,200) | - | - |
| ***Derivative financial liabilities*** | | | | | | | |
| Interest rate swaps - net settled | 1,351 | (1,351) | (332) | - | (1,019) | - | - |
| | 141,139 | (148,035) | (23,769) | (3,047) | (121,219) | - | - |

## 26. Financial Instruments (continued)

### (c) Market risk

#### Foreign exchange risk

The Group imports fixed assets from various overseas countries. In order to protect against exchange rate movements, the Group has entered into forward exchange contracts to purchase the foreign currencies. These contracts are hedging highly probable forecasted purchases and they are timed to mature when payments are scheduled to be made. The risk is monitored using sensitivity analysis and cash flow forecasting and the cash flows are expected to occur at various dates within 12 months from the balance date.

The forward foreign currency contracts are considered to be fully effective cash flow hedges as they are matched against fixed asset purchases and any gain or loss on the contracts is taken directly to equity. When the asset is delivered, the amount recognised in equity is transferred to the fixed asset account in the balance sheet. In calculating the effectiveness of the forward foreign currency contracts, the forward exchange rate is adjusted to exclude the interest rate differential implicit in the forward exchange rate.

The Group's exposure to foreign currency risk at reporting date, expressed in Australian dollars, was as follows:

| | **2014**<br>**€uro**<br>**$'000** | 2013<br>€uro<br>$'000 |
|---|---|---|
| Trade payables | **-** | - |
| Forward exchange contracts | | |
| - buy foreign currency (cash flow hedges) | **309** | - |

#### Sensitivity analysis for currency risk

A 10 percent (2013: 10 percent) strengthening of the Australian dollar against the following currencies at 30 June would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

| | **Equity**<br>**$'000** | **Profit or Loss**<br>**$'000** |
|---|---|---|
| **2014** | | |
| €uro | **429** | **-** |
| **2013** | | |
| €uro | - | - |

## 26. Financial Instruments (continued)

### (c) Market risk (continued)

A 10 percent (2013: 10 percent) weakening of the Australian dollar against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

### (d) Interest rate risk

#### Profile

At the reporting date, the interest rate profiles of the Group's interest bearing financial instruments were:

| | Note | Carrying amount **2014** **$'000** | 2013 $'000 |
|---|---|---|---|
| *Fixed rate instruments* | | | |
| Financial liabilities | (i) | **(100,000)** | (100,000) |
| | | **(100,000)** | (100,000) |
| *Variable rate instruments* | | | |
| Financial assets - cash at bank and on hand | 10 | **8,557** | 3,572 |
| Financial liabilities | (i) | **-** | (19,398) |
| | | **8,557** | (15,826) |

(i) Fixed and variable rate instruments represent interest bearing loans and borrowings of $98,083,000 (2013: $119,398,000) per note 19.

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group's fixed rate borrowings and receivables are carried at amortised cost. They are therefore not subject to interest rate risk as defined in AASB 7.

The Group is exposed to interest rate risk when funds are borrowed at floating interest rates. This risk is managed by taking into consideration the current and expected future debt profile, expectations regarding future interest rate movements and the potential to hedge against negative outcomes by entering into interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specific intervals (mainly monthly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. The Group's exposures to interest rates on financial liabilities are detailed in note 19.

## 26. Financial Instruments (continued)

### (d) Interest rate risk (continued)

#### Sensitivity analysis for interest rate risk

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit and loss in respect of fixed rate instruments.

In respect of variable rate instruments, a change of 100 basis points up or down in interest rates would have decreased or increased the Group’s profit and loss by $86,000 (2013: $158,000).

### (e) Fair values

*Fair value estimation*
The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes.

The Group holds no financial instruments for trading purposes.

The carrying value less impairment allowance of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The fair values of forward exchange contracts (designated as cash flow hedges) are determined using forward exchange market rates at the reporting date.

The fair values of interest rate swap contracts (designated as cash flow hedges) are determined using forward interest market rates at the reporting date.

*Fair values versus carrying amounts*
The fair value of all borrowings equals their carrying amount at 30 June 2014. The Group's fixed rate instruments attract interest at a rate that is consistent with current market rates.

## 26. Financial Instruments (continued)

### (e) Fair values (continued)

*Fair value hierarchy*

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie. as prices) or indirectly (ie. derived from prices).
Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| **30 June 2014** | | | | |
| *Financial liabilities* | | | | |
| - Foreign exchange contracts | **-** | **309** | **-** | **309** |
| - Interest rate swap contracts | **-** | **528** | **-** | **528** |
| | **-** | **837** | **-** | **837** |
| **30 June 2013** | | | | |
| *Financial liabilities* | | | | |
| - Interest rate swap contracts | - | 1,351 | - | 1,351 |

## 27. Commitments

### (a) Operating leases commitments

The Group has entered into commercial leases on certain plant and equipment, motor vehicles and property. These leases have terms ranging from 1 to 10 years.

| | Note | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| Minimum lease payments | | | |
| - within one year | | **8,606** | 12,604 |
| - after one year but not more than five years | | **9,698** | 15,769 |
| - more than five years | | **60** | 2,386 |
| Aggregate operating lease expenditure contracted for at reporting date | | **18,364** | 30,759 |

### (b) Interest bearing loans and borrowings commitments

The Group has interest bearing loans and borrowings for various items of plant and equipment for periods of between 1 to 5 years.

| | Note | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| - within one year | | **11,312** | 6,094 |
| - after one year but not more than five years | | **101,978** | 120,200 |
| - more than five years | | **-** | - |
| Total minimum payments | | **113,290** | 126,294 |
| - future finance charges | | **(15,207)** | (6,896) |
| Net liability | | **98,083** | 119,398 |
| - current liability | 19 | **4,166** | - |
| - non-current liability | 19 | **93,917** | 119,398 |
| | | **98,083** | 119,398 |

The Company has provided guarantees in respect of interest bearing loans and borrowings as disclosed in note 32.

### (c) Capital commitments

Capital expenditure contracted for at reporting date but not recognised as liabilities are as follows:

| | Note | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| *Plant and equipment* | | | |
| - within one year | | **7,350** | 3,050 |
| - after one year but not more than five years | | **-** | - |
| - more than five years | | **-** | - |
| | | **7,350** | 3,050 |

## 28. Contingencies

There are no contingent assets and liabilities identified at 30 June 2014.

## 29. Employee Benefits

### (a) Employee benefits

| | Note | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| The aggregate employee benefit liability is comprised of: | | | |
| - accrued salaries, wages and on costs | | **2,952** | 2,906 |
| - provisions (current) | | **12,046** | 14,534 |
| - provisions (non-current) | | **1,559** | 1,094 |
| | | **16,557** | 18,534 |

### (b) Employee incentive schemes

Two employee incentive schemes are in place to assist in attracting, retaining and motivating key employees as follows:

- Exempt Share Plan (ESP); and
- Employee Share Trust (EST).

The terms and conditions of the schemes are summarised as follow:

*Exempt share plan (ESP)*
Under this scheme, all permanent employees (excluding Directors and executives) of Boom Logistics Limited with twelve months continuous service were offered 1,000 ordinary shares in October 2003 and $1,000 worth of ordinary shares in October/November 2004 in Boom Logistics Limited for nil consideration. The ordinary shares issued were held in trust for the requisite three years restrictive period or released earlier in the event of cessation of employment. The ordinary shares issued rank equally with and have the same rights as other fully paid ordinary shares of Boom Logistics Limited. This scheme has subsequently been discontinued with only the ordinary shares issued in previous financial years remaining in the share plan.

## 29. Employee Benefits (continued)

### (b) Employee incentive schemes (continued)

*Employee share trust (EST)*
Under this scheme, certain employees (excluding non-executive Directors) approved by the Board of Directors are offered ordinary shares in Boom Logistics Limited by way of Share Units issued by the Share Plan Trustee. The Share Units are funded by way of an interest free loan provided by the Share Plan Trustee. The ordinary shares issued rank equally with and have the same rights as other fully paid ordinary shares of Boom Logistics Limited.

In June 2011, the Board of Directors approved the establishment of a Key Employee Retention Program (KERP). Participation in the program is at the discretion of the Board of Directors, on recommendation by the Managing Director. Directors and executives are not eligible for this program. KERP will be administered under the Employee Share Trust with the offer of ordinary shares in Boom Logistics Limited having the same terms and conditions, except for the vesting conditions which is only limited to a three year continuous service period.

The fair value of shares issued under the employee share incentive schemes is determined based on the 5 day volume weighted average market price at grant date.

Information with respect to the number of ordinary shares issued and allocated under the employee share incentive schemes is as follows:

| | **2014 Number of shares** | 2013 Number of shares |
|---|---|---|
| Balance at beginning of year | **11,942,233** | 9,860,560 |
| - issued for nil consideration (including unallocated shares in the employee share schemes allocated during the year) | **6,972,196** | 4,491,109 |
| - sold / transferred during the year | **(408,305)** | (1,184) |
| - forfeited during the year | **(4,030,637)** | (2,408,252) |
| Balance at end of year | **14,475,487** | 11,942,233 |

## 29. Employee Benefits (continued)

### (c) Expenses / (income) arising from share based payment transactions

Total expenses arising from share based payment transactions recognised during the period as part of employee benefit expense were as follows:

| | Note | 2014<br>$'000 | 2013<br>$'000 |
|---|---|---|---|
| Shares issued under employee share schemes | 25 | **104** | (271) |
| | | **104** | (271) |

## 30. Key Management Personnel

### (a) Details of Directors

*Non-executive Directors*

| | |
|---|---|
| John Robinson | Chairman (non-executive) |
| Fiona Bennett | Director (non-executive) |
| Howard Critchley | Director (non-executive) (resigned 14 March 2014) |
| Terrence Francis | Director (non-executive) |
| Terence Hebiton | Director (non-executive) |

*Executive Directors*

| | |
|---|---|
| Brenden Mitchell | Managing Director and Chief Executive Officer |

### (b) Details of other key management personnel

The following persons had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the year:

| | |
|---|---|
| Iona MacPherson | Chief Financial Officer and Company Secretary |
| Rosanna Hammond | General Manager - Human Resources |
| Paul Martinez | Chief Information Officer and Director of Strategy |
| Tony Spassopoulos | Director of Sales and Marketing and General Manager - Boom Sherrin |
| Terese Withington | General Manager - Boom Sherrin (resigned 1 November 2013) |

## 30. Key Management Personnel (continued)

### (c) Summarised compensation of key management personnel

Summary of key management personnel compensation in the following categories is as follows:

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Short-term employee benefits | **2,662,917** | 3,430,108 |
| Post employment benefits | **166,431** | 204,977 |
| Other long term benefits | **(88,471)** | 79,262 |
| Termination benefits | **-** | - |
| Share based payments | **16,054** | 40,910 |
| Total compensation | **2,756,931** | 3,755,257 |

Refer to the Remuneration Report in the Directors' Report for detailed compensation disclosure on key management personnel.

### (d) Loans to key management personnel

In 2014, there were no loans to individual key management personnel at any time (2013: Nil).

No write-downs or allowance for doubtful receivables have been recognised in relation to any loans made to key management personnel.

### (e) Other transactions and balances with key management personnel

There were no other transactions with key management personnel during the financial year (2013: Nil).

## 31. Related Party Disclosure

The consolidated financial statements include the financial statements of Boom Logistics Limited and the subsidiaries listed in the following table.

| Name | Country of incorporation | Equity interest | | Investment | |
|---|---|---|---|---|---|
| | | **2014** | 2013 | **2014** | 2013 |
| | | **%** | % | **$'000** | $'000 |
| James Equipment Pty Ltd | Australia | **100** | 100 | **-** | - |
| Sherrin Hire Pty Ltd | Australia | **100** | 100 | **32,664** | 60,598 |
| Boom Logistics (QLD) Pty Ltd | Australia | **100** | 100 | **13,315** | 15,896 |
| Boom Logistics (VIC) Pty Ltd | Australia | **100** | 100 | **374** | 4,021 |
| Total investment in subsidiaries | | | | **46,353** | 80,515 |

Investments in subsidiaries have decreased by $34.162 million from the previous financial year as a result of the goodwill impairment disclosed in notes 16 and 17. Each investment has decreased by the amount of the goodwill recognised at the time of acquisition.

Boom Logistics Limited is the ultimate parent company.

Details relating to key management personnel, including remuneration paid, are included in the Remuneration Report on pages 13 to 27.

Sales to and purchases from related parties are made at arm's length both at normal market prices and on normal commercial terms. Outstanding balances at year end are unsecured.

No allowance for impairment of debts has been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or impaired debts due from related parties.

Terms and conditions of the tax funding arrangement are set out in note 3(h).

## 31. Related Party Disclosure (continued)

| The following transactions occurred with related parties: | **2014** **$** | 2013 $ |
|---|---|---|
| **Parent entity** | | |
| *Sale of services* | | |
| Hire of lifting equipment to subsidiaries | **3,617,794** | 537,876 |
| *Purchase of goods and services* | | |
| Hire of lifting equipment from subsidiaries/other related parties | **1,694,248** | 2,077,295 |
| *Tax consolidation legislation* | | |
| Current tax payable assumed from wholly-owned tax consolidated entities | **10,800,744** | 10,694,374 |
| *Other revenue and expenses* | | |
| Interest charged to/(from) subsidiaries | **1,019,233** | 346,561 |
| Dividend income from subsidiaries | **-** | - |
| *Loans to/from related parties* | | |
| Subsidiaries - receivable / (payable) | **14,329,073** | 12,964,346 |

## 32. Deed of Cross Guarantee

Pursuant to Class Order 98/1418 (as amended), the wholly owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports and Directors' report.

It is a condition of the Class Order that Boom Logistics Limited and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that Boom Logistics Limited guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. The subsidiaries have also given similar guarantees in the event that Boom Logistics Limited is wound up.

The subsidiaries subject to the Deed are:

- Sherrin Hire Pty Ltd (party to the Deed on 6 December 2005);
- James Equipment Pty Ltd (party to the Deed on 3 November 2006 by virtue of a Deed of Assumption);
- Boom Logistics (QLD) Pty Ltd (party to the Deed on 23 November 2007 by virtue of a Deed of Assumption);

and together with Boom Logistics Limited, represent a "Closed Group" for the purposes of the Class Order.

## 32. Deed of Cross Guarantee (continued)

The consolidated income statement and balance sheet of the entities that are members of the "Closed Group" are as follows:

| | CLOSED GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| ***Consolidated Income Statement*** | | |
| Revenue | **263,483** | 330,096 |
| Salaries and employee benefits expense | **(125,207)** | (156,302) |
| Equipment service and supplies expense | **(72,584)** | (86,524) |
| Operating lease expense | **(14,294)** | (12,108) |
| Other expenses | **(10,615)** | (21,033) |
| Restructuring expense | **(8,013)** | (6,753) |
| Depreciation and amortisation expense | **(27,637)** | (29,305) |
| Impairment expense | **(79,596)** | (9,584) |
| Financing expenses | **(8,656)** | (10,694) |
| Loss before income tax | **(83,119)** | (2,207) |
| Income tax benefit | **3,798** | 589 |
| Net loss for the year | **(79,321)** | (1,618) |
| Retained losses at the beginning of the year | **(13,483)** | (11,865) |
| Retained losses at the end of the year | **(92,804)** | (13,483) |
| ***Consolidated Statement of Comprehensive Income*** | | |
| Loss for the year | **(79,321)** | (1,618) |
| *Other comprehensive income* | | |
| Cash flow hedges recognised in equity | **361** | 322 |
| Other comprehensive income for the year, net of tax | **361** | 322 |
| Total comprehensive loss for the year | **(78,960)** | (1,296) |

## 32. Deed of Cross Guarantee (continued)

| | CLOSED GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| ***Consolidated Balance Sheet*** | | |
| **Current assets** | | |
| Cash and cash equivalents | **8,513** | 3,395 |
| Trade and other receivables | **51,122** | 54,103 |
| Inventories | **254** | 480 |
| Prepayments and other current assets | **2,494** | 2,843 |
| Assets classified as held for sale | **15,362** | 10,349 |
| Income tax receivable | **8,032** | 7,700 |
| **Total current assets** | **85,777** | 78,870 |
| **Non-current assets** | | |
| Investments | **599** | 4,021 |
| Plant and equipment | **291,386** | 328,405 |
| Intangible assets | **2,682** | 70,729 |
| **Total non-current assets** | **294,667** | 403,155 |
| **Total assets** | **380,444** | 482,025 |
| **Current liabilities** | | |
| Trade and other payables | **22,116** | 20,247 |
| Derivative financial instruments | **837** | 332 |
| Interest bearing loans and borrowings | **4,166** | - |
| Provisions | **14,226** | 15,349 |
| Other liabilities | **5,338** | 5,424 |
| **Total current liabilities** | **46,683** | 41,352 |
| **Non-current liabilities** | | |
| Payables | **2,737** | 4,002 |
| Interest bearing loans and borrowings | **93,917** | 119,398 |
| Provisions | **4,072** | 1,086 |
| Derivative financial instruments | **-** | 1,019 |
| Deferred tax liabilities | **7,914** | 11,190 |
| **Total non-current liabilities** | **108,640** | 136,695 |
| **Total liabilities** | **155,323** | 178,047 |
| **Net assets** | **225,121** | 303,978 |
| **Equity** | | |
| Contributed equity | **318,065** | 318,065 |
| Retained losses | **(92,804)** | (13,483) |
| Reserves | **(140)** | (604) |
| **Total equity** | **225,121** | 303,978 |

## 33. Auditor's Remuneration

During the year the following fees were paid or payable for services provided by KPMG:

| | **2014** | 2013 |
|---|---|---|
| | **$** | $ |
| *Audit services* | | |
| - audit and review of financial statements | **250,000** | 283,538 |
| *Taxation, due diligence and other services* | | |
| - taxation services | **21,950** | 33,270 |
| - other services | **12,890** | 18,161 |
| Total taxation and other services | **34,840** | 51,431 |
| Total remuneration of KPMG | **284,840** | 334,969 |

## 34. Events After the Balance Sheet Date

*Dividend*

On 12 August 2014, the Directors of Boom Logistics Limited declared that no final dividend would be issued for the financial year ended 30 June 2014.

## 35. Parent Entity Financial Information

### (a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

| | **2014** | 2013 |
|---|---|---|
| | **$'000** | $'000 |
| **Statement of financial position** | | |
| Current assets | **67,236** | 63,893 |
| Total assets | **340,731** | 448,815 |
| Current liabilities | **38,405** | 34,789 |
| Total liabilities | **125,457** | 152,185 |
| *Equity* | | |
| Contributed equity | **318,065** | 318,065 |
| Employee equity benefits reserve | **446** | 342 |
| Cash flow hedge reserve | **(586)** | (946) |
| Retained losses | **(102,651)** | (20,831) |
| | **215,274** | 296,630 |

## 35. Parent Entity Financial Information (continued)

### (a) Summary financial information (continued)

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| **Net loss after tax for the year** | **(81,820)** | (2,864) |
| **Total comprehensive income/(loss) for the year** | **(81,459)** | (2,542) |

### (b) Capital commitments for the acquisition of property, plant and equipment

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| *Plant and equipment* | | |
| - within one year | **2,005** | - |
| - after one year but not more than five years | **-** | - |
| - more than five years | **-** | - |
| | **2,005** | - |

### (c) Guarantees entered into by the parent entity

The parent entity has entered into a Deed of Cross Guarantee with the effect that the parent entity guarantees debts in respect of its subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in note 32.

Guarantees provided by the parent entity in respect of loans of subsidiaries are disclosed in note 31.

### (d) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2014 or 30 June 2013.

# Directors' Declaration

1. In the opinion of the Directors of Boom Logistics Limited ("the Company"):

   (a) the Consolidated Financial Statements and notes that are set out on pages 30 to 91, and the Remuneration Report in the Directors' Report, set out on pages 13 to 27, are 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 financial year ended on that date; and

      (ii) complying with Accounting Standards, (including the Australian Accounting Interpretations) and Corporations Regulations 2001; and

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The Directors draw attention to note 2(a) to the Consolidated Financial Statements which includes a statement of compliance with International Financial Reporting Standards.

3. There are reasonable grounds to believe that the Company and the group entities identified in note 32 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.

4. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2014.

Signed in accordance with a resolution of the Directors:

John Robinson
Chairman

Brenden Mitchell
Managing Director

Melbourne, 12 August 2014

KPMG

## Independent auditor's report to the members of Boom Logistics Limited

### Report on the financial report

We have audited the accompanying financial report of Boom Logistics Limited ("the Company"), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended on that date, notes 1 to 35 comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration of Group 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 is free from material misstatement whether due to fraud or error. In note 2(a), the Directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report of the Group complies 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

KPMG

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Auditor's opinion*

In our opinion:

(a) the financial report of Boom Logistics Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group'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.

(b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in note 2(a).

## Report on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 27 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 auditing standards.

*Auditor's opinion*

In our opinion, the Remuneration Report of Boom Logistics Limited for the year ended 30 June 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Paul J McDonald

Paul J McDonald

*Partner*

***Melbourne***

12 August 2014