BOOM LOGISTICS LIMITED

ABN 28 095 466 961

Interim Financial Report
for the six months ended 31 December 2016

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 half-year ended 31 December 2016.

Directors

The names of the Company's Directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Mr Rodney John Robinson	Chairman (non-executive) (retired 30 September 2016)
Mr Maxwell John Findlay	Chairman (non-executive)
Mr Brenden Clive Mitchell	Managing Director (executive)
Mr Terrence Charles Francis	Director (non-executive)
Mr Terence Alexander Hebiton	Director (non-executive)

Operating and Financial Review

The Group recorded a statutory net loss after tax for the half-year ended 31 December 2016 (FY17 H1) of $9.5m (FY16 H1: net loss of $20.3m). Statutory earnings before interest expense, tax, depreciation and amortisation was a profit of $1.3m (FY16 H1: loss of $11.7m) whilst statutory earnings before interest expense and tax (EBIT) was a loss of $7.6m (FY16 H1: loss of $21.9m).

Trading Result

	31-Dec-16 $'m	31-Dec-15 $'m	Change %
Revenue from Services	73.1	79.9	-9%
Operating Costs	(68.6)	(73.2)	-6%
Trading EBITDA	**4.5**	**6.7**	-33%
Less: Non-Trading Expenses (a)	(1.2)	(0.9)	
Less: (Loss)/ Profit on Sale of Assets	(0.1)	0.0	
Impairment of Operating Fleet	0.0	(11.6)	
Impairment of Assets Held for Sale	(1.9)	(5.9)	
Statutory EBITDA	**1.3**	**(11.7)**	
Depreciation and Amortisation	(8.9)	(10.2)	
Statutory EBIT	**(7.6)**	**(21.9)**	65%

(a) includes restructuring expense of $1.1m (FY16 H1: $0.8m) and $0.1m (FY16 H1: $0.1m) of legal fees that are disclosed within other expenses on the face of the Income Statement

DIRECTORS' REPORT (continued)

Operating and Financial Review (continued)

The FY17 H1 statutory net loss after tax includes the following non-trading expenses:

- Restructuring costs of $1.1m;
- Legal costs of $0.1m associated with Boom's 18 metre glove and barrier legal claim;
- Loss on sale of assets of $0.1m; and
- Non-cash impairment of $1.9m against the carrying value of assets held for sale.

Adjusting for these costs Boom's trading EBITDA (a non IFRS financial measure) was a profit of $4.5m (FY16 H1: profit of $6.7m; FY16 H2: profit of $4.5m).

Review of Operations

The operating environment remained difficult during the period. The performance of the Group during the period was markedly different across the geographical markets that it serves.

An improved result has been recorded across the East Coast businesses with revenue growth of 8% on the prior comparative period (FY16 H1). The growth has been achieved largely from improving profitability achieved on certain existing contracts and continuing to build critical mass through the acquisition of new contracts.

In contrast the results in the West Coast business suffered a sharp decline. The extremely difficult trading conditions were reflected through the following circumstances experienced in the period:

- Sharp (expected) decrease in revenue from the nearly completed Gorgon LNG project;
- Reduced maintenance spend from major customers;
- Decrease in wind farm maintenance activity in the period; and
- Intense competition for ad hoc work driving down price and volume of work won by Boom.

Cash Flows

Cash flows from operating activities was $3.0m (FY16 H1: $8.5m) which included a tax refund of $4.5m received in the period (FY16 H1: $4.5m). Capital expenditure of $1.7m (FY16 H1: $0.4m) in the period was funded by the proceeds of asset sales. Investing cash flows in the period were $nil (FY16 H1: net cash inflows of $10.8m largely as a result of $11.3m of proceeds received from asset sales).

DIRECTORS' REPORT (continued)

Operating and Financial Review (continued)

Balance Sheet

Net assets were $158.7m reduced from $168.1m at 30 June 2016 principally as a result of a non-cash impairment charge of $1.9m recorded against the carrying value of assets held for sale and the depreciation and amortisation on the non-current assets recorded in the period of $8.9m.

Gross debt owed under borrowing facilities was $47.5m (net of $0.9m of prepaid borrowing costs) which is down from $50.8m (net of $0.2m of prepaid borrowing costs) at 30 June 2016.

Auditor's Independence Declaration to the Directors

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

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 Corporations Instrument 2016/191. The Group is of a kind to which the Corporations Instrument applies.

Signed in accordance with a resolution of the Directors.

Maxwell Findlay
Chairman

Brenden Mitchell
Managing Director

Melbourne, 21 February 2017

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 review for the half-year ended 31 December 2016 there have been:

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

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

KPMG

KPMG

Paul J McDonald

Paul J McDonald
Partner
Melbourne
21 February 2017

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

Consolidated Interim Income Statement
for the half-year ended
31 December 2016

	Note	2016 $'000	2015 $'000
Revenue	5	**73,065**	79,963
Salaries and employee benefits expense	5	**(37,841)**	(42,483)
Equipment service and supplies expense	5	**(21,153)**	(19,879)
Operating lease expense		**(3,486)**	(4,333)
Other expenses		**(6,244)**	(6,600)
Restructuring expense		**(1,115)**	(784)
Depreciation and amortisation expense	5	**(8,859)**	(10,190)
Impairment expense	5	**(1,946)**	(17,478)
(Loss) before financing expense and income tax		**(7,579)**	(21,784)
Financing expense	5	**(1,895)**	(2,521)
(Loss) before income tax		**(9,474)**	(24,305)
Income tax (expense) / benefit	8	**(6)**	4,024
Net (loss) attributable to members of Boom Logistics Limited		**(9,480)**	(20,281)
Basic (losses) per share (cents per share)		**(2.0)**	(4.3)
Diluted (losses) per share (cents per share)		**(2.0)**	(4.3)

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

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

Consolidated Interim Statement of Comprehensive Income
for the half-year ended
31 December 2016

	2016	2015
	$'000	$'000
Net (loss) attributable to members of Boom Logistics Limited	**(9,480)**	(20,281)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges recognised in equity, net of tax	**-**	-
Other comprehensive income for the half-year, net of tax	**-**	-
Total comprehensive (loss) for the half-year attributable to members of Boom Logistics Limited	**(9,480)**	(20,281)

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

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

Consolidated Interim Statement of Financial Position as at 31 December 2016

	Note	31 December 2016 $'000	30 June 2016 $'000
CURRENT ASSETS			
Cash and cash equivalents		**1,158**	1,756
Trade and other receivables		**30,334**	29,123
Inventories		**198**	171
Prepayments and other current assets		**2,988**	1,601
Assets classified as held for sale	6	**5,713**	3,928
Income tax receivable		**-**	4,448
TOTAL CURRENT ASSETS		**40,391**	41,027
NON-CURRENT ASSETS			
Property, plant and equipment	6	**194,763**	206,913
Intangible assets		**57**	518
TOTAL NON-CURRENT ASSETS		**194,820**	207,431
TOTAL ASSETS		**235,211**	248,458
CURRENT LIABILITIES			
Trade and other payables		**13,873**	14,265
Interest bearing loans and borrowings	9	**2,734**	50,753
Provisions		**8,493**	8,223
Other liabilities		**3,736**	4,079
TOTAL CURRENT LIABILITIES		**28,836**	77,320
NON-CURRENT LIABILITIES			
Interest bearing loans and borrowings	9	**44,788**	-
Provisions		**1,986**	2,170
Deferred tax liabilities		**852**	846
TOTAL NON-CURRENT LIABILITIES		**47,626**	3,016
TOTAL LIABILITIES		**76,462**	80,336
NET ASSETS		**158,749**	168,122
EQUITY			
Contributed equity	10	**318,065**	318,065
Retained losses		**(160,174)**	(150,694)
Reserves		**858**	751
TOTAL EQUITY		**158,749**	168,122

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

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

Consolidated Interim Statement of Cash Flows for the half-year ended 31 December 2016

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Receipts from customers		**79,079**	98,377
Payments to suppliers and employees		**(78,608)**	(91,980)
Interest paid		**(1,887)**	(2,370)
Interest received		**13**	52
Income tax received		**4,448**	4,449
Net cash provided by operating activities		**3,045**	8,528
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,700)**	(412)
Payment for intangible assets - software development costs		**-**	(22)
Proceeds from the sale of plant and equipment		**1,672**	11,260
Net cash (used in) / provided by investing activities		**(28)**	10,826
Cash flows from financing activities			
Proceeds from borrowings	9	**40,935**	2,889
Repayment of borrowings	9	**(43,530)**	(27,953)
Payment of transaction costs related to borrowings		**(1,020)**	-
Net cash used in financing activities		**(3,615)**	(25,064)
Net (decrease) in cash and cash equivalents		**(598)**	(5,710)
Cash and cash equivalents at the beginning of the period		**1,756**	6,995
Cash and cash equivalents at the end of the period		**1,158**	1,285

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

Boom Logistics Limited
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Consolidated Interim Statement of Changes in Equity
for the half-year ended
31 December 2016

	Issued Capital $'000	Retained Earnings $'000	Cash Flow Hedge Reserve $'000	Employee Equity Benefits Reserve $'000	Total Equity $'000
At 1 July 2015	318,065	(120,475)	-	686	198,276
Loss for the half-year	-	(20,281)	-	-	(20,281)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss	-	(20,281)	-	-	(20,281)
Transactions with owners in their capacity as owners:					
Share based payments	-	-	-	109	109
At 31 December 2015	318,065	(140,756)	-	795	178,104
At 1 July 2016	**318,065**	**(150,694)**	**-**	**751**	**168,122**
Loss for the half-year	**-**	**(9,480)**	**-**	**-**	**(9,480)**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**
Total comprehensive loss	**-**	**(9,480)**	**-**	**-**	**(9,480)**
Transactions with owners in their capacity as owners:					
Share based payments	**-**	**-**	**-**	**107**	**107**
At 31 December 2016	**318,065**	**(160,174)**	**-**	**858**	**158,749**

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

1. Corporate Information

The financial report of Boom Logistics Limited and its subsidiaries ("the Group") for the half-year ended 31 December 2016 was authorised for issue in accordance with a resolution of the Directors on 21 February 2017.

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 activity was the provision of lifting solutions.

2. Basis of Preparation and Accounting Policies

This general purpose condensed financial report for the half-year ended 31 December 2016 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual financial report as at and for the year ended 30 June 2016.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2016 and considered together with any public announcements made by Boom Logistics Limited during the half-year ended 31 December 2016 in accordance with the continuous disclosure obligations of the ASX listing rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding reporting period.

3. Critical Accounting Estimates and Judgements

The preparation of the half-year financial report ended 31 December 2016 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

3. Critical Accounting Estimates and Judgements (continued)

Going concern assumption

In preparing the financial report, the Directors have made an assessment of the ability of the Group 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.

As disclosed in note 9, the Group is funded by secured bank loans and other secured finance facilities, which are not due to expire until 2019.

The facilities are subject to compliance with covenants, which in part are determined by reference to operating results and operating cash flows. The Group incurred a loss after tax for the half-year ended 31 December 2016. The Directors have assessed the forecast trading results and cash flows for the Group, including the impact of restructuring and other initiatives implemented by management to adjust to the changed market conditions. These forecasts are necessarily based on best-estimate assumptions that are subject to influences and events outside of the control of the Group. The current operating environment in some market sectors presents challenges in terms of price pressures and volatile demand patterns. Should trading conditions continue to deteriorate, the Company has the ability to make further adjustments in the normal course of business to compensate. The forecast trading results and cash flows, taking into account reasonably possible changes in trading performance, show that the Group will continue to operate within the level and terms of its debt facilities; however the current market conditions create material uncertainty that may cast doubt on the ability of the Group to continue as a going concern and its ability to realise the value of assets in the normal course of business and at the amounts stated in the financial report.

After making enquiries and considering the matters described above, the Directors have a reasonable expectation that the Group 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, the Directors continue to adopt the going concern basis in preparing the financial report.

Note 7 sets out the basis on which the Directors have determined the recoverable amount of the non-current assets which comprise the operating fleet. The recoverable amount is based on an independent valuation which is predicated on the assumption that the Group will continue as a going concern. In the event that the Group is unable to continue as a going concern, a further provision would be required to write down the value of assets to an alternative basis of valuation.

3. Critical Accounting Estimates and Judgements (continued)

Impairment testing of property, plant and equipment including assets classified as held for sale
The Group tests semi-annually whether property, plant and equipment have suffered any impairment, in accordance with the accounting standards. The recoverable amounts of property, plant and equipment under their cash-generating units have been determined based on their fair value less costs to sell. Fair value was determined after considering information from a variety of sources including a valuation obtained from an independent valuer dated 24 November 2016. Based on the independent valuation provided, no impairment charge was recognised for the half-year ended 31 December 2016.

Assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value was determined based on an independent valuation reflecting the expected timing of disposals in conjunction with the Group's sales history of comparable assets.

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.

Useful lives and residual values of property, plant and equipment
The Group determines the estimated useful lives of assets and related depreciation charges for its property, plant and equipment based on projected capital equipment lifecycles for periods up to forty 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 property, 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 indication that residual values can not be achieved.

3. Critical Accounting Estimates and Judgements (continued)

Onerous operating lease contracts
The Group has non-cancellable operating leases entered into in previous years. Due to changes in operating activities, the Group stopped using the premises which resulted in surplus leased space. The provision for surplus leased space has been determined based on the discounted future lease payments, less any expected sub-lease income, from the date of lease expiry to current financial year.

4. 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 $7.140 million or 10% of total segment revenue (31 December 2015: $7.885 million or 10%) are derived from a single external customer. These revenues are attributable to the Lifting Solutions segment.

4. Segment Reporting (continued)

Segment information

	Lifting Solutions $'000	Other * $'000	Consolidated $'000
Half-year ended: 31 December 2016			
Segment revenue			
Revenue from external customers	**73,052**	**-**	**73,052**
Other income	**-**	**-**	**-**
Total segment revenue	**73,052**	**-**	**73,052**
Interest income from other persons/corporations			**13**
Total revenue			**73,065**
Segment result			
Operating result	**8,186**	**(3,796)**	**4,390**
Net loss on disposal of property, plant and equipment	**(62)**	**-**	**(62)**
Depreciation and amortisation	**(8,110)**	**(749)**	**(8,859)**
Restructuring expense	**(1,115)**	**-**	**(1,115)**
Impairment of assets classified as held for sale	**(1,946)**	**-**	**(1,946)**
Loss before net interest and tax	**(3,047)**	**(4,545)**	**(7,592)**
Net interest			**(1,882)**
Income tax expense			**(6)**
Loss from continuing operations			**(9,480)**
Segment assets and liabilities			
Segment assets	**232,749**	**2,462**	**235,211**
Segment liabilities	**70,667**	**5,795**	**76,462**
Additions to non-current assets	**1,362**	**338**	**1,700**

** Other represents centralised costs which include national service functions.*

4. Segment Reporting (continued)

Segment information (continued)

	Lifting Solutions $'000	Other * $'000	Consolidated $'000
Half-year ended: 31 December 2015			
Segment revenue			
Revenue from external customers	79,865	-	79,865
Other income	46	-	46
Total segment revenue	79,911	-	79,911
Interest income from other persons/corporations			52
Total revenue			79,963
Segment result			
Operating result	10,649	(4,079)	6,570
Net gains on disposal of property, plant and equipment	46	-	46
Depreciation and amortisation	(9,342)	(848)	(10,190)
Restructuring expense	(784)	-	(784)
Impairment of property, plant and equipment	(11,612)	-	(11,612)
Impairment of assets classified as held for sale	(5,866)	-	(5,866)
Loss before net interest and tax	(16,909)	(4,927)	(21,836)
Net interest			(2,469)
Income tax benefit			4,024
Loss from continuing operations			(20,281)
Year ended: 30 June 2016			
Segment assets and liabilities			
Segment assets	242,153	6,305	248,458
Segment liabilities	75,146	5,190	80,336
Additions to non-current assets	1,756	28	1,784

** Other represents centralised costs which include national service functions.*

5. Revenue And Expenses

	Note	**2016 $'000**	2015 $'000
(a) Revenue from continuing operations			
Revenue from services		**73,052**	79,865
Interest income from other persons/corporations		**13**	52
		73,065	79,917
(b) Other income			
Net profit on disposal of plant and equipment	(i)	**-**	46
(i) $62k loss on disposal of plant and equipment was incurred during the period and recognised under other expenses.		**-**	46
Total revenue		**73,065**	79,963
(c) Expenses			
Salaries and employee benefits		**35,335**	39,708
Defined contribution superannuation expense		**2,506**	2,775
Total salaries and employee benefits expense		**37,841**	42,483
External equipment hire		**4,133**	4,220
External labour hire		**3,942**	2,237
Maintenance		**4,876**	4,737
Fuel		**1,393**	1,959
External transport		**3,656**	3,681
Employee travel and housing		**643**	810
Other reimbursable costs (on-charged to customers)		**566**	731
Other equipment services and supplies		**1,944**	1,504
Total equipment services and supplies expense		**21,153**	19,879

	Note	2016 $'000	2015 $'000
5. Revenue And Expenses (continued)			
(c) Expenses (continued)			
Depreciation of property, plant and equipment	6	**8,398**	9,629
Amortisation of intangible assets - software development costs		**461**	561
Total depreciation and amortisation expense		**8,859**	10,190
Impairment of property, plant and equipment		**-**	11,612
Impairment of assets classified as held for sale	6	**1,946**	5,866
Total impairment expense		**1,946**	17,478
Interest expense		**1,449**	2,177
Borrowing costs - amortisation (non-cash)		**138**	150
Borrowing costs - other		**308**	194
Total financing expense		**1,895**	2,521

6. Assets Classified as Held For Sale & Property, Plant and Equipment	**Note**	**Rental Equipment $'000**	**Motor Vehicles * $'000**	**Machinery, Furniture, Fittings & Equipment $'000**	**Freehold Land & Buildings $'000**	**Subtotal $'000**	**Assets Classified as Held For Sale $'000**	**Total $'000**
Half-year ended 31 December 2016								
Carrying amount at beginning net of accumulated depreciation and impairment		197,041	5,623	1,200	3,049	**206,913**	3,928	**210,841**
Additions		1,262	15	423	-	**1,700**	-	**1,700**
Disposals		(795)	-	-	-	**(795)**	(926)	**(1,721)**
Transfers		201	-	(201)	-	**-**	-	**-**
Transfer to / from assets held for sale		(5,566)	903	6	-	**(4,657)**	4,657	**-**
Impairment	5	-	-	-	-	**-**	(1,946)	**(1,946)**
Depreciation charge for the year	5	(7,308)	(497)	(531)	(62)	**(8,398)**	-	**(8,398)**
Carrying amount at end net of accumulated depreciation and impairment		**184,835**	**6,044**	**897**	**2,987**	**194,763**	**5,713**	**200,476**
Closing balance at 31 December 2016								
At cost		346,019	20,542	7,341	3,120	**377,022**	22,489	**399,511**
Accumulated depreciation		(161,184)	(14,498)	(6,444)	(133)	**(182,259)**	(16,776)	**(199,035)**
Net carrying amount		**184,835**	**6,044**	**897**	**2,987**	**194,763**	**5,713**	**200,476**

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

7. Impairment

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 amount for any particular Cash Generating Unit ("CGU"). Cash Generating Units are measured on a state based operational level.

The carrying values of the CGU's fixed assets were tested at 31 December 2016 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 a valuation obtained from an independent valuer dated 24 November 2016. The Group did not make any allowance for costs to sell as they were deemed immaterial given the Group's in house expertise and track record of successful asset sales. The Group has classified the assessment as Level 2 in the fair value hierarchy where "inputs other than quoted prices in active markets that are observable for the asset either directly or indirectly".

Based on the independent valuation dated 24 November 2016, the carrying values of the CGU's fixed assets were not greater than their recoverable amounts.

However, due to the tough economic environment prevalent in the Group's key markets and in particular, the extremely difficult trading conditions experienced in the West Coast business unit, management have undertaken a review of on-going operating fleet requirements which resulted in surplus assets being identified as available for sale. The fair values of these surplus assets were determined by reference to the orderly liquidation value from the independent valuation dated 24 November 2016. As a consequence, an impairment charge of $1.946 million (31 December 2015: $17.478 million) was recognised in the profit and loss in respect of these assets.

8. Income Tax

	Note	2016 $'000	2015 $'000
A reconciliation between expense and the accounting loss before income tax (multiplied by the Group's applicable income tax rate) is as follows:			
Accounting loss before tax from continuing operations		**(9,474)**	(24,305)
At the Group's statutory income tax rate of 30% (2015: 30%)		**(2,842)**	(7,292)
Expenditure not allowable for income tax purposes		**20**	29
Adjustments in respect of current income tax of previous years		**17**	-
Current year losses for which no deferred tax asset is recognised		**2,811**	3,239
Income tax expense / (benefit) reported in the consolidated interim income statement		**6**	(4,024)

As at 31 December 2016, the Group has unused tax losses of $17.657 million (30 June 2016: $14.846 million) that have not been recognised as a deferred tax asset based on an assessment of the probability that sufficient taxable profit will be available to allow the tax losses to be utilised in the near future. The unused tax losses remain available indefinitely.

The Group has recognised $9.410 million (30 June 2016: $9.410 million) of unused tax losses where it was deemed sufficient taxable profit will be available to allow the tax losses to be utilised in the near future.

	31 December 2016 $'000	30 June 2016 $'000

9. Interest Bearing Loans And Borrowings

	31 December 2016 $'000	30 June 2016 $'000
Current		
Other interest bearing liabilities - Insurance premium funding	**272**	-
Other loans	**2,462**	-
Secured bank loans	**-**	51,000
Prepaid borrowing costs	**-**	(247)
Total current interest bearing liabilities	**2,734**	50,753
Non current		
Other loans	**36,671**	-
Secured bank loans	**9,000**	-
Prepaid borrowing costs	**(883)**	-
Total non-current interest bearing liabilities	**44,788**	-
Total interest bearing liabilities	**47,522**	50,753

The following changes in interest bearing liabilities occurred during the half-year ended 31 December 2016:

Balance at 1 July 2016	**50,753**
Drawdown	
Other loans	**38,500**
Insurance premium funding	**2,435**
Repayments	
Repayment of borrowings	**(43,530)**
Other movements	
Net movement of finance costs	**(636)**
Balance as at 31 December 2016	**47,522**

9. Interest Bearing Loans and Borrowings (continued)

Debt facilities

At reporting date, the Group had the following debt facilities effective from 2 August 2016:

Secured bank loans

- A $12.5 million, syndicated loan facility with NAB and ANZ with a termination date of 1 July 2019. The facility attracts a floating interest rate. Amortisation payments of between $nil and $2.5 million will be due on 1 January 2018 and 1 July 2018 dependant on the earnings leverage ratio reported at the end of the respective preceding quarters.

Other loans

- An amortising asset finance facility with De Lage Landen Pty Limited with a termination date of 1 August 2021. The facility limit at 31 December 2016 was $23,582,000 which includes a residual payment of $10 million due on 1 August 2021. The facility attracts a fixed interest rate.
- A $20 million, securitised trade receivables facility with Assetsecure with a termination date of 1 August 2019. The facility incurs a fixed fee and floating interest on funds drawn. There is no amortisation required over the life of this facility.

Covenant position

Throughout the period and as at 31 December 2016, the Group was in compliance with all banking covenants.

Gearing ratio

The Group monitors debt levels on the basis of the balance sheet gearing ratio. This ratio is calculated as net debt divided by equity.

	31 December 2016 $'000	30 June 2016 $'000
Interest bearing loans and borrowings	**48,405**	51,000
Less: cash and cash equivalents	**(1,158)**	(1,756)
Net debt	**47,247**	49,244
Total equity	**158,749**	168,122
Gearing ratio	**30%**	29%

	31 December 2016 $'000	30 June 2016 $'000
10. Contributed Equity		
Issued and fully paid ordinary shares	**318,065**	318,065

	31 December 2016	
	No. of shares	**$'000**
Movements in ordinary shares on issue		
At 1 July 2016	**474,868,764**	**318,065**
- Issued during the period	**-**	**-**
At 31 December 2016	**474,868,764**	**318,065**

11. Share-based Payments

The Board of Directors ("the Board") has undertaken a comprehensive review of the Group's remuneration framework, including short term and long term incentive arrangements to increase alignment of executive remuneration with shareholders interests having consideration to market practice, as outlined in the 2016 Remuneration Report date 16 August 2016.

Three new executive remuneration plans were implemented during the period:

- Salary sacrifice rights plan;
- Short term incentive plan; and
- Long term incentive plan.

At 31 December 2016, both the salary sacrifice rights and short term incentive plans are in progress and no allocation of ordinary shares in the Company have been granted.

Details of the long term incentive plan at 31 December 2016 are as follows:

11. Share-based Payments (continued)

Long term incentive plan ("LTIP")

Eligible executives will be granted options to acquire ordinary shares in the Company, subject to annual progressive performance hurdles and some or all may vest at the end of the three year period if the performance hurdles are met.

Each option is a right to acquire one ordinary share in the Company (or an equivalent cash amount) subject to payment of the exercise price. The exact number of options to be granted will be the LTIP award divided by the option valuation using a Black-Scholes valuation methodology prior to grant date. The option exercise price is calculated based on the 5 day volume weighted average price prior to the grant date. Options do not carry any dividend or voting rights. Options will be granted within twelve months of the Annual General Meeting.

Options are subject to a performance hurdle based on absolute Earnings Per Share ("EPS"), which is measured progressively in 3 tranches over a three year performance period. Progressive performance targets will be established by the Board, however an absolute EPS hurdle must be achieved at the end of year three for any options to vest. There is no pro-rata vesting if this target is not met. The Board retains a discretion to adjust the EPS hurdle as required to ensure plan participants are neither advantaged nor disadvantaged by matters outside management's control that materially affect absolute EPS (for example, by excluding one-off non-recurrent items or the impact of significant acquisitions or disposals).

Options will be tested in three equal tranches and may vest at the end of the 3 year performance period as follows:

- **Tranche 1 performance:** If the progressive target established by the Board is met at the end of year one, 1/3 of the options will be eligible to vest at the end of the 3 year performance period (provided the Tranche 3 progressive target is also met).

- **Tranche 2 performance:** If the progressive target established by the Board is met at the end of year two, 1/3 of the options will be eligible to vest at the end of the 3 year performance period (provided the Tranche 3 progressive target is also met).

- **Tranche 3 performance:** If the overall absolute EPS target is met at the end of year three, 1/3 of the options will be eligible to vest at the end of the 3 year performance period (along with those options that met the progressive targets in respect of Tranches 1 and 2).

11. Share-based Payments (continued)

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

Options outstanding at 31 December 2016 have the following details:

Grant date	Expiry date	Exercise price	Performance hurdle	31 December 2016 Options
3 November 2016	4 September 2019	$0.1080	EPS of $0.02	17,552,956
Weighted average remaining contractual life of options outstanding at end of period				2.67 years

Fair value of options granted

The assessed fair value at grant date of options granted during the half-year ended 31 December 2016 was $0.0450 per option. The fair value at grant date was independently determined using the Black-Scholes valuation methodology taking into account the following factors:

- Options are granted for no consideration and vests based on the performance hurdles noted above;
- Grant date – 3 November 2016;
- Vesting date – 31 August 2019;
- Expiry date – 4 September 2019;
- Share price at grant date - $0.115;
- Exercise price - $0.108;
- Expected life – 2.8 years;
- Expected price volatility of the Company's shares – 55%;
- Risk-free interest rate – 1.66%;
- Expected dividend yield – 0%;

The expected price volatility is based on the historic volatility of the market price of the Company's share over the remaining life of the options, adjusted for any expected changes in future volatility due to publicly available information.

At 31 December 2016, the carrying value of the long term incentive plan was $822,580, including the ordinary shares granted under the old LTIP where the vesting conditions are still in progress. The expense recognised during the period was $107,000.

12. Dividends Paid and Proposed

There were no dividends paid or proposed during the half-year.

13. Commitments and Contingencies

Commitments
At 31 December 2016, the Group has no capital commitments for the purchase of property, plant and equipment (31 December 2015: $nil).

Contingencies
Since the last annual reporting date, there has been no material change to any contingent assets or contingent liabilities.

14. Events After The Balance Sheet Date

Dividend
On 21 February 2017, the Directors of Boom Logistics Limited declared that no interim dividend would be paid for the half-year ended 31 December 2016.

BFG Crane Services Pty Ltd – Incorporated Joint Venture
On 17 January 2017, Boom Logistics Limited entered into a joint venture agreement with a local indigenously owned company, F & G Cranes Pty Ltd, to tender for projects in Western Australia. BFG Crane Services Pty Ltd was registered as an incorporated joint venture with each party holding 50% equity interest in the entity.

Directors' Declaration

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

   (a) the consolidated interim financial statements and notes that are set out on pages 7 to 28 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 31 December 2016 and of its performance for the half-year ended on that date; and

      (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting 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.

Signed in accordance with a resolution of the Directors:

Maxwell Findlay
Chairman

Brenden Mitchell
Managing Director

Melbourne, 21 February 2017

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

We have reviewed the accompanying half-year financial report of Boom Logistics Limited, which comprises the consolidated interim statement of financial position as at 31 December 2016, consolidated interim income statement, consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the half-year ended on that date, notes 1 to 14 comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration of the Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the half-year period.

Responsibility of Directors' for the half-year financial report

The Directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Boom Logistics Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty regarding the ability of the Group to continue as going concern

Without modifying our conclusion, we draw attention to Note 3 to the half-year financial report which describes the going concern basis of preparation of the half-year financial report, including management's planned initiatives to respond to difficult trading conditions. These matters indicate the existence of a material uncertainty which may cast doubt over the Group's ability to continue as a going concern and realise the value of assets in the ordinary course of business and at the amounts stated in the financial report.

KPMG

KPMG

Paul J McDonald

Paul J McDonald

Partner

Melbourne

21 February 2017