Appendix 4E

Name of entity	McAleese Limited
ABN	86 156 354 068
Reporting period	Year ended 30 June 2014
Previous reporting period	Year ended 30 June 2013

Results for announcement to the market (i)

	30 Jun 14 $'000	30 Jun 13 $'000	Change %
Revenue	760,297	745,454	2.0
Profit/(loss) after income tax attributable to:			
Owners of the Company	(63,292)	18,898	(434.9)
Non-controlling interest	(332)	(1,327)	75.0
	(63,624)	**17,571**	**(462.1)**
Income tax (benefit) / expense	(12,768)	10,329	223.6
Net finance costs	39,230	55,092	28.8
Individually significant items:			
Profit on disposal of subsidiary	(2,523)	-	-
IPO costs	2,673	2,800	4.5
Impairment charges - goodwill & intangibles	30,621	-	-
Impairment charges - plant & equipment	16,688	-	-
Mona Vale accident costs	11,329	-	-
Restructure costs & superannuation	15,935	-	-
Onerous lease	1,100	-	-
EBIT before individually significant items	**38,661**	**85,792**	**(54.9)**
Net tangible assets per share ($) (ii)	0.62	25.49	
Adjusted net tangible assets per share ($)(iii)	0.62	0.14	

(i) Refer to the Operating and Financial Review within the Directors' Report and the accompanying media release for commentary on the results.

(ii) The calculation of net tangible assets per share at 30 June 2014 has been impacted by a 182.0478 : 1 share split undertaken on 28 November 2013, and the additional shares issued under the Initial Public Offering which raised $133.5 million, net of transaction costs.

(iii) The calculation of adjusted net tangible assets per share for the comparative period has been restated reflecting the share split to enhance comparability.

Dividends

No dividends were paid or declared during the current or previous reporting period and it is not proposed to pay any dividends in respect of the current period.

Control gained over entities having a material effect

The Group acquired the WA Freight Group on 28 April 2014 which did not have a material effect on the current reporting period. For further information, refer to Note 28 Acquisition and Disposal of Subsidiary contained in the notes to the consolidated financial statements.

Loss of control over entities having a material effect

The Group disposed of its Singapore subsidiary, Watt Wah Petroleum Haulage Pte Limited on 30 November 2013. The loss of control did not have a material effect on the current reporting period. For further information refer to Note 28 Acquisition and Disposal of Subsidiary contained in the notes to the consolidated financial statements.

Compliance statement

This preliminary final report is based on financial statements which have been audited.

McAleese Limited

and its controlled entities

ABN 86 156 354 068

Annual Financial Report

30 June 2014

Contents

The Directors present their report together with the consolidated financial report of the Group comprising McAleese Limited (the 'Company') and its subsidiaries (together referred to as the 'Group') for the financial year ended 30 June 2014 and the auditor's report thereon.

Directors

The following persons were directors of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Don Telford (Chairman) - appointed as a director on 19 September 2013

Mr Mark Rowsthorn

Mr Wayne Kent - appointed as a director on 19 September 2013

Mr Keith Price

Cav Gilberto Maggiolo

Mr Paul Garaty - resigned as director on 28 March 2014

Mr Mark McSweeney - resigned as a director on 7 March 2014

Mr Marcus Pillhofer - resigned as a director on 23 August 2013

Other information on Directors

Mr Don Telford (Non-Executive Chairman)

Don Telford joined McAleese Group in September 2013, and has over 40 years experience in the transport and logistics industry. Don has held a number of senior management roles and directorships at publicly listed transport and logistics companies, including, but not limited to, Asciano Limited (Chief Operating Officer), Pacific National Limited (Chief Executive Officer) and Toll Holdings Limited (Divisional Director Logistics, Australia, New Zealand and Asia).

Don is the Chairman of the Australian Logistics Council.

Special responsibilities:	Chairman of the Remuneration & Nomination Committee and member of the Audit, Business Risk & Compliance Committee
Interest in shares:	121,608 ordinary shares

Mr Mark Rowsthorn (Managing Director and Chief Executive Officer)

Mark Rowsthorn joined McAleese Group in October 2011 in the role of Executive Chairman, transitioning to the role of Non-Executive Chairman and recently to Managing Director and Chief Executive Officer of the McAleese Group. Mark has over 35 years of experience in the Australian and international transport sectors.

Mark was previously co-founder and Executive Director of Toll Holdings Limited and, prior to joining McAleese Group was Chief Executive Officer and Managing Director of Asciano Limited.

Mark has a Bachelor of Economics and a Graduate Diploma of Business Administration.

Special responsibilities:	None
Interest in shares:	87,023,218 ordinary shares

Mr Wayne Kent (Deputy Chairman)

Wayne Kent joined McAleese Group in September 2013. Wayne worked at Macquarie Group for over 20 years in corporate finance and capital markets, including 10 years as Global Head of Equity Capital Markets.

Wayne is a shareholder, director and/or adviser to a number of private businesses in the transport, specialist storage and finance industries.

Wayne is a Certified Practising Accountant, a Senior Fellow of the Financial Services Institute of Australia and has a Bachelor of Commerce and Law.

Special responsibilities:	Chairman of the Audit, Business Risk & Compliance Committee and member of the Remuneration & Nomination Committee.
Interest in shares:	3,844,776 ordinary shares 674,306 ordinary shares granted under the McAleese Group Loan Funded Share Plan

Mr Keith Price (Executive Director)

Keith Price is a founding shareholder of the McAleese Group, which acquired the McAleese Transport business in 1988 from Mayne Nickless Limited. Keith is currently Executive Director and General Manager, McAleese Heavy Haulage & Lifting.

Keith has over 40 years experience in transport and logistics, specialising in the transport of heavy and over dimensional capital goods.

Special responsibilities:	None
Interest in shares:	21,072,364 ordinary shares

Cav Gilberto Maggiolo (Non-Executive Director)

Gilberto Maggiolo is a founding shareholder of McAleese Group, which acquired the McAleese Transport business in 1988 from Mayne Nickless Limited. Gilberto is a prominent Queensland based businessman with extensive experience in construction, transport and commercial property development, including as co-founder of BOMA Group.

Gilberto's current directorships include BOMA Group, Epoca Constructions Pty Ltd and Azzurra Pty Ltd.

Special responsibilities:	A member of the Audit, Business Risk & Compliance Committee and the Remuneration & Nomination Committee.
Interest in shares:	20,351,341 ordinary shares

Company Secretary

Mr Rohan Abeyewardene was appointed Company Secretary on 20 March 2013. Rohan is a Chartered Accountant with over 10 years experience in a variety of governance, regulatory and financial roles. Prior to joining McAleese in March 2012, Rohan held a senior advisory position at the Australian Securities Exchange where he advised ASX listed entities on a range of regulatory and governance issues.

Rohan has a Bachelor of Commerce and Economics and a Graduate Diploma of Applied Corporate Governance.

Directors' meetings

	Board Meetings		Audit, Business Risk & Compliance Committee Meetings		Remuneration & Nomination Committee Meetings	
	A	**B**	**A**	**B**	**A**	**B**
Mr D Telford	20	20	4	4	1	1
Mr M Rowsthorn	21	22	4	5	2	2
Mr W Kent	20	20	4	4	1	1
Mr P Garaty	17	19	-	-	-	-
Mr M McSweeney	16	17	4	4	1	2
Mr H K Price	20	22	-	-	-	-
Cav G Maggiolo	19	22	1	1	1	2
Mr M Pillhofer	1	1	-	-	-	-

A – Number of meeting attended

B – Number of meetings held during the time the director held office during the year

Principal activities

The principal activities of the Group are the provision of heavy haulage and craneage, bulk haulage, liquid fuels distribution, manufacture of specialist fluid handling equipment and transport and logistics services. During the period, McAleese acquired WA Freight Group, a leading transporter of less than truck load consolidated freight on the East-West corridor of Australia, operating a network of freight facilities in all major capital cities.

Dividends

No dividends were paid or declared during the period (2013: nil).

Operating and financial review

Group overview

The Group's loss after income tax attributable to owners of the company was $63.3 million (2013: $18.9 million profit) on revenue of $760.3 million (2013: $745.5 million). The results were adversely affected by individually significant items, some of which related to a company tanker being involved in a serious accident in Mona Vale, Sydney and a substantial proportion directly attributable to a large scale restructuring of the Oil & Gas division. The individually significant items which total $75.8 million are itemised by operating division in Note 5 Segment Information to the financial statements.

On 28 November 2013, McAleese Limited gained admission to the official list of the Australian Securities Exchange via an Initial Public Offer (IPO) of 113.1 million shares (both primary and secondary) in the Group. The IPO raised $133.5 million net of transaction costs, providing a liquid market for its shares, enabling repayment of part of its bank debt, enhancing financial flexibility and providing access to capital markets.

Concurrently, the Group entered into a new Syndicated Multi-option Facility Agreement (Senior Debt Facility) for $325 million comprising a cash advance facility of $300 million in two $150 million tranches of 3-year revolving and 4-year term debt and a $25 million revolving multi option facility. This enabled the Group to repay the balance of its then existing bank debt. As a result of these measures, finance costs have been significantly reduced year on year.

Operating and financial review (continued)

Divisional review

Heavy Haulage & Lifting

- **Revenue down 26.4% to $186.5 million**
- **EBIT (before significant items) down 49.4% to $27.8 million.**

The Heavy Haulage & Lifting (HH&L) division provides specialised heavy haulage and lifting solutions for equipment required in the construction, operation and maintenance of resources, energy and infrastructure projects. HH&L also provides storage and transport services for mining inputs.

During the reporting period HH&L was impacted by weaker than anticipated trading conditions driven by a reduction in project work and deferral of maintenance in Northern Queensland coal mines, its core operating region.

Year in review:

- Revenue decline partially offset by cost reduction focus and commencement of fleet asset sales in 2H14.
- Successfully pursued opportunities in other resource producing regions and in civil infrastructure projects.
- Right sized organisation to reflect decline in market activity, total workforce reduced from 630 - 465.
- Commenced integration, consolidation and rebranding of the National Crane Hire business to Walter Wright Cranes.

Bulk Haulage

- **Revenue up 51.2% to $265.2 million**
- **EBIT (before significant items) up 4.8% to $21.6 million**

The Bulk Haulage division provides bulk commodities haulage across off-road and on-road (highway) routes and ancillary on-site services in the iron ore and gold mining sectors. During FY14 the business undertook haulage of more than 27 million tonnes of iron and gold ore.

The operational performance of the Bulk Haulage business was impacted by unseasonal weather including cyclones in January and February and higher than anticipated start up costs associated with an accelerated Atlas Iron production ramp up. The business has since implemented operational initiatives and improved infrastructure to significantly improve productivity, vehicle utilisation and efficiency.

Year in review:

- Significant Port Hedland workshop expansion underway to improve administration facilities and provide the necessary capacity for growth in operations.
- Vehicle utilisation improved from 75% to 85% as a result of operational improvements and labour management.
- Secured the additional 6mtpa for Atlas Iron's Mt Webber haulage contract for four years; commenced operations under five year performance based contract for Goldfields at their St Ives facilities and retained Norton, a cornerstone Goldfields region customer for a further four years after demonstrating efficiency via innovation during the life of the contract.

Operating and financial review (continued)

Oil & Gas

- **Revenue down 6.7% to $295.4 million**
- **EBIT (before significant items) down 128.3% to a loss of $4.2 million**

The Oil & Gas division is a transporter of liquid and gaseous fuels in Australia for global oil and gas companies. The transport fleet travelled more than 52 million kilometres to deliver more than 11 billion litres of fuel and gas during FY14.

Cootes Transport revenue was significantly impacted by fleet inspections and services disruptions subsequent to the Mona Vale accident. Liquip delivered strong earnings on the back of strong orders for tanker new builds for the Australian domestic market.

Year in review:

- Successfully divested a non-core business, Watt Wah Petroleum Haulage Pte Limited (Singapore).
- Following the Mona Vale accident and subsequent fleet inspections the business was unsuccessful in re-tendering for the national Shell and BP contracts and exited a marginal contract with 7 Eleven. Cootes has since completed a comprehensive national restructure and is focused on achieving a higher yield for services utilising a fleet with a reduced fleet age profile.
- Successfully renegotiated a new 5 year, LPG transport agreement with Origin Energy which commenced 1 July 2014.

Specialised Transport

WA Freight Group (WAFG) was acquired by McAleese Group on 28 April 2014 for net cash consideration of $14.1 million. The WAFG acquisition and creation of the Specialised Transport division has established a platform for further growth and diversification across geographies and transport sectors within the Group.

WAFG specialises in the movement of less than truck load consolidated freight (LTL) utilising express services between the East and West Coast of Australia and on all main capital city corridors inclusive of regional locations. The business transported more than 270 thousand tonnes of products during FY14 with company owned fleet travelling more than 9 million kilometres.

Year in review

- The business retained all major customers during FY14 despite the sale process affecting organic growth opportunities.
- Renewed agreement for a further 12 months with Bauer Media Group, WAFG's largest customer, contributing 8% of overall revenue.
- WAFG has been successfully integrated into the McAleese Group without any major issues.

Significant changes in the state of affairs

Contributed equity increased by $199.1 million (from $52.3 million to $251.4 million) as a result of the IPO. The net cash of $133.5 million received from the increase in contributed equity was used principally to repay borrowings. Details of the changes in contributed equity are disclosed in Note 24 Contributed Equity to the consolidated financial statements.

Subsequent to the Mona Vale accident, the Oil & Gas division undertook a major restructuring program due to a reduction in the Cootes Transport business following the loss of significant customer contracts.

The Group acquired WAFG during the period. For further information refer to Note 28 Acquisition and Disposal of Subsidiary to the consolidated financial statements.

Environmental regulation

The Group's operations are subject to environmental laws. The Company operates environmental compliance programs and reports any breaches to the appropriate authorities in a timely manner. During the year, the Mona Vale accident resulted in fuel entering storm water drains. The Company engaged a leading environmental consulting company to co-ordinate the remediation, working with local council, NSW Environment Protection Authority and Roads and Maritime Services. All remediation work has now been completed.

Events subsequent to reporting date

On 9 August 2014, the Company entered into a binding share sale agreement with US listed company, Dover Corporation for the sale of Liquip International Pty Limited, a wholly-owned subsidiary of the Company, for cash consideration of $65m. The sale was settled on 22 August 2014.

Apart from the above, no matter or circumstance has arisen in the interval between 30 June 2014 and the date hereof that, in the directors' opinion, has significantly affected or may significantly affect:

(i) the Group's operations in current and future financial years; or

(ii) the results of those operations in current and future financial years; or

(iii) the Group's state of affairs in current and future financial years.

Likely developments

A description of the Group's operations and business model, strategy and material business risks, review of financial performance and position, and future financial prospects are contained in the Operating and Financial Review. There has been no significant change in the nature of principal activities during the year.

Indemnification and insurance of officers and auditors

Indemnification

Pursuant to the Company's Constitution and Deeds of Access, Insurance and Indemnity entered into with all Directors and Secretaries of the Company, the Company indemnifies all Directors and Officers, past and present, on a full indemnity basis and to the extent permitted by law against all losses, liabilities, costs, charges and expenses incurred by them as an officer of the Company or of a related body corporate.

Insurance premiums

In accordance with the provisions of the Corporations Act, McAleese Limited has a Directors' and Officers' Liability policy covering Directors and Officers of the parent company and its controlled entities. The insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Non-audit services

Details of the amounts paid or payable to the Company's auditors, KPMG, for non-audit services provided during the year are shown in Note 37 Auditor's Remuneration to the financial statements, which accompany this Directors' Report.

Auditor's independence declaration

The auditor's independence declaration is set out on page 28 and forms part of the Directors' Report for the year ended 30 June 2014.

Rounding of amounts

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the Financial Report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Remuneration report

Section 1 - Introduction and context

The Board of McAleese Limited (McAleese or the Company) is pleased to present the first McAleese Remuneration Report for the 2013/14 financial year (FY14).

The Remuneration Report provides investors with an understanding of the processes and policies which determine the remuneration for Directors and Executives of McAleese and discloses details of the remuneration for those who are Key Management Personnel (KMP). These KMP had the authority and responsibility for planning, directing and controlling the activities of McAleese during FY14. This Remuneration Report forms part of the Directors' Report and is prepared in accordance with the requirements of the *Corporations Act 2001*.

FY14 has been a challenging year for McAleese. The first year as a publicly listed company coincided with the need for large scale restructuring of the organisation and this Remuneration Report provides details on the remuneration impact of this on KMP.

After gaining admission to the official list of the Australian Securities Exchange via an Initial Public Offer (IPO), the incumbent Managing Director P Garaty ceased employment with McAleese in early 2014. The Group CFO and GM Bulk & Liquid Transport also ceased employment with McAleese around the same time. The former KMP Executives did not receive any financial benefits over and above those provided for within their existing contractual entitlements.

Subsequently, M Rowsthorn, the Non-executive Chairman, stepped into the role of Managing Director (and CEO) and the Divisional General Manager Oil & Gas and the Divisional General Manager Bulk Haulage became KMP as they began reporting to the CEO. As a result, the Board has approved a total remuneration package for M Rowsthorn (see Section 9.5) and reviewed the total remuneration packages of M Tamplin and A Simpson (see Section 5).

Remuneration report (continued)

Section 1 - Introduction and context (continued)

Throughout FY14 the Board placed emphasis on the importance of retaining its Executives in light of the difficult conditions faced by the Company. At the same time, the Board has also recognised the economic environment and developments in remuneration practice in Australia. For this reason, the Remuneration & Nomination Committee oversaw a review of the remuneration strategy and framework to ensure it was still aligned with the McAleese vision and business strategy. Minor changes to the remuneration framework have been detailed in Section 4.2

To provide greater clarity, the remuneration that applies to current Directors and KMP Executives (Section 9) has been separated from the remuneration outcomes of former Directors and KMP Executives (Section 10).

To assist investors, the following table provides a directory to the sections of the Remuneration Report dealing with the different elements of KMP remuneration.

Table 1 - Directory to sections

Elements of Remuneration		Non-executive Directors	Managing Director	Other Current KMP Executives	Former KMP
Fixed	Fees	Section 9.1 Table 7	n/a	n/a	Section 10.1 Table 12
	Fixed Remuneration	n/a	Section 9.5 Table 11	Section 9.1 Table 7	Section 10.1 Table 12
Variable remuneration	Short Term Incentive	n/a	Section 9.5 Table 11	Section 9.1 Table 7	Section 10.1 Table 12
	Long Term Incentive	Section 9.4 Table 10	Section 9.5 Table 11	Section 9.3 Table 9	Section 10.3 Table 14
Service agreements	Contractual Termination Payments	n/a	Section 6.1 Table 5	Section 6.1 Table 5	n/a

In addition, a Glossary of Terms is also provided on page 26.

Section 2 - Role of Remuneration & Nomination Committee

The Remuneration & Nomination Committee consists of the 3 Non-executive Directors, and is responsible for determining and agreeing with the Board a remuneration strategy and framework and broad policy for remuneration. It advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration, incentives and other terms of employment for Executives. A copy of the Remuneration & Nomination Committee Charter is available under the Corporate Governance section of the Company's website.

The Managing Director and other Executives do not participate in any decision relating to their own remuneration.

Remuneration report (continued)

Section 3 - Key management personnel

Tables 2 and 3 provide details of current and former KMPs.

Table 2 - Current key management personnel

Current Non-executive Directors	Role	Effective Date as KMP
D Telford[1]	Chairman and Non-executive Director	19 September 2013
W Kent	Deputy Chairman and Non-executive Director	19 September 2013
G Maggiolo[2]	Non-executive Director	1 July 2013
Current Executive Directors	**Role**	**Effective Date as KMP**
M Rowsthorn[3]	Managing Director (and CEO)	1 July 2013
K Price	Executive Director Heavy Haulage & Lifting	1 July 2013
Current KMP Executives	**Role**	**Effective Date as KMP**
M Tamplin	Divisional General Manager Oil & Gas	18 February 2014
A Simpson	Divisional General Manager Bulk Haulage	18 February 2014
W Saxelby[4]	Group Chief Financial Officer (Interim)	8 April 2014
S Fanning	Divisional General Manager Specialised Transport	28 April 2014

Table 3 - Former key management personnel

Former Non-executive Directors	Role	Last Date as KMP
M McSweeney	Non-executive Director	7 March 2014
Former Executive Directors	**Role**	**Last Date as KMP**
P Garaty	Managing Director and CEO	28 March 2014
M Pillhofer	Chief Financial Officer Heavy Haulage & Lifting	23 August 2013
Former KMP Executives	**Role**	**Last Date as KMP**
C Nunn	Group Chief Financial Officer	4 April 2014
C Keast	GM Bulk & Liquid Transport	14 February 2014

1. D Telford was appointed to the role of Chairman on 28 March 2014 when M Rowsthorn stepped down to take the role of Managing Director.
2. G Maggiolo began receiving Director's fees from the date of the IPO (28 November 2013).
3. M Rowsthorn was Chairman until he stepped down to take up the role of Managing Director (and CEO) on 28 March 2014. He began receiving Director's fees from the date of the IPO (28 November 2013).
4. W Saxelby is a consultant who is contracted to fulfil the Group CFO role pending the appointment of a permanent CFO.

Remuneration report (continued)

Section 4 - Remuneration strategy & framework

Section 4.1 - Remuneration strategy and framework

The McAleese vision is to create a significant third force in Australian logistics. Therefore, the remuneration strategy is designed to attract, motivate, and retain executives capable of creating shareholder value through the effective execution of its business strategy, and substantially increasing the company's market capitalisation. Accordingly, the McAleese Board is committed to ensuring that it has a remuneration strategy that drives a culture of performance and ensures executives are rewarded for the delivery of financial results and the achievement of McAleese's short term business objectives and long term vision. The remuneration framework must also conform to good and appropriate market practice. Accordingly, McAleese's Executives' total remuneration is structured as a mix of fixed annual remuneration and variable (at-risk) remuneration through short term incentives and long term incentives.

Section 4.2 - Review of remuneration strategy & framework

Whilst the remuneration strategy creates a culture of performance and ensures Executives are rewarded for the delivery of financial results and returns for shareholders, the remuneration framework provides the means of delivering the remuneration strategy.

Whilst McAleese only gained admission to the official list of the Australian Securities Exchange in late 2013, based on the major changes to key Executives in early 2014, it was deemed appropriate to review McAleese's remuneration strategy and framework to confirm that it still met the needs of McAleese and the interests of shareholders. The review concluded that the remuneration strategy and framework did still meet the needs of McAleese and its shareholders, but some minor changes to the remuneration framework were needed for FY15:

- increasing short term incentive at-target opportunity for KMP Executives from 20% to 30% see Section 5.2);
- the introduction of Divisional performance measures to align incentives with results the Executives can directly influence (see Section 5.2.1); and
- the establishment of the appropriate comparator group for benchmarking and setting the fixed annual remuneration of Executives.

Section 5 - Elements of remuneration

The McAleese remuneration framework has 3 components:

(i) Fixed annual remuneration ("FAR");
(ii) Short term incentive ("STI"); and
(iii) Long term incentive ("LTI").

The combination of these components comprises an Executive's total remuneration package. The total remuneration package components that will apply to Executives in FY15 are set out in Table 4.

Table 4 - FY15 Executive total remuneration package mix

	% of Total Remuneration Package		
		Variable	
	Fixed Annual Remuneration	Short Term Incentive (at-target)	Long Term Incentive (maximum)
Managing Director	46%	27%	27%
Other Executives[1]	67%	20%	13%

1. K Price, Executive Director Heavy Haulage & Lifting, is a major shareholder of McAleese; this is sufficient reward and incentive for performance and as such his total remuneration is a FAR.

Remuneration report (continued)

Section 5 - Elements of remuneration (continued)

Section 5.1 - Fixed annual remuneration

An Executive's FAR remunerates them in line with market benchmarks and their performance, taking in to account the responsibilities of the Executive's position, level of skill & experience, and demonstrated individual performance. Their FAR is structured as a total package amount which may be delivered as cash, prescribed non-cash financial benefits (e.g., motor vehicles), and superannuation contributions (the only post employment benefit provided to KMP). FAR is reviewed annually by the Remuneration & Nomination Committee.

Section 5.2 - Short term incentive

The McAleese Short Term Incentive Plan (STIP) rewards Executives for performance against a set of pre-determined financial and non-financial measures linked to McAleese's short term business performance (12 months). The specific performance measures may vary from year to year depending on the business's objectives but are chosen on the basis that they will increase financial performance, market share and shareholder returns.

Executives can earn a percentage of their FAR as an STI for at-target performance (60% Managing Director and 30% other Executives for FY15). Executives can earn above at-target awards for exceptional performance (up to a ceiling of 150% of at-target opportunity).

Section 5.2.1 - Performance measures

The pre-determined financial and non-financial measures for FY14 were:
- (i) EBIT
- (ii) Cash flow; and
- (iii) Safety.

The weighting of the financial and non-financial measures in FY14 was:

Measure	Weighting of Measures	Corporate Measures		Divisional Measures	
		CEO/CFO	DGM	CEO/CFO	DGM
EBIT	60%	100%	0%	0%	60%
Cash flow	20%	100%	0%	0%	20%
Safety	20%	100%	0%	0%	20%

Note: In FY14 the CEO and CFO did not participate in the STIP.

For FY15 the Board has approved the inclusion of the Managing Director in the STI and introduced a divisional component for other Executives. The weighting of the financial and non-financial measures for the Managing Director and other Executives will be as follows:

Measure	Weighting of Measures	Corporate Measures		Divisional Measures	
		CEO/CFO	DGM	CEO/CFO	DGM
EBIT	60%	100%	15%	0%	45%
Cash flow	20%	100%	5%	0%	15%
Safety	20%	100%	5%	0%	15%

Section 5.3 - Long term incentive

The McAleese Long Term Incentive Plan (LTIP) links Executive remuneration to McAleese's long term business performance and shareholder returns and assists in the motivation and the retention of those Executives who will be critical to the delivery of the McAleese vision and business strategy. Eligible Executives are granted performance rights which carry the right to acquire ordinary shares in McAleese, subject to satisfying the relevant performance conditions. Each performance right entitles the participant to acquire one ordinary share.

Remuneration report (continued)

Section 5 - Elements of remuneration (continued)

Section 5.3 - Long term incentive (continued)

Section 5.3.1 - LTIP amount

In the year ending 30 June 2014, only 2 KMP Executives were granted awards under the LTIP (A Simpson and M Tamplin) and for FY14 the KMP Executives' LTIP award was set as a dollar value (the "maximum award"). The number of Performance Rights in a LTIP award is determined by reference to the 5 day volume weighted average price ("VWAP") at the date of grant.

There are no voting or dividend rights attached to the Performance Rights, but they will attach to the ordinary shares.

Section 5.3.2 - Performance measure

Vesting of the Performance Rights is subject to 1 independent performance measure, that being, relative total shareholder return ("TSR"), as it is both transparent and related to outcomes for shareholders. This measure determines vesting for 100% of any LTIP award.

The amount of Performance Rights that vest will be determined based on the ranking of the Company's TSR, relative to the TSR of each of the companies in the comparator group over the performance period.

The vesting schedule is as follows:

TSR of McAleese relative to the comparator group	Proportion of rights vesting
Below the 50^{th} percentile	0%
At the 50th percentile	50%
Between the 50th percentile and the 75th percentile	Straight-line vesting between 50% and 100% (e.g. each percentile improvement will result in an additional 2% vesting)
75th percentile or greater	100%

Section 5.3.3 - Testing and vesting

Relative TSR is tested after 2 years and the Performance Rights can then vest in three equal tranches on dates that are 2 years, 2 years and 6 months, and 3 years from the date of grant.

Details of current KMP Executives participating in the LTIP are set out in Section 9.3.

Remuneration report (continued)

Section 5 - Elements of remuneration (continued)

Section 5.3 - Long term incentive (continued)

Section 5.3.4 - FY15 LTIP review

After the changes in the key Executives and the acquisition of WA Freight Group, the number of participants in the LTIP is set to increase in FY15. Accordingly, it was timely to review the LTIP with reference to both current market practice and the effectiveness of the LTIP in supporting the McAleese vision and ensuring returns for our shareholders. The detail of any changes resulting from the review of the structure of the LTIP and the LTIP rules will be provided to shareholders at the AGM prior to seeking their approval for the award of Performance Rights to the Managing Director.

Section 5.4 - Loan Funded Share Plan

During FY14, McAleese issued a grant of Loan Funded Shares (the "shares") under the McAleese Group Loan Funded Share Plan ("LFSP"). An Executive's participation in the LFSP was at the discretion of the Board. The LFSP was approved by the Board on 22 May 2013. The benefits to the participant can only be achieved if there is growth in the McAleese share price, which is dependent on McAleese's financial performance.

Participants in the LFSP were provided with a limited recourse loan (the "loan") from McAleese for the sole purpose of subscribing for the LFS and interest is not charged on the loan. Shares are issued to the trustee of the LFSP on behalf of each participant until the shares vest.

For the 2014 grant, the vesting conditions are time based and vesting only requires the participant to be continually employed by the Company or acting as a Director of the Company on the vesting date.

If the conditions are satisfied then the shares vest and the loan becomes repayable and participants then have up to 5 years from the vesting date to repay the outstanding loan balance.

Since listing on the ASX, the LFSP has been replaced by the LTIP and W Kent remains the only participant in the LFSP.

Details of current KMP participating in the LFSP are set out in Section 9.4.

Section 5.5 - Performance assessment

McAleese has a formal documented process for the performance evaluation of Directors and Executives, which requires that a review takes place on an annual basis. A performance assessment took place during the year for Directors, the Managing Director, and other Executives.

Section 6 - Service agreements

Section 6.1 - Specific terms

Remuneration and other terms of employment for the Executives are formalised in individual service agreements. The service agreements specify the components of remuneration, benefits and notice periods. Participation in the STIP and LTIP is subject to the Board's discretion.

The service agreements do not normally reflect a fixed term of employment or nominate a specified amount to be paid on termination of employment. The agreements normally provide that the termination notice period may be paid out by the Company.

Major provisions of the service agreements relating to KMP Executive are set out in Table 5.

Remuneration report (continued)

Section 6 - Service agreements (continued)

Section 6.1 - Specific terms (continued)

Table 5 - Contractual terms for current KMP Executives

	By McAleese	By Executive	
Current Executive Directors			
M Rowsthorn	6 months	6 months	Payment in lieu of notice at Company's discretion for Company initiated termination only. If terminated by reason of redundancy, an additional amount of 4 weeks pay per completed year of service at the rate of FAR to a maximum of one year's average base salary is payable. Contract can be terminated with 6 months notice by either party.
K Price	6 months	6 months	
Current KMP Executives			
A Simpson	6 months	6 months	Payment in lieu of notice at Company's discretion for Company initiated termination only. If terminated by reason of redundancy, an additional amount of 4 weeks pay per completed year of service at the rate of FAR to a maximum of one year's average base salary is payable. Contract can be terminated with 6 months notice by either party.
M Tamplin	6 months	6 months	
S Fanning	6 months	6 months	
W Saxelby	A fixed term contract for advisory services and may be terminated by either party with 14 days notice.		

Section 6.2 - Non-compete and non-solicitation

Executives of McAleese have a restraint as part of their service agreements, which will apply upon cessation of their employment to protect the legitimate business interests of the Company. Each Executive is subject to a non-compete period and a non-solicitation period of up to 6 months following termination of their employment.

Section 7 - Non-executive Directors

Fees and payments to Non-executive Directors reflect the demands and the responsibilities of the role. Remuneration of Non-executive Directors is determined by the Board within an aggregate Non-executive Directors' fee pool limit which may be changed by shareholders at the Annual General Meeting. The total amount available to be paid to all Non-executive Directors of McAleese is $1,000,000 each financial year. For the financial year ending 30 June 2014, the fees payable to the current Non-executive Directors was $212,511. Non-executive Directors are not entitled to participate in any incentive arrangements and their remuneration does not include a commission on, or a percentage of profits or operating revenue.

The current Board committees are the "Audit, Business Risk & Compliance Committee", the "Remuneration & Nomination Committee", and the "Safety Committee". No fees or payments are currently made to Non-executive Directors for Board Committee membership.

Early 2014 was a particularly demanding period for the Company's management team as it dealt with several significant challenges including ongoing operational issues, major contract losses and consequent restructuring in the Cootes Transport business, in addition to the various performance issues in the Company's other divisions.

Remuneration report (continued)

Section 7 - Non-executive Directors (continued)

To enable the management team to concentrate its efforts on the operational issues being faced by the Group and the significant task of restructuring the Cootes Transport business, W Kent assumed a more active role in the day-to-day affairs of the Company, particularly in respect of market facing activities and the financial stewardship of the Company. The duties that were undertaken by W Kent during the year required substantial time, effort and expertise. Pursuant to the terms of W Kent's appointment as a Non-Executive Director, he is able to be paid additional fees for the performance of special duties and the Board believes a $50,000 payment (see Table 7) was reasonable recompense for this additional time and effort.

Table 6 - Non-executive Directors' fees (and other benefits)

Board	Chair of Board	Board Member
Base Fee[1]	$150,000	$75,000
Committees	**Chair of Committee**	**Committee Members**
Audit, Business Risk and Compliance	$0	$0
Remuneration & Nomination	$0	$0
Safety	$0	$0

1. Superannuation contributions were made on behalf of the Non-executive Directors at a rate of 9.25%, which satisfies the Company's statutory superannuation obligations. The amounts set out in the table above include superannuation.

Section 8 - Corporate performance

Section 8.1 - FY14 performance

The Board recognises that a portion of each Executive's at-risk remuneration should be linked to McAleese's annual business objectives and actual financial performance. For this reason, McAleese maintains a meaningful link between performance and an Executive's remuneration.

In respect to STI payments under the McAleese STIP, there is a direct link between the financial success of McAleese and any STI payment. An Executive's STI has 2 financial measures (EBIT and Cash Flow) and a Safety measure. The McAleese STIP has 80% of any STI opportunity based on financial results (EBIT 60% and Cash Flow 20% and 20% for Safety.

For FY14 the EBIT and Cash Flow targets were not met and so there was no payment for the financial component. The Bulk Haulage Division exceeded its safety target by 30% and based on these results, A Simpson was awarded an STI. Details of the STI payment are detailed in Table 7.

Section 8.2 - Special retention bonus payment

Whilst FY14 has been a transformational year for McAleese it has also been a turbulent one. The events of 2013 and the departure of key Executives in early 2014 have required a substantial commitment and discretionary effort from those Executives remaining. This turmoil came shortly after M Tamplin and A Simpson joined McAleese and the Board approved a retention bonus for M Tamplin and A Simpson to be paid after the end of FY14. Details of the retention bonus are detailed in Table 7.

Section 8.3 - FY14 LTIP outcomes

Long term incentive payments to Executives are linked to relative TSR. This was the first year that grants were awarded under the LTIP and relative TSR will not be tested until FY16 with vesting only occurring if there is an appropriate TSR ranking against the comparator group.

Remuneration report (continued)

Section 9 - Remuneration tables – Current Directors and KMP Executives

Section 9.1 - Total remuneration – Current Directors and KMP Executives

Details of the nature and amount of each element of the remuneration of each of the current Directors and KMP Executives are outlined in Table 7. All amounts are in Australian dollars and relate only to that portion of the year in which the current Director or KMP Executive occupied the role.

Remuneration report (continued)

Section 9 - Remuneration tables – Current Directors and KMP Executives (continued)

Table 7 - Total remuneration – Current Directors and KMP Executives

		Short term benefits							Share based payments		Post employment benefits	
		Salary	Leave accrual[1]	Non-monetary benefits[2]	Directors' fees	Short term incentive	Other payments	Termination payments	Total Amortisation value of LTIP	Cash/Other equity	Superannuation contributions	Total
Current Non-executive Directors		$	$	$	$	$	$	$	$	$	$	$
D Telford[3] Chairman	2014	0	0	0	71,818	0	0	0	0	0	6,643	78,461
W Kent Deputy Chairman[4]	2014	0	0	0	53,600	0	50,000	0	129,570	0	4,958	238,128
G Maggiolo Non-executive Director	2014	0	0	0	40,574	0	0	0	0	0	3,753	44,327
Current Executive Directors		**0**	**0**	**0**	**165,992**	**0**	**50,000**	**0**	**129,570**	**0**	**15,354**	**360,916**
M Rowsthorn[5] Managing Director/CEO	2014	114,416	0	0	46,519	0	0	0	0	0	14,887	175,822
K Price Executive Director Heavy Haulage & Lifting	2014	385,149	35,896	144,777	0	0	0	0	0	0	35,626	601,448
Sub-total of Current Directors	**2014**	**499,565**	**35,896**	**144,777**	**46,519**	**0**	**0**	**0**	**0**	**0**	**50,513**	**777,270**
Current KMP Executives												
W Saxelby[6] Group CFO	2014	127,500	0	22,639	0	0		0	0	0	0	150,139
M Tamplin[7] DGM Oil & Gas	2014	138,128	11,170	0	0	0	100,000	0	4,541	0	9,152	262,990
A Simpson[7] DGM Bulk Haulage	2014	117,692	9,517	0	0	21,000	70,000	0	4,541	0	9,152	231,902
S Fanning[8] DGM Specialised Transport	2014	50,462		0	0	0	0	331,164		0	2,877	384,503
Sub-total of Current KMP Executives	**2014**	**433,782**	**20,687**	**22,639**	**0**	**21,000**	**170,000**	**331,164**	**9,082**	**0**	**21,181**	**1,029,535**
TOTAL Current Directors and KMP Executives	**2014**	**933,347**	**56,583**	**167,416**	**212,511**	**21,000**	**220,000**	**331,164**	**138,652**	**0**	**87,048**	**2,167,721**

1. Leave accrual includes any net changes in the balance of annual leave (i.e. leave entitlements that accrued during the year but were not used).
2. Non-monetary benefits include salary sacrificed components of remuneration packages including motor vehicles and related fringe benefits tax for K Price and accommodation, meals, transport, phone and incidental expenses for W Saxelby who ordinarily resides in Sydney.
3. D Telford was appointed as a Director on 19 September 2013 and Chairman on 28 March 2014 - amounts shown above represent his fees from 19 September 2013 until 30 June 2014.
4. W Kent was appointed as a Director on 19 September 2013 - amounts shown above represent his fees from 19 September 2013 until 30 June 2014 and an exertion payment for additional services he provided at the time key Executives ceased employment with McAleese in early 2014 (see Section 7).
5. M Rowsthorn was appointed as Managing Director and Chief Executive Officer on 28 March 2014 - amounts shown above represent his Director's fees until that date and his remuneration from that date to 30 June 2014.
6. W Saxelby began contracting as the interim Group Chief Financial Officer on 8 April 2014 - amounts shown above represent his fees from that date until 30 June 2014.
7. Mr Simpson and Mr Tamplin became KMP following the resignation of C Keast - amounts shown above represent their remuneration from 18 February 2014 until 30 June 2014. The "Other Payments" represent the retention payments discussed in Section 8.2.
8. Prior to joining McAleese, S Fanning was Group General Manager Transport Services with the Silk Logistics Group and he kept that role with WA Freight Group as part of the sale agreement to ensure the sale to McAleese went through successfully for both parties. After the sale, S Fanning's position of Group General Manager Transport Services became officially redundant on 6 June 2014 and the termination payment relates to this role becoming redundant. S Fanning was subsequently offered a role with McAleese as Divisional General Manager Specialised Transport.

Remuneration report (continued)

Section 9 - Remuneration tables – Current Directors and KMP Executives (continued)

Section 9.2 - Total shareholdings – Current Directors and KMP Executives

Details of the total number of Shares and or Options held by each Director and KMP Executive of the Company are set out in Table 8.

Table 8 - Total shareholdings – Current Directors and KMP Executives

		Balance of Shares at start of year	Shares acquired during the year through the vesting of LTIP	Shares acquired during the year as part of remuneration	Other shares purchased during the year	Other shares acquired during the year[1]	Other shares disposed of during the year[2]	Balance of shares held at end of year	Balance of shares held at reporting date
Current Non -executive Directors									
D Telford Chairman	**2014**	0	0	0	668	120,940	0	121,608	121,608
W Kent Deputy Chairman	**2014**	0	0	0	1,512,880	2,331,896	0	3,844,776	3,844,776
G Maggiolo Non-executive Director	**2014**	114,530	0	0	432,400	20,824,607	(1,020,196)	20,351,341	20,351,341
Current Executive Directors									
M Rowsthorn Managing Director/CEO	**2014**	0	0	0	1,004	87,022,214[3]	0	87,023,218	87,023,218
K Price Executive Director Heavy Haulage & Lifting	**2014**	139,940	0	0	1,395,000	25,432,860	(5,895,436)	21,072,364	21,072,364
Current KMP Executives									
W Saxelby Group CFO	**2014**	0	0	0	300,000	0	0	300,000	300,000
M Tamplin DGM Oil & Gas	**2014**	0	0	0	0	0	0	0	0
A Simpson DGM Bulk Haulage	**2014**	0	0	0	0	0	0	0	0
S Fanning DGM Specialised Transport	**2014**	0	0	0	0	0	0	0	0

1. Includes the impact of a share split that was undertaken on 28 November 2013 at a ratio of 182.0478 to 1.
2. Represents those shares sold as a result of the IPO
3. Includes impact of conversion of convertible notes acquired pre-IPO in addition to impact of share split

Remuneration report (continued)

Section 9 - Remuneration tables – Current Directors and KMP Executives (continued)

Section 9.3 - Long term incentive plan

McAleese operates a number of employee share plans including the LTIP. Certain KMP Executives have participated in grants under LTIP. Details of the entitlements of those current KMP Executives under the LTIP are set out in Table 9.

Table 9 - LTIP opportunities and changes – Current KMP Executives

Current KMP Executives		Maximum share opportunity at start of year[1]	Share opportunities offered during the year (maximum)[2]	Fair value of LTIP offered during the year	Shares vested and converted during the year[3]	Value of those shares converted during the year	Share opportunities lapsed during the year[3]	Value of lapsed opportunities	Incremental value of LTIP during year[4]	Maximum share opportunity at year end
M Tamplin DGM Oil & Gas	**2014**	0	152,121	$59,327	0	0	0	0	$59,327	152,121
A Simpson DGM Bulk Haulage	**2014**	0	152,121	$59,327	0	0	0	0	$59,327	152,121

1. Maximum share opportunity is the maximum number of Shares that can be achieved from all unvested LTIP offers as at the date indicated.
2. This includes Share opportunities acquired during the year under the 2014 LTIP offer being Performance Rights that vest into Shares subject to satisfaction of the performance condition (based on relative TSR measured over a two year performance period - see Section 5.3 for further details. The 2014 LTIP offer was the first offer under the LTIP.
3. The 2014 LTIP offer was the first offer under the LTIP and as such the offer has not lapsed for current KMPs
4. The net value of LTIP offered, vested, converted and lapsed during the year provides an indication of incremental value received during the year.

Remuneration report (continued)

Section 9 - Remuneration tables – Current Directors and KMP Executives (continued)

Section 9.4 - Loan Funded Share Plan

Table 10 - Loan Funded Share Plan changes – Current KMP

`		Maximum share opportunity at start of year[1]	Share opportunities offered during the year (maximum)[2]	Fair value of LFSP offered during the year[3]	Shares vested and converted during the year	Value of those shares converted during the year	Share opportunities lapsed during the year[4]	Value of lapsed opportunities	Incremental value of LFSP during year[5]	Maximum share opportunity at year end
Current Non-executive Directors										
W Kent[6] Deputy Chairman	**2014**	0	674,306	$273,459	0	0	0	0	$273,459	674,306

1. Maximum share opportunity is the maximum number of LFS that can be achieved from all unvested LFS offers as at the date indicated.
2. The 2013 LFSP offer was the first offer under the LFSP and no further offers have been or will be made.
3. The value of share opportunities is based on the fair value at the date of offer.
4. The 2013 LFSP offer was the first offer under the LFSP and as such the offer has not lapsed.
5. The net value of LFS offered, vested, converted and lapsed during the year provides an indication of incremental value received during the year.
6. The shares offered to W Kent were issued prior to him becoming a Non-executive Director of McAleese and were part of a remuneration arrangement for services provided in 2013.

Remuneration report (continued)

Section 9 - Remuneration tables – Current Directors and KMP Executives (continued)

Section 9.5 - Managing Director's proposed total remuneration package

M Rowsthorn stepped into the role of MD/CEO after the previous incumbent P Garaty ceased employment with McAleese effective 28 March 2014. Since that time M Rowsthorn has continued to be paid his Director's fee whilst the Company undertook the necessary assessment to determine an appropriate remuneration package reflecting the Company's circumstances and strategic imperatives. In setting the Managing Director's remuneration, it was important to take into account the strategic direction of McAleese and the calibre of executive required to achieve the McAleese vision. With a vision to create a significant third force in Australian logistics the remuneration strategy needs to be designed to attract an executive capable of doubling the size of the organization in 3 years, creating shareholder value through effective execution, and leading a company with a mid tier market capitalization. The remuneration approved by the Board is consistent with these requirements.

Table 11 - Managing Director's Proposed Total Remuneration Package

Name	Fixed Remuneration	Short Term Incentive (at target)[1]	Long Term Incentive (maximum)[2]
Current Executive Director			
M Rowsthorn	$500,000	60%	60%

1. The short term incentive is the total payment at target (which is delivered in cash)
2. The long term incentive refers to the value, at maximum, of any future LTIP grant.

Section 10 - Remuneration tables – Former Directors and KMP Executives

Section 10.1 - Total remuneration – Former Directors and KMP Executives

Details of the nature and amount of each element of the remuneration of each of the former Directors and KMP Executives are outlined in Table 12. All amounts are in Australian dollars and relate only to that portion of the year in which the former Director or KMP Executive occupied the role.

Remuneration report (continued)

Section 10 - Remuneration tables – Former Directors and KMP Executives (continued)

Section 10.1 - Total remuneration – Former Directors and KMP Executives (continued)

Table 12 - Total remuneration – Former Directors and KMP Executives

	Short term benefits							Share based payments		Post employment benefits	
	Salary	Leave accrual[1]	Non-monetary benefits[2]	Directors' fees	Short term incentive	Other payments	Termination payments	Total Amortisation value of LTIP	Cash/Other equity	Superannuation contributions	Total
Former Non -executive Directors	$	$	$	$	$	$	$	$	$	$	$
M McSweeney[3] Non-executive Director	50,262	0	0	0	0	0	0	0	0	1,840	52,102
Former Executive Directors											
P Garaty[4] Managing Director/CEO	729,411		0	0	0	0	678,992	0	0	20,588	1,428,990
M Pillhofer[5] Executive Director	56,573	2,716	5,642	0	0	0	0	0	0	5,233	70,164
Sub-total of Former Directors	**836,245**	**2,716**	**5,642**	**0**	**0**	**0**	**678,992**	**0**	**0**	**27,661**	**1,551,256**
Former KMP Executives											
C Nunn[6] Group CFO	312,980	0	0	0	0	0	243,862	0	0	25,000	581,842
C Keast[7] GM Bulk & Liquid Transport	324,999	0	0	0	0	0	233,010	0	0	25,000	583,009
Sub-total of Former KMP Executives	**637,979**	**0**	**0**	**0**	**0**	**0**	**476,872**	**0**	**0**	**50,000**	**1,164,851**
TOTAL Former Directors and KMP Executives	**1,474,225**	**2,716**	**5,642**	**0**	**0**	**0**	**1,155,864**	**0**	**0**	**77,661**	**2,716,108**

1. Leave accrual includes any net changes in the balance of annual leave (i.e. leave entitlements that accrued during the year but were not used).
2. Non-monetary benefits include salary sacrificed components of remuneration packages.
3. M McSweeney resigned as a Director on 7 March 2014 - amounts shown represent his remuneration from 1 July 2013 until that date.
4. P Garaty was appointed Chief Executive Officer on 22 April 2012 and Managing Director on 21 January 2013 - amounts shown above represent his remuneration from 1 July 2013 until 28 March 2014 and his termination payment made at 30 June 2014. The termination payment includes $78,992 for accrued annual leave paid out at 30 June 2014.
5. M Pillhofer resigned as a Director on 23 August 2013, but continues in the role of Chief Financial Officer of the Heavy Haulage & Lifting division. The amount shown represents his remuneration from 1 July 2013 until 23 August 2013.
6. C Nunn was appointed as Group Chief Financial Officer on 26 June 2013 - amounts shown represent his remuneration from 1 July 2013 until he ceased employment on 4 April 2014 and his termination payment (the termination payment includes $18,862 for accrued annual leave).
7. C Keast ceased employment on 14 February 2014 - amounts shown above represent his remuneration from 1 July 2013 until that date and his termination payment (the termination payment includes $22,112 for accrued annual leave).

Remuneration report (continued)

Section 10 - Remuneration tables – Former Directors and KMP Executives (continued)

Section 10.2 - Total shareholdings – Former Directors and KMP Executives

Details of the total number of Shares and or Options held by each Director and KMP Executive of the Company are set out in Table 13.

Table 13 - Total shareholdings – Former Directors and KMP Executives

		Balance of Shares at start of year	Shares acquired during the year through the vesting of LTIP	Shares acquired during the year as part of remuneration	Other shares purchased during the year	Other shares acquired during the year[1]	Other shares disposed of during the year[2]	Balance of shares held at last date as a KMP
Former Non -executive Directors								
M McSweeney Non-executive Director	**2014**	0	0	0	477	86,360	0	86,837
Former Executive Directors								
P Garaty Managing Director/CEO	**2014**	0	0	0	1,431	259,080	0	260,511
M Pillhofer Executive Director	**2014**	13,484	0	0	0	2,450,533	(1,637,520)	826,497
C Nunn Group CFO	**2014**	0	0	0	50,000	0	0	50,000
C Keast GM Bulk & Liquid Transport	**2014**	0	0	0	954	172,720	0	173,674

1. Includes the impact of a share split that was undertaken on 28 November 2013 at a ratio of 182.0478 to 1
2. Represents those shares sold as a result of the IPO

Remuneration report (continued)

Section 10 - Remuneration tables – Former Directors and KMP Executives (continued)

Section 10.3 - Loan Funded Share Plan

As discussed in Section 5.4 McAleese operates a loan funded share plan. Two former KMPs participated in the plan; details of their participation are set out in Table 14.

Table 14 - Loan Funded Share Plan Changes – Former KMP

		Maximum share opportunity at start of year[1]	Share opportunities offered during the year (maximum)[2]	Fair value of LFSP offered during the year[3]	Shares vested and converted during the year	Value of those shares converted during the year	Share opportunities lapsed during the year[4]	Value of lapsed opportunities[5]	Incremental value of LFSP during year[6]	Maximum share opportunity at year end
Former Executive Directors										
P Garaty Managing Director/CEO	**2014**	0	2,679,039	$1,093,760	0	0	2,679,039	($1,093,760)	0	0
Former KMP Executives										
C Keast GM Bulk & Liquid Transport	**2014**	0	1,955,376	$792,985	0	0	1,955,376	($792,985)	0	0

1. Maximum share opportunity is the maximum number of LFS that can be achieved from all unvested LFS offers as at the date indicated.
2. No further offers will be made under the LFSP.
3. The value of share opportunities is based on the fair value at the date of offer.
4. The 2013 LFSP offers lapsed as a result of the KMP ceasing employment with McAleese.
5. The value of lapsed share opportunities is based on the fair value at the date of offer.
6. The net value of LFS offered, vested, converted and lapsed during the year provides an indication of incremental value received during the year.

Remuneration report (continued)

Section 11 - Other information

Loans to Directors and Executives

Apart from the limited recourse loans in connection with the McAleese Group Loan Funded Share Plan there were no loans made to Directors of McAleese Limited or to any KMP of the Company and the consolidated entity, including their personally related entities during the year, nor were there any loans outstanding at the end of the prior financial year.

Other transactions with Directors and Executives

There were no transactions between the Group and the Directors of McAleese Limited or with any other KMP of the Group, including their personally related entities, during the current or previous financial year other than those disclosed above, and relating to remuneration and to transactions concerning options and shares.

Directors' and Officers' liability insurance

Amounts disclosed as remuneration of Directors and KMP Executives exclude premiums paid by the Group in respect of Directors' and Officers' liability insurance contracts. Further information relating to these insurance contracts is set out under a separate section of the Directors' Report.

Policy for dealing in securities

McAleese's "Policy for Dealing in Securities" prohibits directors and all employees (including the KMP Executives) from entering into transactions or arrangements for short term gain including buying and selling Shares in a three month period or entering into other short term dealings (e.g., forward contracts). Additionally, employees (including KMP Executives) are prohibited from entering into any hedge transaction involving an unvested equity based incentive award or grant made by the Company, irrespective of the outcome under that incentive or grant.

The share trading policy also prohibits McAleese's directors and Executives (including the KMP Executives) from entering into any margin loan or similar funding arrangement in relation to acquiring Shares.

Section 12 - Glossary of terms

Board means the board of McAleese Limited.

Cash flow means cash flows from operating activities.

Company means McAleese Limited.

Director means a Director of McAleese Limited.

EBIT means earnings before interest and tax.

Executive means those executives who play a significant role within McAleese but may not be a KMP for the purposes of this report.

Group means McAleese and its subsidiaries.

KMP or Key Management Personnel means those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise).

Remuneration report (continued)

Section 12 - Glossary of terms (continued)

KMP Executive means an Executive of McAleese who meets the definition of a KMP.

McAleese means McAleese Limited.

Safety means Reportable Incident Frequency Rate.

Share means a fully paid ordinary share in the capital of McAleese.

TSR means total shareholder return.

This report is made with a resolution of the directors:

Mr Don Telford
Director

Mr Mark Rowsthorn
Director

Dated at Camberwell on the 27th day of August 2014.

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

To: the directors of McAleese 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

SEBell

Suzanne Bell
Partner

Melbourne

27 August 2014

McAleese Limited
Consolidated statement of comprehensive income
For the year ended 30 June 2014

	Note	30 Jun 14 $'000	30 Jun 13 $'000
Revenue	6	760,297	745,454
Other income	7	6,930	1,081
Direct transport and logistics costs		(136,866)	(143,547)
Cost of goods sold		(49,250)	(46,040)
Repairs and maintenance		(37,400)	(33,388)
Employee benefits expense		(305,260)	(268,606)
Fuel, oil, electricity		(79,157)	(68,629)
Occupancy and property costs		(27,682)	(22,448)
Depreciation and amortisation expense	8	(46,601)	(42,589)
Impairment charges	18,19	(47,309)	-
Other expenses	9	(74,864)	(38,296)
Profit/(loss) before finance costs and income tax		**(37,162)**	**82,992**
Net finance costs	10	(39,230)	(55,092)
Profit/(loss) before income tax		**(76,392)**	**27,900**
Income tax benefit/(expense)	11	12,768	(10,329)
Profit/(loss) after income tax		**(63,624)**	**17,571**
Profit/(loss) attributable to:			
Owners of the Company		(63,292)	18,898
Non-controlling interest		(332)	(1,327)
Profit/(loss) for the year		**(63,624)**	**17,571**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of cash flow hedges		1,774	157
Translation of foreign operations		(732)	1,061
Tax on items that may be reclassified subsequently to profit or loss		(532)	(47)
Total items that may be reclassified subsequently to profit or loss		510	1,171
Other comprehensive income/(loss), net of tax		**510**	**1,171**
Total comprehensive income/(loss) for the year		**(63,114)**	**18,742**
Total comprehensive income/(loss) attributable to:			
Owners of the Company		(62,782)	20,069
Non-controlling interest		(332)	(1,327)
Total comprehensive income/(loss) for the year		**(63,114)**	**18,742**
Basic earnings/(loss) per share (cents)	12	(30.20)	19.05
Diluted earnings/(loss) per share (cents)	12	(30.20)	19.05

The notes on pages 33 to 78 are an integral part of these consolidated financial statements.

McAleese Limited
Consolidated statement of financial position
As at 30 June 2014

	Note	30 Jun 14 $'000	30 Jun 13 $'000
Current assets			
Cash and cash equivalents	29	50,958	22,586
Trade and other receivables	13	96,206	112,329
Prepayments	14	5,972	6,299
Inventories	15	2,204	17,814
Assets classified as held for sale	16	53,104	-
Total current assets		**208,444**	**159,028**
Non-current assets			
Property, plant and equipment	18	374,209	383,803
Intangible assets	19	54,691	84,715
Total non-current assets		**428,900**	**468,518**
Total assets		**637,344**	**627,546**
Current liabilities			
Trade and other payables	20	67,022	75,389
Financial instruments	29	1,600	1,495
Loans and borrowings	21	18,488	30,108
Current tax provision		-	2,597
Employee provisions	22	24,377	25,351
Other provisions	23	17,066	645
Liabilities classified as held for sale	16	10,145	-
Total current liabilities		**138,698**	**135,585**
Non-current liabilities			
Financial instruments	29	2,248	279
Loans and borrowings	21	258,439	374,958
Employee provisions	22	2,318	2,159
Other provisions	23	3,053	2,774
Deferred tax liabilities	17	501	11,893
Total non-current liabilities		**266,559**	**392,063**
Total liabilities		**405,257**	**527,648**
Net assets		**232,087**	**99,898**
Equity			
Contributed equity	24	251,417	52,252
Reserves	25	(1,297)	114
(Accumulated losses)/retained earnings		(19,923)	43,369
Total equity attributable to equity holders of the Company		**230,197**	**95,735**
Non-controlling interest		1,890	4,163
Total equity		**232,087**	**99,898**

The notes on pages 33 to 78 are an integral part of these consolidated financial statements.

McAleese Limited

Consolidated statement of changes in equity

For the year ended 30 June 2014

		Attributable to Owners of the Company											
		Share capital			Reserves								
		Ordinary Share Capital	Convertible Loan Notes	Total Share Capital	Capital Reserves	Foreign Currency Translation Reserve	Cash Flow Hedge Reserve	Share - Based Payments Reserve	Total Reserves	(Accumulated Losses) / Retained Earnings	Total Equity	Non-controlling Interest	Total Equity
	Note	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance at 1 July 2012		**(2,548)**	**54,800**	**52,252**	**225**	**70**	**(1,352)**	**-**	**(1,057)**	**24,471**	**75,666**	**5,490**	**81,156**
Total comprehensive income													
Profit/(loss)		-	-	-	-	-	-	-	-	18,898	18,898	(1,327)	17,571
Other comprehensive income		-	-	-	-	1,061	110	-	1,171	-	1,171	-	1,171
Total comprehensive income		**-**	**-**	**-**	**-**	**1,061**	**110**	**-**	**1,171**	**18,898**	**20,069**	**(1,327)**	**18,742**
Balance at 30 June 2013		**(2,548)**	**54,800**	**52,252**	**225**	**1,131**	**(1,242)**	**-**	**114**	**43,369**	**95,735**	**4,163**	**99,898**
Opening balance at 1 July 2013		**(2,548)**	**54,800**	**52,252**	**225**	**1,131**	**(1,242)**	**-**	**114**	**43,369**	**95,735**	**4,163**	**99,898**
Total comprehensive income													
Profit/(loss)		-	-	-	-	-	-	-	-	(63,292)	(63,292)	(332)	(63,624)
Other comprehensive income (net of tax)		-	-	-	-	(732)	1,242	-	510	-	510	-	510
Total comprehensive income		**-**	**-**	**-**	**-**	**(732)**	**1,242**	**-**	**510**	**(63,292)**	**(62,782)**	**(332)**	**(63,114)**
Share-based payments expense		-	-	-	-	-	-	138	138	-	138	-	138
Transactions with owners in their capacity as owners													
Issue of new shares	24	4,000	-	4,000	-	-	-	-	-	-	4,000	-	4,000
Issue of new shares – Initial Public Offering (net of transaction costs)	24	133,163	-	133,163	-	-	-	-	-	-	133,163	-	133,163
Conversion of convertible loan note to ordinary shares	24	116,802	(54,800)	62,002	-	-	-	-	-	-	62,002	-	62,002
Change in ownership interest in subsidiary		-	-	-	(2,059)	-	-	-	(2,059)	-	(2,059)	(1,941)	(4,000)
Total transactions with owners in their capacity as owners		**253,965**	**(54,800)**	**199,165**	**(2,059)**	**-**	**-**	**-**	**(1,921)**	**-**	**197,244**	**(1,941)**	**195,303**
Balance at 30 June 2014		**251,417**	**-**	**251,417**	**(1,834)**	**399**	**-**	**138**	**(1,297)**	**(19,923)**	**230,197**	**1,890**	**232,087**

The notes on pages 33 to 78 are an integral part of these consolidated financial statements.

McAleese Limited
Consolidated statement of cash flows
For the year ended 30 June 2014

	Note	30 Jun 14 $'000	30 Jun 13 $'000
Cash flows from operating activities			
Cash receipts from customers		847,641	814,459
Cash paid to suppliers and employees		(759,190)	(688,990)
Interest received		597	488
Interest paid		(35,935)	(21,433)
Tax paid		(2,057)	(13,229)
Net cash inflow from operating activities	27	**51,056**	**91,295**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(69,300)	(66,864)
Proceeds from sale of property, plant and equipment		7,748	6,881
Purchase of additional investment in subsidiary		(4,000)	-
Purchase of investment in subsidiary, net of cash acquired	28	(14,082)	-
Disposal of subsidiary, net of cash disposed	28	5,266	-
Repayment of related party loan		(1,000)	(505)
Proceeds from sale of investments		-	7,023
Purchase of intangible assets	19	(205)	(817)
Net cash outflow from investing activities		**(75,573)**	**(54,282)**
Cash flows from financing activities			
Proceeds from borrowings		296,390	36,272
Repayment of borrowings		(368,836)	(62,500)
Payment of debt establishment costs		(3,353)	(1,050)
Proceeds from issue of shares		140,000	-
Transaction costs relating to initial public offering		(6,496)	-
Payment of finance lease liabilities		(4,816)	(5,500)
Net cash inflow/(outflow) from financing activities		**52,889**	**(32,778)**
Net increase in cash and cash equivalents		28,372	4,235
Cash and cash equivalents at 1 July		22,586	18,351
Cash and cash equivalents at 30 June	29	**50,958**	**22,586**

The notes on pages 33 to 78 are an integral part of these consolidated financial statements.

1. Reporting entity

McAleese Limited (the 'Company') is a company domiciled in Australia. These consolidated financial statements ('financial statements') as at and for the year ended 30 June 2014 comprise the Company and its subsidiaries (together referred to as the 'Group'). The Group is a for-profit entity and is primarily involved in the specialised transport and logistics industry.

The principal accounting policies which have been adopted in the preparation of the consolidated financial statements are set out below. These accounting policies have been consistently applied unless otherwise stated.

2. Basis of preparation

(a) Statement of compliance

These consolidated financial statements are general purpose financial statements which have 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 statements comply with the International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were approved by the Board of Directors on 27 August 2014.

(b) Basis of measurement and the going concern assumption

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments and available-for-sale financial assets which are measured at fair value. The methods used to measure the fair values are discussed further in Note 4.

In preparing the consolidated financial statements, the directors made an assessment of the ability of the Group to continue as a going concern, which contemplates the continuity of the business operations, realisation of assets and settlement of liabilities in the ordinary course of business and at the amounts stated in the consolidated financial statements.

Based on forecast trading results and cash flows, the directors believe that the Group 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 Group. The forecasts, 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.

After making enquiries and considering 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 consolidated financial statements.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars which is the Company's functional currency and the functional currency of the majority of the Group.

(d) Use of estimates and judgements

The preparation of consolidated financial statements 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 these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

Information about significant areas of estimation and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Notes 11 & 17 - income tax expense and deferred tax balances
- Note 18 - property, plant and equipment
- Note 19 - intangible assets
- Note 28 - acquisition and disposal of subsidiary

(e) Changes in accounting policies and new standards

The accounting policies applied in these financial statements are consistent with those applied in the financial report for the year ended 30 June 2013, except as disclosed below. There was no significant impact on the financial statements on the first time application of these accounting policies.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2013.

AASB 10 *Consolidated Financial Statements* (2011) (see (i) below)

AASB 119 *Employee Benefits* (2011) (see (ii))

AASB 13 *Fair Value Measurement* (see (iii))

AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (see (iv))

The nature and the effect of the changes are further explained below.

(i) Basis of consolidation - subsidiaries

As a result of AASB 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates investees. AASB 10 (2011) introduces a new control model that is applicable to all investees, by focusing on whether the Group has power over an investee, exposure or rights to, variable returns from its involvement with an investee and has the ability to use its power to affect those returns.

In accordance with the transitional provisions of AASB 10 (2011), the Group reassessed the control conclusion for its investees at 1 July 2013. The Group has not changed its control conclusion in respect of its investment in any entities.

(ii) Employee benefits – short-term employee benefits

As a result of AASB 119 (2011), the Group has changed its accounting policy with respect to the basis for measuring short-term employee benefits. AASB 119 (2011) requires short-term employee benefit obligations that are not expected to be wholly settled within 12 months of the reporting date to be measured on a discounted basis.

The Group has reassessed the measurement of its short-term employee benefits and there was no significant impact on its financial statements.

2. Basis of preparation (continued)

(e) Changes in accounting policies and new standards (continued)

(iii) Fair value measurement

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other AASBs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosures requirements about fair value measurements in other AASBs, including AASB 7 *Financial Instruments: Disclosures.* Some of these disclosures are specifically required in interim financial statements for financial instruments, accordingly the Group has included additional disclosures in this regard.

In accordance with the transitional provisions of AASB 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurement of the Group's assets and liabilities.

(iv) Amendments to Australian Accounting Standards to remove individual Key Management Personnel disclosure requirements

AASB 2011-4 allows the removal of individual key management personnel disclosure to avoid duplication of remuneration report disclosures.

The impact of all other standards and amendments have been analysed and do not have a material impact on the Group's interim financial statements.

3. 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 except where certain comparative amounts in the consolidated statement of comprehensive income have been reclassified to conform with the current year's presentation.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 per cent of the voting power of another entity. The consolidated financial statements includes the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, its carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

(iii) Transactions eliminated on consolidation

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

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated against the investment to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate at that date.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for:

- differences in respect of qualifying cash flow hedges to the extent the hedge is effective, which are recognised in other comprehensive income and;
- Exchange differences on monetary items receivable from or payable to the Group's foreign operations for which settlement is neither planned nor likely to occur in the foreseeable future. The exchange differences are considered to form part of the net investment in a foreign operation and are recognised in other comprehensive income and presented within equity in the foreign currency translation reserve and recognised in profit and loss on disposal of the foreign operation.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at average rates of exchange for the year.

Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity. When a foreign operation is disposed of, the cumulative amount in the translation reserve related to that foreign operation is transferred to profit or loss on disposal of the entity.

(c) Financial instruments

(i) Derivative financial instruments and foreign exchange

The Group enters into derivative financial instruments to hedge its interest rate risk and when required, enters derivative financial instruments to hedge any foreign currency exposures. Embedded derivatives are separated from the host contract and accounted for separately if: the economic characteristics and risks of the host contract and the embedded derivative are not closely related; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value and attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for as described below.

Cash flow hedges

Where a derivative instrument is designated as a cash flow hedge, the change in the fair value of the derivative is recognised in other comprehensive income and presented in the cash flow hedge reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Derivative financial instruments and foreign exchange (continued)

When the hedged item is a non-financial asset, the amount recognised in equity is included in the carrying amount of the asset when the asset is recognised. In other cases, the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, the hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, the balance in equity is reclassified to profit or loss.

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in profit and loss. The Group did not apply hedge accounting in the current period.

(ii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of or repurchase (buy-back) of, ordinary shares and share options are recognised as a deduction from equity, net of any tax effects. Ordinary shares bought back by the company are cancelled in accordance with the law.

Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

(iii) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest related to the financial liability is recognised in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognised.

(iv) Non-derivative financial instruments

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

Non-derivative financial instruments are initially recognised at fair value plus, for instruments not at fair value through profit and loss, directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are remeasured as described below.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the financial asset without retaining substantially all the risks and rewards of ownership of the asset.

Trade and other receivables

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost less any impairment losses.

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iv) Non-derivative financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income. When an investment is derecognised, the cumulative gain or loss in equity is reclassified to profit or loss.

(v) Non-derivative financial liabilities

Non-derivative financial liabilities comprise trade and other payables and loans and borrowings.

Non-derivative financial liabilities are recognised initially when the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations expire or are discharged or cancelled.

Trade and other payables are measured at cost and borrowings and loans are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings and loans are measured at amortised cost using the effective interest rate method.

(d) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment.

When parts of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment.

Valuations are performed periodically to ensure that the fair value of the assets do not differ materially from their carrying amounts. Any revaluation increment is credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in profit or loss, in which case the increment is recognised in profit or loss. Any revaluation decrement is recognised in profit or loss, except to the extent that it offsets a previous revaluation increment for the same asset, in which case the decrement is debited directly to a capital revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Upon disposal or derecognition, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are included in the statement of comprehensive income.

3. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets as follows:

- buildings 20 to 40 years
- leasehold improvements 1 to 10 years
- plant and equipment 2 to 20 years

Depreciation methods, useful lives and residual values are reviewed annually.

(e) Intangible assets

(i) Goodwill

The Group measures goodwill as the fair value of the consideration over the net recognised amount of the identified assets acquired and liabilities assumed as at the acquisition date.

Negative goodwill arising on acquisition is recognised immediately in profit and loss. Transaction costs, other than those associated with the issue of debt or equity securities, incurred in connection with the transaction are expensed as incurred.

Goodwill is measured at cost less accumulated impairment losses.

(ii) Research and development

Expenditure on research activities is recognised in profit or loss as incurred.

Development expenditure is capitalised only if: development costs can be measured reliably; the product or process is technically and commercially feasible; future economic benefits are probable; and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred. Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Other intangible assets

Other intangible assets which have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable the future economic benefits embodied in the specific asset to which it relates will benefit the Group. All other expenditure is recognised in profit and loss as incurred.

(v) Amortisation

Intangible assets, with the exception of goodwill, are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

The estimated useful lives are as follows:

- development costs 2 to 5 years
- customer relationships 3 to 15 years
- customer contracts 1 to 3 years
- software 2 to 5 years

Amortisation methods, useful lives and residual values are reviewed annually.

3. Significant accounting policies (continued)

(f) Leased assets

Leases are classified as finance leases when the Group assumes substantially all the risks and rewards of ownership. On initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's statement of financial position.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out basis and includes: expenditure incurred in acquiring the inventories; production or conversion costs; and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

(h) Impairment

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events that occurred after the initial recognition of the asset have had a negative impact on the estimated future cash flows of that asset.

(i) Non-derivative financial assets

Financial assets measured at amortised cost

The Group considers evidence of impairment for financial assets measured at amortised cost at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

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 asset's original effective interest rate. Losses are recognised in profit or loss and reflected as an allowance against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

3. Significant accounting policies (continued)

(h) Impairment (continued)

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Goodwill and indefinite life intangible assets are tested at least annually for impairment. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually 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 CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill and then to reduce the carrying amounts of the other assets on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, 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.

(i) Employee benefits

(i) Long- term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefits that employees have earned in return for their service in the current and prior periods plus related on-costs. The future benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations.

(ii) Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(j) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Where applicable, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

3. Significant accounting policies (continued)

(j) Provisions (continued)

(ii) Restructuring

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 of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(iii) Onerous Contracts

An onerous contract is considered to exist where the Group has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations existing under onerous contracts are recognised as a provision to the extent that the present obligations exceed the benefits estimated to be received.

(k) Revenue

(i) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, discounts and rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(ii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to labour hours or days incurred to date as a percentage of total estimated labour hours or days for each contract. When the contract outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable. An expected loss on a contract is recognised immediately in the profit and loss.

(l) Leases

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Payments made under operating leases are recognised in profit and loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as part of the total lease expense over the term of the lease.

(m) Finance income and finance costs

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss and gains on hedging instruments that are recognised in profit and loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, bank fees and charges, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit and loss.

Borrowing costs are recognised in profit or loss using the effective interest method.

3. Significant accounting policies (continued)

(n) Income Tax

Tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss
- differences related to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future
- taxable temporary differences arising on the initial recognition of goodwill.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities. As such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right of offset and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the tax losses, tax credits and temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Company and its wholly-owned Australian resident entities are part of a tax consolidated group and are taxed as a single entity. The head entity within the tax consolidated group is McAleese Limited.

(o) Assets Held for Sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered principally through sale rather than through continuing use, are classified as held for sale when they meet the criteria set out in AASB 5 *Non-current Assets Held for Sale and Discontinued Operations,* including completion of the sale within 12 months. Immediately before classification as held for sale, the assets, or components of disposal groups, are remeasured in accordance with the Group's accounting policies. Thereafter, generally the assets, or disposal group, are measured at the lower of their carrying amount, and fair value less costs of disposal. Any impairment losses on initial classification of assets held for sale and subsequent gains or losses on re-measurement are recognised in profit and loss. Gains are not recognised in excess of any cumulative impairment loss.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for financial and non-financial assets and liabilities. Fair values have been determined for measurement and disclosure purposes based on the following methods. When applicable, further information on the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate. Depreciated replacement cost estimates reflect adjustments for physical deterioration as well as functional and economic obsolescence.

(b) Intangible assets

The fair value of customer contracts and customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(c) Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(d) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest. Where this fair value is determined for disclosure purposes, the market rate of interest is that at reporting date. Where this fair value is determined when acquired in a business combination, the market rate of interest is that at the date of acquisition.

(e) Forward rate contracts and interest rate swaps

The fair value of forward exchange contracts is based on their quoted price, if available. If a quoted price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a credit-adjusted risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

(f) Other non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

5. Segment information

The Group has four reportable segments as described below. For each segment, the Group's Chief Executive Officer reviews internal management reports on at least a monthly basis.

Following the ASX announcement of the restructure of the Cootes Transport business on 30 January 2014, the subsequent business update on 18 February 2014 and the acquisition of the WA Freight Group, the executive management team restructured the McAleese business into four operating divisions and realigned the Group's internal management reporting systems consistent with the new operating divisions. The previously described "Bulk & Liquid Transport" segment has been disaggregated into two reportable segments, Bulk Haulage and Oil & Gas and the corresponding comparative information has been adjusted to enhance comparability.

The following describes the operations in each of the Group's reportable segments:

- The Heavy Haulage & Lifting division (HHL) is a provider of specialised heavy haulage and lifting solutions for heavy equipment required in the construction, operation and maintenance of resources, energy and infrastructure projects. HHL also provides storage and transport services for mining inputs.
- The Bulk Haulage division is a provider of bulk commodities haulage to port facilities and/or processing infrastructure by truck across off-road and on-road (highway) routes and ancillary on-site services in the iron ore and gold mining sectors.
- The Oil & Gas division is a transporter of liquid fuels and petroleum products in Australia for global oil and gas companies, a designer and manufacturer of fuel transfer equipment and provider of aircraft refuelling services.
- The Specialised Transport division is the leading less than truck load (LTL) express carrier on the East-West corridor, operating a network of freight depot facilities in all major capital cities around Australia. The business serves a range of markets including, retail, print, food and beverage, light manufacturing, oil, gas and resources.

Unallocated items comprise mainly corporate overheads, finance costs, taxation and associated assets and liabilities.

5. Segment information (continued)

	Heavy Haulage & Lifting		Bulk Haulage		Oil & Gas		Specialised Transport		Total Reportable Segments		Unallocated		Total Group	
	30 Jun 14 $'000	30 Jun 13 $'000	30 Jun 14 $'000	30 Jun 13 $'000	30 Jun 14 $'000	30 Jun 13 $'000	30 Jun 14 $'000	30 Jun 13 $'000	30 Jun 14 $'000	30 Jun 13 $'000	30 Jun 14 $'000	30 Jun 13 $'000	30 Jun 14 $'000	30 Jun 13 $'000
Revenue	186,548	253,405	265,175	175,409	295,408	316,634	13,153	-	760,284	745,448	13	6	760,297	745,454
Other income	1,627	522	515	226	2,726	333	2,062	-	6,930	1,081	-	-	6,930	1,081
Segment income	**188,175**	**253,927**	**265,690**	**175,635**	**298,134**	**316,967**	**15,215**	**-**	**767,214**	**746,529**	**13**	**6**	**767,227**	**746,535**
EBITDA before significant items	39,564	66,082	41,825	36,431	9,894	30,500	521	-	91,804	133,013	(6,542)	(4,632)	85,262	128,381
Depreciation and amortisation	(11,771)	(11,181)	(20,203)	(15,806)	(14,122)	(15,556)	(423)	-	(46,519)	(42,543)	(82)	(46)	(46,601)	(42,589)
EBIT before significant items	**27,793**	**54,901**	**21,622**	**20,625**	**(4,228)**	**14,944**	**98**		**45,285**	**90,470**	**(6,624)**	**(4,678)**	**38,661**	**85,792**
Individually significant items:														
Profit on disposal of subsidiary	-	-	-	-	2,523	-	-	-	2,523	-	-	-	2,523	-
IPO costs	-	-	-	-	-	-	-	-	-	-	(2,673)	(2,800)	(2,673)	(2,800)
Impairment charges - goodwill & intangibles	(6,772)	-	-	-	(23,849)	-	-	-	(30,621)	-	-	-	(30,621)	-
Impairment charges - plant & equipment	-	-	(7,175)	-	(9,513)	-	-	-	(16,688)	-	-	-	(16,688)	-
Mona Vale accident	-	-	-	-	(11,329)	-	-	-	(11,329)	-	-	-	(11,329)	-
Restructure costs & superannuation	(1,735)	-	-	-	(14,200)	-	-	-	(15,935)	-	-	-	(15,935)	-
Onerous lease	-	-	-	-	(1,100)	-	-	-	(1,100)	-	-	-	(1,100)	
Total significant items	**(8,507)**	**-**	**(7,175)**	**-**	**(57,468)**	**-**	**-**	**-**	**(73,150)**	**-**	**(2,673)**	**(2,800)**	**(75,823)**	**(2,800)**
EBIT after significant items	**19,286**	**54,901**	**14,447**	**20,625**	**(61,696)**	**14,944**	**98**	**-**	**(27,865)**	**90,470**	**(9,297)**	**(7,478)**	**(37,162)**	**82,992**
Net finance costs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(39,230)	(55,092)	(39,230)	(55,092)
Profit/(loss) before income tax	**19,286**	**54,901**	**14,447**	**20,625**	**(61,696)**	**14,944**	**98**	**-**	**(27,865)**	**90,470**	**(48,527)**	**(62,570)**	**(76,392)**	**27,900**
Income tax benefit/(expense)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	12,768	(10,329)	12,768	(10,329)
Profit/(loss) after income tax	**19,286**	**54,901**	**14,447**	**20,625**	**(61,696)**	**14,944**	**98**	**-**	**(27,865)**	**90,470**	**(35,759)**	**(72,899)**	**(63,624)**	**17,571**
Reportable segment assets	250,956	280,919	192,336	157,805	119,574	165,529	21,791	-	584,657	604,253	52,687	23,293	**637,344**	**627,546**
Reportable segment liabilities	(41,405)	(28,751)	(34,087)	(22,090)	(56,708)	(43,396)	(8,712)	-	(140,912)	(94,237)	(264,345)	(433,411)	**(405,257)**	**(527,648)**

One customer contributed individually more than 10% of Group revenue in 2014. The revenue contribution was $185,000,000 and was within the Bulk Haulage segment. For the comparative period two customers contributed revenue of $111,000,000 and $91,000,000 within the Bulk Haulage and Oil & Gas segments respectively.

Sales revenue from external customers attributable to Australia is $734,959,000 (2013: $720,459,000) and attributable to foreign operations is $25,338,000 (2013; $24,995,000). Non-current assets attributable to Australia is $449,039,000 (2013: $464,145,000) and attributable to foreign operations is $1,869,000 (2013: $4,373,000).

6. Sales revenue

	30 Jun 14 $'000	30 Jun 13 $'000
Rendering of services	681,805	667,157
Sale of goods	78,492	78,297
	760,297	**745,454**

7. Other income (including individually significant items)

	Note	30 Jun 14 $'000	30 Jun 13 $'000
Individually significant items:			
Profit on disposal of subsidiary	28	2,523	-
Total individually significant items		2,523	-
Net gain on sale of property, plant and equipment		2,014	961
Fuel levy income		2,062	-
Other income		331	120
		6,930	**1,081**

8. Depreciation and amortisation expense

		30 Jun 14 $'000	30 Jun 13 $'000
Depreciation of property, plant and equipment	18	43,868	38,213
Amortisation of intangible assets	19	2,733	4,376
		46,601	**42,589**

9. Other expenses (including individually significant items)

	30 Jun 14 $'000	30 Jun 13 $'000
Individually significant items:		
IPO related costs	2,673	2,800
Mona Vale accident	11,329	-
Restructure costs & superannuation	15,935	-
Onerous lease	1,100	-
Total individually significant items	31,037	2,800
Impairment loss on trade receivables	413	416
Other expenses	43,414	35,080
	74,864	**38,296**

10. Finance costs

	30 Jun 14 $'000	30 Jun 13 $'000
Interest income	685	488
Gain on sale of investments	-	1,519
	685	**2,007**
Finance costs		
Interest on borrowings	(21,817)	(32,483)
Amortisation of borrowing costs	(9,143)	(5,332)
Change in fair value of derivatives	(3,848)	-
Change in fair value of available for sale investments	-	(3,600)
Interest on unwind of CHAMP notes	-	(5,040)
Interest on convertible loan note	(5,107)	(10,644)
	(39,915)	**(57,099)**
Net finance costs	**(39,230)**	**(55,092)**

11. Income tax expense

	Note	30 Jun 14 $'000	30 Jun 13 $'000
Current tax expense		-	9,549
Deferred tax expense/(gain)	17	(13,209)	1,553
Prior year under/(over)provision		441	(773)
		(12,768)	**10,329**

Reconciliation of effective tax rate

	30 Jun 14 $'000	30 Jun 13 $'000
Profit/(loss) before income tax	(76,392)	27, 900
Tax using the Company's domestic tax rate of 30% (2013: 30%)	(22,918)	8,370
Effect of tax rates used in foreign jurisdictions	(13)	(89)
Non-deductible expenses	744	142
Impairment of goodwill & intangibles	9,187	-
Amortisation of intangible assets	686	1,103
Non-assessable profit on disposal of subsidiary	(757)	-
Utilisation of capital losses on disposal of equity securities	-	(455)
Fair value adjustment on LCR option	-	1,080
Interest on unwind of CHAMP notes	-	1,512
Interest on convertible loan notes	1,532	3,193
Current year losses for which no deferred tax asset was recognised	121	531
Prior year losses for which deferred tax now recognised	(1,791)	-
Change in recognised deductible temporary differences	-	(4,724)
Prior year under/(over) provision	441	(773)
Other	-	439
Income tax (benefit)/expense	**(12,768)**	**10,329**

11. Income tax expense (continued)

Unrecognised deferred tax assets

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

	30 Jun 14 $'000	30 Jun 13 $'000
Deductible temporary differences	3,206	3,895
Deductible temporary differences that are capital in nature	2,506	2,504
Carried forward tax losses	2,173	3,367
	7,885	**9,766**

The tax losses and deductible temporary differences excluding those that are capital in nature, relate to the Group's foreign operations. The deductible temporary differences and tax losses do not expire under current legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

Tax recognised in other comprehensive income

	30 Jun 14			30 Jun 13		
	Before tax $'000	Tax expense $'000	Net of tax $'000	Before tax $'000	Tax expense $'000	Net of tax $'000
Cash flow hedges	1,774	(532)	1,242	157	(47)	110
	1,774	**(532)**	**1,242**	**157**	**(47)**	**110**

12. Earnings per share

	30 Jun 14	30 Jun 13
Basic earnings per share (EPS)		
Earnings used in calculating basic EPS ($'000)	(63,292)	18,898
Weighted average number of shares on issue used in calculating basic EPS	209,590,517	99,207,680
Basic earnings/(loss) per share (cents)	**(30.20)**	**19.05**
Diluted earnings/(loss) per share (cents)	**(30.20)**	**19.05**

Prior to the Initial Public Offering a share split was undertaken in which each single share became 182.0478 shares. For comparability, the earnings per share calculation in the prior year has been adjusted to reflect the increase in the weighted number of shares on issue (previously 544,954).

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive shares (2013: nil).

13. Trade and other receivables

	Note	30 Jun 14 $'000	30 Jun 13 $'000
Trade receivables		96,894	107,362
Provision for impairment of receivables		(1,141)	(867)
Receivables from other related parties		1	26
Other receivables		13,673	5,808
Reclassification to assets held for sale	16	(13,221)	-
		96,206	**112,329**

14. Prepayments

	Note	30 Jun 14 $'000	30 Jun 13 $'000
Registrations and permits		3,915	3,751
Insurances		609	913
Rates and taxes		665	105
Other prepayments		1,568	1,530
Reclassification to assets held for sale	16	(785)	-
		5,972	**6,299**

15. Inventories

	Note	30 Jun 14 $'000	30 Jun 13 $'000
Raw materials and consumables		6,631	7,149
Work in progress		2,041	1,914
Finished goods		9,486	8,751
Reclassification to assets held for sale	16	(15,954)	-
		2,204	**17,814**

As at 30 June 2014 the write-down of inventories to net realisable value amounted to $747,000 (2013: $839,000). The entire provision in 2014 has been reclassified to assets held for sale.

16. Assets and liabilities classified as held for sale

	Note	30 Jun 14 $'000	30 Jun 13 $'000
(a) Assets classified as held for sale			
Disposal group held for sale:			
Trade and other receivables	13	13,221	-
Prepayments	14	785	-
Inventories	15	15,954	-
Deferred tax asset	17	1,136	-
Property, plant and equipment	18	12,338	-
Intangibles	19	1,004	-
Total assets of disposal group held for sale		**44,438**	**-**
Assets held for sale:			
Property, plant and equipment	18	8,666	-
Total assets held for sale		**8,666**	**-**
(b) Liabilities directly associated with assets classified as held for sale			
Disposal group held for sale:			
Trade and other payables	20	7,117	-
Employee entitlements	22	2,300	-
Other provisions	23	728	-
Total liabilities directly associated with assets classified as held for sale		**10,145**	**-**

16. Assets and liabilities classified as held for sale (continued)

i) The disposal group includes both the Liquip Group of companies which forms part of the Oil & Gas division and the Castlereagh Quarry business which forms part of the Bulk Haulage division. These sales are anticipated to be completed before the end of December 2014.

ii) In May 2014, directors resolved to sell excess equipment in the Oil & Gas division. The majority of the assets are anticipated to be sold before the end of December 2014.

17. Deferred tax balances

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	30 Jun 14 $'000	30 Jun 13 $'000	30 Jun 14 $'000	30 Jun 13 $'000	30 Jun 14 $'000	30 Jun 13 $'000
Property, plant and equipment	-	-	(32,110)	(32,886)	(32,110)	(32,886)
Inventories	59	69	(629)	(618)	(570)	(549)
Loans and borrowings	6,684	6,625	-	-	6,684	6,625
Employee benefits	8,166	8,515	-	-	8,166	8,515
Other provisions	3,498	814	-	-	3,498	814
Other items	7,578	6,374	(3,208)	(1,255)	4,370	5,119
Tax losses carried forward	9,461	469	-	-	9,461	469
	35,446	**22,866**	**(35,947)**	**(34,759)**	**(501)**	**(11,893)**
Set-off	(35,446)	(22,866)	35,446	22,866	-	-
Net deferred tax liabilities	**-**	**-**	**(501)**	**(11,893)**	**(501)**	**(11,893)**

17. Deferred tax balances (continued)

Movement in deferred tax balances during the year

	Note	Property, plant and equipment $'000	Inventories $'000	Loans and borrowings $'000	Employee benefits $'000	Other provisions $'000	Other items $'000	Tax losses carried forward $'000	Net deferred tax liabilities $'000
30 June 2014									
Opening balance		**(32,886)**	**(549)**	**6,625**	**8,515**	**814**	**5,119**	**469**	**(11,893)**
Acquired through business combination	28	(1,578)	-	126	591	150	157	-	(554)
Disposal of subsidiary	28	240	-	-	-	-	(191)	-	49
Recognised in profit or loss	11	2,288	38	465	(247)	2,534	(944)	9,075	13,209
Recognised in other comprehensive income		-	-	(532)	-	-	1,216	-	684
Prior year overprovision		3	-	-	-	-	(799)	(83)	(879)
Other		-	-	-	-	-	19	-	19
Reclassification to assets held for sale	16	(177)	(59)	-	(693)	-	(207)	-	(1,136)
Closing balance		**(32,110)**	**(570)**	**6,684**	**8,166**	**3,498**	**4,370**	**9,461**	**(501)**
30 June 2013									
Opening balance		(31,844)	(455)	6,906	7,403	464	6,625	626	(10,275)
Recognised in profit or loss	11	(931)	(94)	(234)	1,112	350	(1,599)	(157)	(1,553)
Recognised in other comprehensive income		-	-	(47)	-	-	-	-	(47)
Prior year overprovision		(111)	-	-	-	-	93	-	(18)
Closing balance		**(32,886)**	**(549)**	**6,625**	**8,515**	**814**	**5,119**	**469**	**(11,893)**

18. Property, plant and equipment

	Note	Land and buildings $'000	Leasehold improvements $'000	Plant and equipment $'000	Leased plant and equipment $'000	Total $'000
Cost						
Balance at 1 July 2013		1,531	21,955	564,441	48,936	636,863
Acquisitions through business combinations	28	-	470	19,980	1,795	22,245
Additions		5	2,775	66,807	2,469	72,056
Disposal of subsidiary	28	-	(216)	(12,970)	-	(13,186)
Disposals		(386)	(75)	(24,768)	-	(25,229)
Transfers		-	-	1,396	(1,399)	(3)
Reclassification to assets held for sale	16	(947)	(18,553)	(71,056)	-	(90,556)
Effect of movements in exchange rates		(30)	3	105	-	78
Balance at 30 June 2014		**173**	**6,359**	**543,935**	**51,801**	**602,268**
Balance at 1 July 2012		1,863	21,873	504,394	46,758	574,888
Additions		22	81	66,761	4,720	71,584
Disposals		(470)	(19)	(10,720)	-	(11,209)
Transfers		-	-	2,542	(2,542)	-
Effect of movements in exchange rates		116	20	1,464	-	1,600
Balance at 30 June 2013		**1,531**	**21,955**	**564,441**	**48,936**	**636,863**
Depreciation						
Balance at 1 July 2013		(245)	(6,975)	(235,731)	(10,109)	(253,060)
Acquisitions through business combinations	28	-	(254)	(13,626)	-	(13,880)
Depreciation	8	(39)	(1,045)	(41,147)	(1,637)	(43,868)
Impairment		-	(7,175)	(9,513)	-	(16,688)
Disposal of subsidiary	28	-	118	10,668	-	10,786
Disposals		36	75	19,048	-	19,159
Transfers		-	-	(349)	356	7
Reclassification to assets held for sale	16	181	12,539	56,832	-	69,552
Effect of movements in exchange rates		5	(1)	(71)	-	(67)
Balance at 30 June 2014		**(62)**	**(2,718)**	**(213,889)**	**(11,390)**	**(228,059)**
Balance at 1 July 2012		(212)	(6,115)	(203,586)	(9,127)	(219,040)
Depreciation	8	(59)	(868)	(35,704)	(1,582)	(38,213)
Disposals		42	18	5,229	-	5,289
Transfers		-	-	(600)	600	-
Effect of movements in exchange rates		(16)	(10)	(1,070)	-	(1,096)
Balance at 30 June 2013		**(245)**	**(6,975)**	**(235,731)**	**(10,109)**	**(253,060)**
Carrying Amounts						
As at 30 June 2013		1,286	14,980	328,710	38,827	383,803
As at 30 June 2014		**111**	**3,641**	**330,046**	**40,411**	**374,209**

Impairment loss and subsequent reversal

Impairment losses of $16,688,000 (2013: $0) were recognised during the period relating to the write down of assets to their recoverable amounts in the Oil & Gas and Bulk Haulage divisions. There were no impairment losses reversed during the period (2013: $0).

Leased plant and equipment

The Group leases equipment under finance lease agreements. Certain leases provide the Group with the option to purchase the equipment. The leased equipment secures the lease obligations (see Note 21).

18. Property, plant and equipment (continued)

Change in classification

During the financial year the Group paid out finance leases of $232,000 (2013: $1,143,000) and transferred the corresponding assets from leased plant and equipment to plant and equipment.

19. Intangible assets

	Note	Goodwill $'000	Development costs $'000	Customer relationships $'000	Customer contracts $'000	Software $'000	Total $'000
Cost							
Balance at 1 July 2013		77,035	217	6,645	4,713	5,996	94,606
Additions through business combination	28	4,132	-	-	-	-	4,132
Acquisitions		-	-	-	-	205	205
Disposal of subsidiary	28	-	-	-	-	(22)	(22)
Disposals		-	-	-	-	(1)	(1)
Transfers		-	-	-	-	3	3
Reclassification to assets held for sale	16	-	(217)	(3,292)	(248)	(1,784)	(5,541)
Impairment		(29,810)	-	-	-	-	(29,810)
Movements in exchange rates		-	-	-	-	(13)	(13)
Balance at 30 June 2014		**51,357**	**-**	**3,353**	**4,465**	**4,384**	**63,559**
Balance at 1 July 2012		77,035	133	6,645	4,732	5,333	93,878
Additions		-	202	-	-	615	817
Disposals		-	(118)	-	-	1	(117)
Movements in exchange rates		-	-	-	(19)	47	28
Balance at 30 June 2013		77,035	217	6,645	4,713	5,996	94,606
Amortisation							
Balance at 1 July 2013		-	(217)	(1,995)	(2,815)	(4,864)	(9,891)
Amortisation	8	-	-	(1,015)	(1,271)	(447)	(2,733)
Disposal of subsidiary	28	-	-	-	-	22	22
Disposals		-	-	-	-	1	1
Transfers		-	-	-	-	(7)	(7)
Reclassification to assets held for sale	16	-	217	2,415	248	1,657	4,537
Impairment		-	-	(753)	(58)	-	(811)
Movements in exchange rates		-	-	-	-	14	14
Balance at 30 June 2014		**-**	**-**	**(1,348)**	**(3,896)**	**(3,624)**	**(8,868)**
Balance at 1 July 2012		-	-	(392)	(759)	(4,337)	(5,488)
Amortisation	8	-	(217)	(1,603)	(2,075)	(481)	(4,376)
Movements in exchange rates		-	-	-	19	(46)	(27)
Balance at 30 June 2013		-	(217)	(1,995)	(2,815)	(4,864)	(9,891)
Carrying Amounts							
As at 30 June 2013		77,035	-	4,650	1,898	1,132	84,715
As at 30 June 2014		**51,357**	**-**	**2,005**	**569**	**760**	**54,691**

19. Intangible assets (continued)

Impairment testing for cash-generating units containing goodwill

The Group performs an impairment assessment when there is an indication of a possible impairment of its non-current assets and in addition, performs an impairment review of goodwill and indefinite life intangible assets at least annually. An impairment review was undertaken as at 30 June 2014.

For the purpose of impairment testing, goodwill is allocated to cash generating units ("CGUs") which equate to the Group's reportable segments. CGUs are the smallest group of assets that generate cash inflows that are largely independent of the cash flows from other assets or groups of assets. Impairment testing has been undertaken on a value-in-use basis whereby the net present value of the future cash flows are compared against the carrying amount of net operating assets. Cash flow projections are based on five year financial forecasts with the exception of Bulk Haulage, which is based on mine life of 8 years.

The aggregate carrying amounts of goodwill allocated to each CGU after impairment are as follows:

	30 Jun 14 $'000	30 Jun 13 $'000
Heavy Haulage & Lifting	-	6,772
Bulk Haulage	47,225	47,225
Oil & Gas	-	23,038
Specialised Transport	4,132	-
	51,357	**77,035**

Key assumptions used in discounted cash flow projections

The following key assumptions have been used in determining the recoverable amounts of CGU's to which goodwill has been allocated.

	Discount Rate		Terminal Value Growth Rate	
	30 Jun 14	30 Jun 13	30 Jun 14	30 Jun 13
Heavy Haulage & Lifting	15.2%	15.8%	2.5%	2.3%
Bulk Haulage	15.2%	16.9%	0%	2.5%
Oil & Gas	15.6%	16.9%	2.0%	2.5%
Specialised Transport	15.2%	-	2.0%	-

Management have determined that there are no reasonably possible changes in key assumptions which could occur in isolation of an appropriate management response, which would cause the carrying amount of these CGUs to exceed their recoverable amount.

Discount rate

Discount rate represents the pre-tax discount rate applied to cash flow projections. The discount rate reflects the market determined, and risk adjusted discount rate, adjusted as required for CGU specific risks.

Terminal value growth rate

Terminal value growth rate represents the growth rate applied to cash flow projections beyond the forecast period. These growth rates are based on forecasted long-term performance in the appropriate markets.

Results

The Group has impaired the carrying amount of goodwill in the Oil & Gas division by $23,038,000 and the Heavy Haulage & Lifting division by $6,772,000. The impairment is the result of a significant reduction in the Cootes Transport business following the Mona Vale accident and the subsequent loss of material customer contracts, and the softening market currently being experienced in the Heavy Haulage & Lifting division.

20. Trade and other payables

	Note	30 Jun 14 $'000	30 Jun 13 $'000
Trade payables		38,487	34,319
Other payables and accrued expenses		28,192	33,949
Other related party payables		614	1,046
Employee payables		6,846	6,075
Reclassification to liabilities held for sale	16	(7,117)	-
	29	**67,022**	**75,389**

21. Loans and borrowings

During the year the Group undertook an Initial Public Offering (IPO) which raised $133.5 million, net of transaction costs. At the same time, the Group entered into a new syndicated multi-option debt facility agreement (Senior Debt Facility) for $325.0 million. The IPO and the new Senior Debt Facility enabled the Group to repay all outstanding bank debt. There was no change to the Group's finance lease liabilities as a result of the IPO or the new Senior Debt Facility with all existing finance leases continuing.

	30 Jun 14 $'000	30 Jun 13 $'000
Current borrowings		
Secured bank loans	10,000	25,000
Capitalised facility fees	(959)	(4,953)
Finance lease liabilities	9,447	10,061
	18,488	**30,108**
Non-current borrowings		
Secured bank loans	250,400	311,443
Capitalised facility fees	(1,835)	(3,632)
Convertible loan notes[(i)]	-	56,895
Finance lease liabilities	9,874	10,252
	258,439	**374,958**

(i) The convertible loan notes were converted to equity on the Initial Public Offering of the Company. Refer to Note 24 for further information.

The new Senior Debt Facility comprises:

- a $300 million syndicated cash advance facility ('Facility A'), divided into two tranches:
    - a 4 year $150 million term loan tranche ('Tranche 1'); and
    - a 3 year $150 million revolving loan tranche ('Tranche 2'); and
- a $25 million revolving multi-option facility ('Facility B').

Facility A, Tranche 1

Tranche 1 is a four year term loan facility, repayable in full at maturity. No principal repayments are required prior to maturity. Tranche 1 may be prepaid voluntarily but amounts prepaid will reduce the commitments and may not be re-borrowed.

Facility A, Tranche 2

Tranche 2 is a three year revolving loan facility, repayable in full at maturity. No principal repayments are required prior to maturity. Tranche 2 amounts drawn may be prepaid voluntarily but prepayments will not reduce the commitments and may be re-borrowed

21. Loans and borrowings (continued)

Facility B

Facility B is a three year revolving multi-option facility for the provision of cash advances, letters of credit, bank guarantees and performance bonds. It is repayable in full at maturity with no principal repayments required prior to maturity. Facility B drawn amounts may be repaid voluntarily but prepayments will not reduce the commitments and may be re-borrowed.

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings were as follows:

			30 Jun 14		30 Jun 13	
	Currency	Year of Maturity	Face Value $'000	Carrying Amount $'000	Face Value $'000	Carrying Amount $'000
Secured bank loan	AUD	2016	110,400	110,400	-	-
Secured bank loan	AUD	2017	150,000	150,000	-	-
Secured bank loan	AUD	Repaid	-	-	62,500	62,500
Secured bank loan	AUD	Repaid	-	-	190,000	190,000
Secured bank loan	AUD	Repaid	-	-	5,000	5,000
Secured bank loan	AUD	Repaid	-	-	40,345	40,345
Secured bank loan	AUD	Repaid	-	-	38,598	38,598
Convertible loan notes	AUD	Converted	-	-	100,000	56,895
Finance lease liabilities	AUD	2015 / 2016	19,321	19,321	20,313	20,313
			279,721	**279,721**	**456,756**	**413,651**

Security for borrowings

During the year, the Group continued to provide security to its bankers. The bank loans are secured over the assets of the Grantors as listed in the General Security Agreement. The bank loans are subject to financial undertakings including ratios of debt and interest to earnings for which compliance is required at all times throughout the financial year and formal reporting requirements are in place as required by the Group's bankers. The finance lease liabilities are secured over leased plant and equipment.

Assets pledged as security

	30 Jun 14 $'000	30 Jun 13 $'000
Cash	49,907	20,529
Receivables	103,061	100,287
Loans receivable from non-grantors	29,481	32,383
Prepayments	6,576	5,833
Inventories	14,015	13,335
Property, plant & equipment - owned	329,072	316,225
Property, plant & equipment - leased	31,729	29,738
Intangible assets	55,675	84,690
Deferred tax assets	636	-
Total assets pledged as security	**620,152**	**603,020**

21. Loans and borrowings (continued)

Finance lease liabilities

Finance lease liabilities are payable as follows:

	30 Jun 14			30 Jun 13		
	Future minimum lease payments $'000	Interest $'000	Present value of minimum lease payments $'000	Future minimum lease payments $'000	Interest $'000	Present value of minimum lease payments $'000
Less than one year	10,398	951	9,447	11,225	1,164	10,061
Between one and five years	10,442	568	9,874	10,788	536	10,252
	20,840	**1,519**	**19,321**	**22,013**	**1,700**	**20,313**

22. Employee provisions

	Note	30 Jun 14 $'000	30 Jun 13 $'000
Current employee provisions			
Annual leave		17,522	15,910
Sick leave		27	1,186
Long service leave		8,470	7,834
Rostered day off		495	421
Reclassification to liabilities held for sale	16	(2,137)	-
		24,377	**25,351**
Non-current employee provisions			
Long service leave		2,481	2,159
Reclassification to liabilities held for sale	16	(163)	-
		2,318	**2,159**

23. Other provisions

	Note	30 Jun 14 $'000	30 Jun 13 $'000
Current other provisions			
Warranty		728	420
Onerous lease		380	225
Restructure & superannuation		12,251	-
Mona Vale accident		4,296	-
Other		139	-
Reclassification to liabilities held for sale	16	(728)	-
		17,066	**645**
Non-current other provisions			
Onerous lease		669	61
Other		2,384	2,713
		3,053	**2,774**

23. Other provisions (continued)

Reconciliation of movement in provisions

	Note	Warranty $'000	Onerous lease $'000	Restructure & superannuation $'000	Mona Vale accident $'000	Other $'000
Opening balance at 1 July 2013		420	286	-	-	2,713
Charged to profit and loss		380	1,100	15,900	4,500	-
Written back to profit and loss		-	-	-	-	(1,139)
Amounts used during the year		(65)	(337)	(3,649)	(204)	448
Acquired through business combination	28	-	-	-	-	501
Effect of movements in exchange rates		(7)	-	-	-	-
Closing balance 30 June 2014		**728**	**1,049**	**12,251**	**4,296**	**2,523**

Warranty

The provision for warranties relates mainly to goods sold during the year ended 30 June 2014. The provision is based on estimates made from historical warranty data associated with similar products and services. The Group expects to incur this liability over the next year.

Onerous lease

This represents a provision for future lease costs under non-cancellable leases on properties, which are no longer in use.

Restructure & Superannuation

Following the Mona Vale accident, the Cootes transport business was restructured. The remaining restructure provision relates predominantly to redundancy and superannuation payments identified in the current period but expected to be paid during the 2014/15 financial year.

Mona Vale Accident

The provision relates to estimated customer claims and fines associated with the Mona Vale accident.

Other Provisions

Other provisions include amounts provided to reflect the recognition of operating leases on a straight line basis over the term of the leases.

24. Contributed equity

	Number of ordinary shares on issue	Value of ordinary shares on issue $'000
Opening balance at 1 July 2012	595,554	52,252
Closing balance at 30 June 2013	**595,554**	**52,252**
Opening balance 1 July 2013	595,554	52,252
Issue of treasury shares to McAleese Employee Share Trust(i)	29,260	-
Issue of shares	19,081	4,000
Share split prior to Initial Public Offering(ii)	116,575,778	-
Conversion of convertible loan note to ordinary shares(iii)	86,840,441	62,002
Issue of new shares - Initial Public Offering	92,517,007	136,000
Transaction costs (net of tax)	-	(2,837)
Shareholder buy-back	(9,211,619)	-
Share buy-back treasury shares	(4,652,415)	-
Closing balance 30 June 2014	**282,713,087**	**251,417**

(i) Treasury shares consist of shares held in trust for McAleese Group employees in relation to the Loan Funded Share Plan. At 30 June 2014, 674,306 shares remain held in trust.

(ii) Prior to the Initial Public Offering, the Company undertook a share split whereby each share became 182.0478 shares.

(iii) 477,020 convertible notes were issued during the 2012 financial year. The conversion of these notes to ordinary shares on a one-for-one basis occurred post the share split at the ratio noted above

Ordinary shares

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the Company's residual assets.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

25. Reserves

	30 Jun 14 $'000	30 Jun 13 $'000
Capital reserve	(1,834)	225
Foreign currency translation reserve	399	1,131
Cash flow hedge reserve	-	(1,242)
Share-based payments reserve	138	-
	(1,297)	**114**

25. Reserves (continued)

Reconciliation of movement in reserves

		30 Jun 14 $'000	30 Jun 13 $'000
Capital reserve			
Opening balance at 1 July		225	225
Change in ownership interest in subsidiary		(2,059)	-
Closing balance at 30 June		**(1,834)**	**225**
Foreign currency translation reserve			
Opening balance at 1 July		1,131	70
Net investment hedge		(189)	1,859
Disposal of subsidiary	28	(533)	-
Currency translation differences arising during the year		(10)	(798)
Closing balance at 30 June		**399**	**1,131**
Cash flow hedge reserve			
Opening balance at 1 July		(1,242)	(1,352)
Revaluation - gross		-	157
Transfer to profit & loss		1,774	-
Deferred tax		(532)	(47)
Closing balance at 30 June		**-**	**(1,242)**
Share-based payments reserve			
Opening balance at 1 July		-	-
Share-based payment expense		138	-
Closing balance at 30 June		**138**	**-**

Capital reserve

The capital reserve arose from revaluation of property, plant and equipment.

Foreign currency translation reserve

The foreign currency translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Company's net investment in a foreign operation.

Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet affected profit or loss.

Share-based payments reserve

The share-based payments reserve represents the amount expensed during the vesting period in relation to the grant date fair value of options issued to employees but not yet exercised.

26. Dividends

No dividends have been declared by directors at balance date in respect of the financial year (30 Jun 2013: nil).

Franking credits	**30 Jun 14 $'000**	**30 Jun 13 $'000**
Franking credits available for subsequent reporting periods	**21,809**	**22,276**

The above amounts represents the balance of the franking account as at the end of the financial year, adjusted for franking credits which are expected to arise from the payment or refund of current tax assets or liabilities based on the prevailing tax rate.

27. Reconciliation of cash flows from operating activities

	30 Jun 14 $'000	**30 Jun 13 $'000**
Cash flows from operating activities		
Profit/(loss) after income tax	(63,624)	17,571
Adjusted for:		
Impairment losses – goodwill & intangibles	30,621	-
Impairment losses – plant & equipment	16,688	-
Depreciation and amortisation	46,601	42,589
Share-based payments expense	138	-
Amortisation of borrowing costs	9,143	5,332
Capitalised interest	(3,598)	2,397
IPO costs included in P&L treated as financing activities	2,673	-
Unwinding of CHAMP notes	-	5,040
Fair value of derivatives through profit and loss	3,848	-
Fair value adjustment to option to acquire a company	-	3,600
Discount on convertible notes issued	5,107	10,644
Net gain on sale of property, plant and equipment	(2,014)	(961)
Profit on disposal of subsidiary	(2,523)	-
Gain on disposal of investment	-	(1,519)
	43,060	**84,693**
Change in inventories	(292)	(5,068)
Change in trade and other receivables	12,876	916
Change in other assets	(459)	(357)
Change in trade and other payables	(5,781)	8,467
Change in provisions and employee benefits	16,477	5,544
Movement in tax balances	(14,825)	(2,900)
Cash flows from operating activities	**51,056**	**91,295**

28. Acquisition and disposal of subsidiary

Summary of acquisition

On 28 April 2014, the Company acquired 100% of the issued share capital of the WA Freight Group, a leading LTL express carrier in Australia.

Details of the purchase consideration, the net assets acquired and goodwill are as follows;

	Note	$'000
Purchase consideration – cash		14,085

The assets and liabilities recognised as a result of the acquisition are as follows;

	Note	Fair Value $000
Cash		3
Trade & other receivables		10,635
Prepayments		451
Inventories		65
Property, plant and equipment	18	8,365
Trade and other payables		(5,183)
Loans and borrowings		(1,358)
Employee provisions		(1,970)
Other provisions	23	(501)
Deferred tax liability	17	(554)
Net Identifiable assets acquired		9,953
Goodwill on acquisition	**19**	**4,132**

The goodwill is attributable to the workforce and high profitability of the business. The goodwill on acquisition of the WA Freight Group will not be deductible for tax purposes. There were no acquisitions in the year ended 30 June 2013.

(i) Acquired receivables

The fair value of the acquired receivables is $10,635,000. The gross contractual amount for trade & other receivables due is $10,716,000 of which $81,000 is expected to be uncollectable.

(ii) Revenue and profit contribution

The acquired business contributed revenues of $13,153,000 and net profit of $33,000 to the Group for the period 29 April 2013 to 30 June 2014.

If the acquisition had occurred on 1 July 2013, consolidated revenue and net profit for the year ended 30 June 2014 would have been $79,861,000 and $734,000 respectively. These amounts have been calculated using the subsidiary's results and adjusting them for:

- The additional depreciation that would have been charged assuming the fair value adjustments to property, plant and equipment had applied from 1 July 2013, together with the consequential tax effects and;
- Debts forgiven to the former business owner.

28. Acquisition and disposal of subsidiary (continued)

(iii) Purchase consideration – cash outflow

Outflow of cash to acquire subsidiary, net of cash acquired

	30 Jun 14 $'000	30 Jun 13 $'000
Cash consideration	14,085	-
Less : Balances acquired		-
Cash	(3)	-
Outflow of cash – investing activities	**14,082**	**-**

(iv) Acquisition related costs

Acquisition related costs of $339,581 are included in other expenses in profit and loss and operating cash flows in the statement of cash flows.

Summary of disposal

On 30 November 2013, the Company disposed of its investment in Watt Wah Petroleum Haulage Pte Limited, a Singapore subsidiary considered "non-core" and immaterial to the Group's overall business.

Details of the sale proceeds, net assets disposed and profit on disposal taken to profit & loss are as follows:

	Note	$'000
Consideration received - cash		5,617
Total assets and liabilities de-recognised as a result of the disposal :		
Cash		351
Trade & other receivables		1,505
Inventories		13
Property, plant and equipment	18	2,400
Trade and other payables		(560)
Employee provisions		(33)
Deferred tax liability	17	(49)
FX Reserve	25	(533)
Net identifiable assets disposed		3,094
Profit on disposal	**7**	**2,523**

Inflow of cash, net of cash disposed;

	30 Jun 14 $'000	30 Jun 13 $'000
Cash consideration received	5,617	-
Less: Balances disposed		
Cash	(351)	-
Inflow of cash – investing activities	**5,266**	**-**

29. Financial risk management

The Group has exposure to the following risks in its normal course of business:

- credit risk;
- liquidity risk;
- market risk;
- currency risk; and
- interest rate risk.

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

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit, Business Risk & Compliance Committee ("the Audit Committee"), which is responsible for developing and monitoring the Group's risk management policies. The Audit Committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established 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 policies and systems are reviewed regularly to ensure they reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

(a) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty fails to meet its contractual obligations, and arises principally on the Group's receivables from customers, other investments, cash held with financial institutions and derivatives held with various counterparties.

Exposure to credit risk

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

	Carrying amount	
	30 Jun 14	**30 Jun 13**
	$'000	**$'000**
Cash and cash equivalents	50,958	22,586
Trade and other receivables	109,427	112,329
	160,385	**134,915**

Cash and cash equivalents

The cash and cash equivalents are held with bank and financial institution counterparties.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group establishes an allowance for impairment that represents its estimate of losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

29. Financial risk management (continued)

Impairment losses

The ageing of the trade and other receivables at the reporting date before the deduction of impairment was:

	30 Jun 14 $'000	30 Jun 13 $'000
Not past due	86,990	75,454
Past due 1 – 30 days	16,153	21,711
Past due 31 – 90 days	4,225	11,578
Past due greater than 90 days	3,200	4,453
	110,568	**113,196**

At 30 June 2014, an impairment provision of $1,141,000 (2013: $867,000) was held within trade and other receivables. The impairment provision relates to several customers that have indicated that they are not expecting to be able to pay their outstanding balances.

The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historic payment behaviour and an analysis of customer credit risk, including the underlying customers' credit ratings, when available.

Based on the Group's monitoring of customer credit risk, the Group believes that, except as indicated above, no impairment allowance is necessary in respect of trade receivables not past due.

Movement in impairment of receivables

	30 Jun 14 $'000	30 Jun 13 $'000
Opening balance	867	6,162
Charged to profit and loss	413	416
Written back to profit and loss	-	(1,409)
Amounts written off as uncollectable	(218)	(4,304)
Acquired through business combination	81	-
Movements in exchange rates	(2)	2
	1,141	**867**

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables). The Group monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables.

29. Financial risk management (continued)

(b) Liquidity risk (continued)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

30 Jun 2014	Note	Carrying amount $'000	Contractual cash flows $'000	2 months or less $'000	2 – 12 months $'000	1 – 2 years $'000	2 – 5 years $'000
Non-derivative financial liabilities							
Secured bank loans	21	260,400	304,455	10,102	12,411	14,060	267,882
Convertible notes		-					
Finance lease liabilities	21	19,321	20,840	1,038	9,360	6,103	4,339
Trade and other payables	16,20	74,139	74,139	74,139	-	-	-
		353,860	**399,434**	**85,279**	**21,771**	**20,163**	**272,221**
Derivative financial liabilities							
Interest rate swaps used for hedging		3,848	3,848	383	1,217	1,315	933
		3,848	**3,848**	**383**	**1,217**	**1,315**	**933**

30 Jun 2013	Note	Carrying amount $'000	Contractual cash flows $'000	2 months or less $'000	2 – 12 months $'000	1 – 2 years $'000	2 – 5 years $'000
Non-derivative financial liabilities							
Secured bank loans	21	336,443	385,709	4,376	46,128	294,164	41,041
Convertible notes	21	56,895	100,000	-	-	-	100,000
Finance lease liabilities	21	20,313	22,013	996	10,229	7,718	3,070
Trade and other payables	20	75,389	75,389	75,389	-	-	-
		489,040	**583,111**	**80,761**	**56,357**	**301,882**	**144,111**
Derivative financial liabilities							
Interest rate swaps used for hedging		1,774	1,774	220	1,275	279	-
		1,774	**1,774**	**220**	**1,275**	**279**	**-**

The contractual cash flows above reflect market forward interest rates at the period end and these amounts may change as market interest rates change. The future cash flows on derivative instruments may be different from the amount in the above table as interest rates or the relevant conditions underlying the contingency change. Except for these financial liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(c) Market risk

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

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Group Audit, Business Risk and Compliance Committee. When deemed appropriate, the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

29. Financial risk management (continued)

(d) Currency risk

The Group has minor exposure to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, being the Australian dollar (AUD), and the United States dollar (USD) and Singapore dollar (SGD) for the foreign operations.

In respect of these monetary assets and liabilities, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies when necessary to address currency imbalances.

Exposure to currency risk

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

30 Jun 2014	Euro	RMB	USD	GBP
	In thousands of dollars (AUD equivalents)			
Trade receivables	-	-	18	-
Trade payables	(36)	-	(78)	(1)
Net statement of financial position exposure	**(36)**	**-**	**(60)**	**(1)**

30 Jun 2013	Euro	RMB	USD	GBP
	In thousands of dollars (AUD equivalents)			
Trade receivables	-	-	-	-
Trade payables	(50)	(49)	(276)	(5)
Net statement of financial position exposure	**(50)**	**(49)**	**(276)**	**(5)**

The following significant exchange rates applied during the year ended June;

	Average rate		Reporting date spot rate	
	2014	2013	2014	2013
SGD	1.1445	1.3001	1.1445	1.1605
USD	0.9498	1.0302	0.9439	0.9146

Sensitivity analysis

A strengthening (weakening) of the AUD, as indicated below, against the USD and SGD at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases.

	Strengthening		Weakening	
	Equity Increase / (decrease) $'000	Profit / (loss) $'000	Equity Increase / (decrease) $'000	Profit / (loss) $'000
30 June 2014				
USD (10% movement)	(3)	5	3	(6)
SGD (10% movement)	-	-	-	-
30 June 2013				
USD (10% movement)	(38)	25	47	(31)
SGD (10% movement)	(37)	-	45	-

29. Financial risk management (continued)

(e) Interest rate risk

Cash flow sensitivity analysis for financial instruments

The Group adopts a policy of hedging its exposure to changes in interest rates by entering into interest rate swaps. A change of 1% (100 basis points) in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit after tax Higher / (lower)		Equity Higher / (lower)	
	30 Jun 14 $'000	**30 Jun 13 $'000**	**30 Jun 14 $'000**	**30 Jun 13 $'000**
+1% pa (100 basis points)	(1,010)	(1,788)	(1,010)	(1,788)
-1% pa (100 basis points)	1,017	1,788	1,017	1,788

(f) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, reserves, retained earnings and non-controlling interests of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Group's net debt to adjusted equity ratio at the reporting date was as follows:

	30 Jun 14 $'000	30 Jun 13 $'000
Financial instruments	3,848	1,774
Loans and borrowings	276,927	405,066
Cash and cash equivalents	(50,958)	(22,586)
Net debt	**229,817**	**384,254**
Total equity	232,087	99,898
Amounts accumulated in equity relating to cash flow hedges	-	(1,242)
Adjusted equity	**232,087**	**98,656**
Net debt to adjusted equity ratio	**0.99**	**3.89**

The Group undertook an IPO during the year. Refer to Note 21 for further details.

29. Financial risk management (continued)

(g) Accounting classifications and fair values

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: quotes 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 (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for 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				
Current liabilities				
Interest rate swaps	-	1,600	-	1,600
	-	**1,600**	**-**	**1,600**
Non-current liabilities				
Interest rate swaps	-	2,248	-	2,248
	-	**2,248**	**-**	**2,248**
30 June 2013				
Current liabilities				
Interest rate swaps	-	1,495	-	1,495
	-	**1,495**	**-**	**1,495**
Non-current liabilities				
Interest rate swaps	-	279	-	279
	-	**279**	**-**	**279**

Further details of the interest rate swaps are set out below:

	30 Jun 14			30 Jun 13		
	Face Value $'000	Average Fixed Interest Rate	Maturity	Face Value $'000	Average Fixed Interest Rate	Maturity
Previous interest rate swaps now expired	-			189,735	3.56%	May 14
Current interest rate swaps - 3 year maturity	52,500	3.50%	Nov 16	-	-	-
Current interest rate swaps - 4 year maturity	112,500	3.79%	Nov 17	-	-	-
Total	**165,000**	**3.69%**		**-**	**-**	**-**

30. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	30 Jun 14 $'000	30 Jun 13 $'000
Less than one year	25,006	15,848
Between one and five years	39,925	29,707
More than five years	11,796	16,882
	76,727	**62,437**

The Group leases a number of premises and items of plant and equipment under operating leases. The leases typically run for a period of one to ten years, with an option to renew the lease after that date. Lease payments are increased every year to reflect market rentals. Some leases provide for additional rent payments that are based on changes in a local price index.

During the year $25,188,000 was recognised as an expense in profit or loss in respect of operating leases (2013: $19,706,000).

31. Capital commitments

The Group had contractual obligations to purchase property, plant and equipment of $43,044,000 as at 30 June 2014 (2013: $10,301,000) and a commitment to acquire the remaining 25% minority interest in National Crane Hire Pty Limited for $4,000,000 (2013: nil). These commitments are all due to be settled within 12 months from balance date.

32. Related parties

Parent and ultimate controlling party

The ultimate controlling entity of the Company is McAleese Limited, which is incorporated in Australia.

Directors

The following persons were directors of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Don Telford (Chairman - appointed as a director on 19 September 2013)

Mr Mark Rowsthorn (Managing Director and Chief Executive Officer)

Mr Wayne Kent (Deputy Chairman - appointed as a director on 19 September 2013)

Mr Keith Price

Cav Gilberto Maggiolo

Mr Paul Garaty (resigned as a director on 28 March 2014)

Mr Mark McSweeney (resigned as a director on 7 March 2014)

Mr Marcus Pillhofer (resigned as a director on 23 August 2013)

32. Related parties (continued)

Other key management personnel

The following persons were key management personnel of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Andrew Simpson - General Manager Bulk Haulage Division appointed 18 February 2014

Mr Matthew Tamplin - General Manager Oil & Gas Division appointed 18 February 2014

Mr Steve Fanning - General Manager Specialised Transport appointed 28 April 2014.

Mr Warren Saxelby - Group Chief Financial Officer appointed 8 April 2014

Mr Chris Keast - General Manager Bulk & Liquid Transport ceased employment 14 February 2014

Mr Chris Nunn - Group Chief Financial Officer ceased employment 4 April 2014

Key management personnel compensation during the year ended 30 June 2014 was;

	$
Short term benefits	4,580,468
Post employment benefits	164,709
Share based payments	138,652
Total	4,883,829

Detailed disclosure of key management personal compensation is contained in the Remuneration Report which forms part of the Directors' Report.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or joint control were as follows:

	Sales	Purchases	Amounts owed by related parties	Amounts owed to related parties
	$	$	$	$
30 June 2014	203,001	6,231,144	1.252	614,342
30 June 2013	203,798	6,154,992	25,807	1,045,549

Superannuation

The company contributes to a number of defined contribution superannuation funds (the accumulating benefit type) for which no actuarial assessments are required to be made and which were established to provide benefits for employees or their dependants on retirement, resignation, disablement or death. The Company contributes a percentage of individual employees' gross income and employees may make additional contributions on a voluntary basis. The Company has no further obligations beyond the payment of the contributions.

32. Related parties (continued)

Terms and conditions of transactions with related parties

All transactions with other related parties are conducted on commercial terms and conditions.

Purchases include rent charges of $6,174,000 (2013: $6,060,000) on properties leased from director related entities.

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

Loans to or from related parties are unsecured.

33. Group entities

	Country of incorporation	Ownership interest	
		30 Jun 14	30 Jun 13
McAleese Holdco Pty Limited	Australia	100%	100%
Harbrew Pty Limited	Australia	100%	100%
McAleese Subco Pty Limited	Australia	100%	100%
McAleese Investments Pty Limited	Australia	100%	100%
Walter Wright Cranes Pty Limited	Australia	100%	100%
National Crane Hire Pty Limited [(i)]	Australia	75%	50%
National Crane Service & Repairs Pty Limited [(i)]	Australia	75%	50%
McAleese Finance Pty Limited	Australia	100%	100%
International Energy Services Holdings Pty Limited	Australia	100%	100%
International Energy Services Pty Limited	Australia	100%	100%
Liquip International Pty Limited	Australia	100%	100%
Liquip Fuel Handling India Private Limited	India	100%	100%
International Energy Services Group Pty Ltd	Australia	100%	100%
Beta Fluid Systems, Inc.	USA	100%	100%
Cootes Transport Group Pty Limited	Australia	100%	100%
IES DGM Pty Limited	Australia	100%	100%
Spotswood Lessee Pty Limited	Australia	100%	100%
International Energy Services Asia Pte Limited	Singapore	100%	100%
Watt Wah Petroleum Haulage Pte Limited [(ii)]	Singapore	-	100%
McAleese Resources Pty Limited	Australia	100%	100%
W.A. Freightlines Pty Ltd [(iii)]	Australia	100%	-
Jolly's Transport Services Pty Ltd [(iii)]	Australia	100%	-
Jetstyle Express Pty Ltd [(iii)]	Australia	100%	-
WAFL SPV Pty Ltd [(iii)]	Australia	100%	-
McAleese Saleco Pty Ltd[(iv)]	Australia	100%	-

(i) The Group owns 75% of National Crane Hire Pty Limited after acquiring a further 25% in November 2013 and consequently has the majority of the voting rights. The Group consolidates its investment in the company

(ii) The Group sold its interest in Watt Wah Petroleum Haulage Pte Limited on 30 November 2013.

(iii) The Group acquired 100% of the issued capital in the WA Freight Group on 28 April 2014.

(iv) Incorporated to facilitate the sell down of existing shares concurrent with the IPO. Application for deregistration has commenced and the company is expected to be deregistered during the 2014/15 financial year.

34. Contingencies

The Group has provided bank guarantees and letters of credit in the ordinary course of business of $5,233,193 as at 30 June 2014 (2013: $1,713,654).

In the course of acquisitions and disposals of businesses and assets, the Group routinely negotiates warranties and indemnities across a range of commercial issues and risks. During the period, the Group have made a claim on warranty insurance in relation to matters in the Oil & Gas and Bulk Haulage divisions which pre-date the acquisition of that business in April 2012.

35. Deed of cross guarantee

McAleese Limited and the subsidiaries listed below are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned subsidiaries have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 issued by the Australian Securities and Investments Commission.

The subsidiaries who are party to the Deed are:

McAleese Holdco Pty Limited

Harbrew Pty Limited

McAleese Finance Pty Limited

International Energy Services Holdings Pty Limited

International Energy Services Pty Limited

Liquip International Pty Limited

Cootes Transport Group Pty Limited

McAleese Resources Pty Limited

W.A. Freightlines Pty Ltd (added via Assumption Deed dated 27 June 2014)

Jolly's Transport Service Pty Ltd (added via Assumption Deed dated 27 June 2014)

WAFL SPV Pty Ltd (added via Assumption Deed dated 27 June 2014)

The above companies represent a 'closed group' for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by McAleese Limited, they also represent the 'extended closed group'.

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35. Deed of cross guarantee (continued)

Set out below is a consolidated statement of comprehensive income, a summary of movements in consolidated retained earnings and a consolidated statement of financial position for the year ended 30 June 2014 for the closed group after eliminating all transactions between parties to the deed of cross guarantee

Statement of comprehensive income and retained earnings

	30 Jun 14 $'000	30 Jun 13 $'000
Revenue	719,966	695,518
Other income	3,867	3,028
Direct transport and logistics costs	(132,855)	(138,457)
Cost of goods sold	(36,914)	(36,301)
Repairs and maintenance	(35,859)	(30,971)
Employee benefits expense	(289,724)	(248,784)
Fuel, oil, electricity	(78,092)	(68,261)
Occupancy and property costs	(26,703)	(21,244)
Depreciation and amortisation expense	(44,015)	(39,410)
Impairment charges	(47,309)	-
Other expenses	(68,783)	(34,310)
Profit/(loss) before finance costs and income tax	**(36,421)**	**80,808**
Net finance costs	(37,946)	(52,828)
Profit/(loss) before income tax	**(74,367)**	**27,980**
Income tax benefit/(expense)	9,958	(8,922)
Profit/(loss) after income tax	**(64,409)**	**19,058**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Change in fair value of cash flow hedges	1,774	157
Tax on items that may be reclassified subsequently to profit or loss	(532)	(47)
Total items that may be reclassified subsequently to profit or loss	1,242	110
Other comprehensive income/(loss), net of tax	**1,242**	**110**
Total comprehensive income/(loss) for the year	**(63,167)**	**19,168**
Summary of movements in (accumulated losses)/retained earnings		
Opening balance at 1 July	50,182	31,124
Profit/(loss) after income tax	(64,409)	19,058
Closing balance at 30 June	**(14,227)**	**50,182**

35. Deed of cross guarantee (continued)

Statement of financial position

	30 Jun 14 $'000	30 Jun 13 $'000
Current assets		
Cash and cash equivalents	49,890	20,513
Trade and other receivables	94,615	100,264
Prepayments	5,868	5,833
Inventories	2,179	13,335
Intercompany receivables	21,267	27,035
Assets classified as held for sale	44,751	-
Total current assets	**218,570**	**166,980**
Non-current assets		
Other investments	20,948	18,791
Property, plant and equipment	341,414	343,175
Intangible assets	54,896	84,690
Total non-current assets	**417,258**	**446,656**
Total assets	**635,828**	**613,636**
Current liabilities		
Trade and other payables	67,400	70,342
Financial instruments	1,600	1,495
Loans and borrowings	18,800	25,284
Current tax provision	-	2,490
Employee provisions	20,494	20,495
Other provisions	17,066	398
Liabilities classified as held for sale	8,389	-
Total current liabilities	**133,749**	**120,504**
Non-current liabilities		
Financial instruments	2,248	279
Loans and borrowings	254,183	374,958
Employee provisions	1,924	1,793
Other provisions	3,053	2,774
Deferred tax liabilities	705	9,278
Total non-current liabilities	**262,113**	**389,082**
Total liabilities	**395,862**	**509,586**
Net assets	**239,966**	**104,050**
Equity		
Contributed equity	251,417	52,252
Reserves	2,776	1,616
(Accumulated losses)/retained earnings	(14,227)	50,182
Total equity	**239,966**	**104,050**

36. Parent entity disclosures

The individual financial statements for the parent entity show the aggregate amounts below.

	30 Jun 14 $'000	30 Jun 13 $'000
Results of the parent entity		
Loss for the year	(7,315)	(10,644)
Other comprehensive income	-	-
Total comprehensive income for the year	**(7,315)**	**(10,644)**
Financial position of the parent entity		
Current assets	220,599	101,172
Total assets	227,114	106,091
Current liabilities	65	2,597
Total liabilities	65	59,492
Net assets	**227,049**	**46,599**
Equity of the parent entity, comprising:		
Contributed equity	247,484	59,719
Retained earnings	(20,435)	(13,120)
Total equity	**227,049**	**46,599**

Parent entity contingencies

There were no contingent liabilities as at 30 June 2014 (2013: nil).

Parent entity capital commitments for acquisition of property plant and equipment

There were no capital commitments as at 30 June 2014 (2013: nil).

Parent entity guarantees in respect of the debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries. Further details are included within Note 35.

37. Auditor's remuneration

	30 Jun 14 $	30 Jun 13 $
Audit services		
Audit and review of financial statements		
Auditors of the Company – KPMG Australia	485,000	750,000
Total audit services	**485,000**	**750,000**
Other services		
Auditors of the Company – KPMG Australia	1,015,831	1,416,612
Total other services	**1,015,831**	**1,416,612**
Total auditors' remuneration	**1,500,831**	**2,166,612**

Other services provided by the auditors of the Company relate primarily to taxation and due diligence services.

38. Subsequent events

On 9 August 2014, the Company entered into a binding share sale agreement with US listed company, Dover Corporation for the sale of Liquip International Pty Limited for cash consideration of $65m. The sale was completed on 22 August 2014.

Apart from the above, no matter or circumstance has arisen in the interval between 30 June 2014 and the date hereof that, in the directors' opinion, has significantly affected or may significantly affect:

(i) the Group's operations in current and future financial years; or

(ii) the results of those operations in current and future financial years; or

(iii) the Group's state of affairs in current and future financial years.

McAleese Limited
Directors' declaration
For the year ended 30 June 2014

1. In the opinion of the directors of McAleese Limited ('the Company'):
   (a) the consolidated financial statements and notes that are set out on pages 29 to 78 are 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) 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. There are reasonable grounds to believe that the Company and the group entities identified in Note 35 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.
3. 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.
4. The directors draw attention to Note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Mr Don Telford
Director

Mr Mark Rowsthorn
Director

Dated at Camberwell on the 27th day of August 2014.

KPMG

Independent auditor's report to the members of McAleese Limited

Report on the financial report

We have audited the accompanying financial report of McAleese Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2014, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 38 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 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 statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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.

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 the Group 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 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 8 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 McAleese Limited for the year ended 30 June 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG
KPMG

SE Bell
Suzanne Bell
Partner

Melbourne

27 August 2014