

## Appendix 4E

<b>Name of entity</b>	McAleese Limited
<b>ABN</b>	86 156 354 068
<b>Reporting period</b>	Year ended 30 June 2015
<b>Previous reporting period</b>	Year ended 30 June 2014

### Results for announcement to the market <sup>(i)</sup>

	<b>30 Jun 15</b>	<b>30 Jun 14</b>	<b>Change</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>
<b>Revenue</b>	636,888	762,359	(16.5)
<b>Profit / (loss) after income tax attributable to:</b>			
Owners of the Company	(90,944)	(63,292)	(43.7)
Non-controlling interest	-	(332)	-
	<b>(90,944)</b>	<b>(63,624)</b>	<b>(42.9)</b>
Income tax benefit	(13,958)	(12,768)	9.3
Net finance costs	15,395	39,230	60.8
Individually significant items:			
(Profit)/loss on disposal of subsidiary / business	(48,802)	(2,523)	-
IPO costs	-	2,673	-
Acquisition & sale costs	576	-	-
Impairment charges - goodwill & intangibles	53,092	30,621	-
Impairment charges / reversals - plant & equipment	83,514	16,688	-
Impairment charges - equity investment and associated loans & net receivables	18,886	-	-
Mona Vale accident costs	(2,259)	11,329	-
Restructure costs & superannuation	(1,757)	15,935	-
Onerous lease	-	1,100	-
Consulting and advisory costs	1,051	-	-
<b>EBIT before individually significant items</b>	<b>14,794</b>	<b>38,661</b>	<b>(61.7)</b>
<b>Net tangible assets per share (\$)</b>	<b>0.48</b>	<b>0.62</b>	

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

## **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.

## **Loss of control over entities having a material effect**

The Group disposed of its subsidiary Liquip International Pty Ltd on 22 August 2014 and the business assets of Beta Fluid Systems Inc. on 31 October 2014. The loss of control did not have a material effect on profit from ordinary activities in the current reporting period. For further information refer to Note 28 Acquisition and Disposal of Subsidiaries and Businesses contained in the notes to the consolidated financial statements.

## **Details of associates and joint venture entities**

On 10 November 2014, the Group acquired a 50% share of joint venture entity HHA Group Pty Ltd (HHA). The contribution to the Group's net profit for the period was nil. Following the Group's investment, market conditions for HHA deteriorated. The combined effect of these changes and a highly geared capital structure within HHA led to an assessment that the equity investment was fully impaired. An impairment charge of \$2.8 million was incurred, reflecting the initial investment net of 50% of the profit earned by the Group on transactions between it and HHA. The Group has since withdrawn financial support from HHA and it was placed in administration on 28 June 2015. The Group has recognised a further \$16.1 million impairment in relation to loans and net receivables for which minimal to no recovery is expected.

## **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 2015

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## McAleese Limited

### Directors' report

The Directors present their report together with the consolidated financial report of the McAleese Group comprising McAleese Limited (the 'Company') and its subsidiaries (together referred to as the 'Group') for the financial year ended 30 June 2015 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)

Mr Mark Rowsthorn

Mr Wayne Kent

Cav Gilberto Maggiolo

Ms Kerry Gleeson - appointed as a director on 1 September 2014

Mr Warren Saxelby - appointed as a director on 1 March 2015

Mr Keith Price - resigned as a director on 20 November 2014

### 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 then to Managing Director and Chief Executive Officer of the McAleese Group during FY2014. 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  
1,042,806 performance rights granted over ordinary shares

## **McAleese Limited**

### **Directors' report**

#### **Mr Wayne Kent (Deputy Chairman)**

Wayne Kent joined McAleese Group in September 2013. Wayne is Managing Director and Vice Chairman, Australia with Credit Suisse and an owner of a number of private businesses in the transport, specialist storage and finance industries in Australia. His career has spanned Law, Private Equity and Investment Banking (including over 20 years at Macquarie Group) with experience in the Australian and International capital markets both in building businesses and leading transactions.

Wayne is 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

#### **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:* Member of the Audit, Business Risk & Compliance Committee and the Remuneration & Nomination Committee.

*Interest in shares:* 20,351,341 ordinary shares

#### **Ms Kerry Gleeson (Non-Executive Director)**

Ms Gleeson has over 20 years extensive boardroom and senior management experience across Australia, UK and the US, in a variety of industries including mining, agriculture, chemicals, logistics and manufacturing. She has significant expertise in major corporate finance and transactional matters, and in disciplined governance in Australian and international businesses. She was a member of the Group Executive at Incitec Pivot Limited for 10 years until late 2013, including as Company Secretary and General Counsel. Previously, she was a corporate finance and transactional partner in an English law firm, and also practised as a senior lawyer at the Australian law firm, Ashurst. Ms Gleeson is a qualified lawyer, admitted to practice as a lawyer in the Supreme Court of England and Wales in 1991 and to the Supreme Court of Victoria in 2001.

Ms Gleeson is currently a Non-Executive Director of ASX listed St Barbara Limited, Chair of its Remuneration Committee and a member of its Audit & Risk Committee and Health, Safety, Environment & Community Committee. She is a Fellow of the Australian Institute of Company Directors.

*Special responsibilities:* Member of the Audit, Business Risk & Compliance Committee

*Interest in shares:* Nil

## McAleese Limited

### Directors' report

#### Mr Warren Saxelby (Non-Executive Director)

Warren, who joined the McAleese Board in March 2015, has over 43 years of experience working in senior finance roles in Australia, Asia and Europe across a range of industries, including manufacturing, mining, petroleum and light engineering. Warren brings a strong financial and strategic focus to the Board and his experience includes 10 years as Chief Financial Officer of ASX-listed entities.

Warren has deep experience in creating sustainable business strategies, change management, performance accountability, enterprise risk management and financial stewardship of businesses.

Warren possesses a Bachelor of Commerce (Accounting), is a Fellow of CPA Australia and a Graduate Member of the Australian Institute of Company Directors. He has previously received two CPA Australia President Awards for contribution to the accounting profession and served as Chairman of CPA Australia's Board Corporate Committee from 2003 to 2006.

*Special responsibilities:* None

*Interest in shares:* 300,000 ordinary shares

#### Company Secretary

Mr Rohan Abeyewardene holds the office of Company Secretary. Rohan joined the Company in 2012, and was appointed Company Secretary on 20 March 2013. Rohan has over 12 years of experience in a variety of governance, regulatory and chartered accounting roles and, prior to joining the Company, held a senior advisory position in the Listings Compliance unit of ASX.

Rohan's qualifications include a Bachelor of Commerce, Bachelor of Economics and Graduate Diploma of Applied Corporate Governance, and he is an Associate Member of the Governance Institute of Australia and a Chartered Accountant.

#### Directors' meetings

	Board Meetings		Audit, Business Risk & Compliance Committee Meetings		Remuneration & Nomination Committee Meetings	
	A	B	A	B	A	B
Mr D Telford	26	26	5	5	5	5
Mr M Rowsthorn	26	26	-	-	-	-
Mr W Kent	26	26	5	5	5	5
Cav G Maggiolo	25	26	5	5	5	5
Ms Kerry Gleeson	24	24	2	2	-	-
Mr Warren Saxelby	13	15	-	-	-	-
Mr H K Price	6	6	-	-	-	-

A – Number of meetings attended

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

#### Principal activities

The principal activities of the McAleese Group are the provision of heavy haulage and craneage, bulk haulage, liquid fuels distribution and transport and logistics services. There were no significant changes in the nature of the activities of the McAleese Group during the period.

#### Dividends

No dividends were paid or declared during the period (2014: nil).

# **McAleese Limited**

## **Directors' report**

### **Operating and Financial Review**

#### **Group Overview**

During FY2015 the McAleese Group generated EBITDA of \$61.7 million (before individually significant items) (2014: \$85.3 million) on revenue of \$636.9 million (2014: \$762.4 million). Pro forma trading loss after tax was \$7.4 million or a loss of 2.61 cents per share excluding the impact of significant items of \$83.5 million after tax or 29.56 cents per share.

The McAleese Group incurred an after tax loss of \$90.9 million for the year ended 30 June 2015 (2014: \$63.6 million loss), primarily as a result of asset impairments. Net tangible assets per share was 48 cents (2014: 62 cents per share)

The FY2015 was a year of contrasts for the McAleese Group.

During the 1H FY2015 the business worked to stabilise its operations with a successful implementation of phase 1 activities for the Atlas Iron Mt Webber mine and all operational KPI's met. A national restructure of the Oil & Gas division was completed to improve safety and profitability of the business.

The McAleese Group undertook the successful sale of non-core assets which generated \$96 million in net proceeds and included divestment of Liquip International and Beta Fluid Systems (\$68.8 million) and the sale of surplus equipment in Oil & Gas (\$12.6 million) and Heavy Haulage & Lifting (\$13.6 million). Proceeds were in excess of expectations and generated \$50.6 million net profit on sale.

Sunshine Refuellers Pty Ltd (trading as Refuel International and part of the Oil & Gas division) was withdrawn from sale during the 1H FY2015. The Company continues to pursue the sale of the Cloncurry Quarry in Queensland.

The McAleese Group's 2H FY2015 performance was shaped by a dramatic slide in commodity prices which impacted the operations of key customer, Atlas Iron Limited (ASX: AGO) and led to a significant reduction in mine development, maintenance and planned capital spending across the mining sector. The Bulk Haulage, Heavy Haulage & Lifting and Specialised Transport divisions were all impacted as a result.

In April, Atlas Iron suspended activities at all three of its mines in the Pilbara. In response, McAleese Group took a leading role in forming the contractor group to support the restart of all three Atlas mines.

McAleese, along with other major contractors to Atlas, sought to reduce the miner's operating costs and increase its competitiveness. The Company and Atlas agreed to revised haulage arrangements which include upside profit share for McAleese Group linked to the Australian dollar Iron Ore price.

#### **Impairments**

Following the Company's revised arrangements with Atlas, an impairment of \$67 million was made to a combination of goodwill, intangibles (together \$49 million) and property, plant and equipment (\$18 million) in the Bulk Haulage division.

Property, plant and equipment within the Heavy Haulage & Lifting division was impaired by \$67 million, reflecting the continued decline of activity and maintenance levels in the resources infrastructure sector, market over-capacity and a weak pipeline of new projects. A significant customer of the HH&L division, Trans Global Projects Pty Ltd was placed into voluntary administration. Based on the information available at balance date, the Directors fully impaired the debt of \$6.5 million (excluding GST) as at 30 June 2015.

During the 2H FY2015 the Specialised Transport division encountered further reductions in freight volumes particularly on the East/West corridor due to softening economic activity and a slowdown in the mining and resources sectors. In light of these challenging conditions, goodwill was impaired by \$4.1 million.



## **McAleese Limited**

### **Directors' report**

During the 1H FY2015 the McAleese Group made an initial investment of \$3 million for a 50% equity share in Heavy Haulage Australia Pty Ltd (HHA). Following the deterioration of market conditions in the 2H FY2015, particularly in the upstream oil and gas and infrastructure sectors, and HHA Group's inability to support the high fixed costs of its lease arrangements, McAleese Group determined to withdraw working capital support. On 28 June 2015 HHA and its subsidiary companies (together HHA Group) were placed into administration.

As a result, McAleese Group has taken an impairment charge of \$2.8 million relating to the initial investment in HHA net of 50% of the profit earned by the Group on transactions between it and HHA, and a further \$16.1 million relating to loans, accrued interest and other net receivables payable by HHA to the Company.

Net tangible asset backing at 30 June 2015 was \$0.48 per share, down from \$0.62 per share in the prior corresponding period.

#### **Group cash flow and financing**

During the period the McAleese Group generated cash flow from operating activities of \$39.3 million and undertook capital expenditure of \$54.1 million which was fully funded by asset disposals.

Cash flow from investing activities was a net positive \$18.9 million resulting in net debt being reduced by \$58.2 million to \$170.5 million.

The majority of the McAleese Group's annual capital expenditure program was completed during the first half with second half expenditure limited to maintenance and some residual committed growth capex deployed into existing Bulk Haulage work.

As at the balance date the Company had a multi-option Syndicated Facility Agreement and had drawn down its facilities by \$210.1 million.

The McAleese Group's secured banking facilities as at 30 June 2015 were subject to leverage, interest cover and gearing covenants. These covenants were waived at the balance date following the implementation of revised banking arrangements.

Under the revised banking arrangements, the Company is subject to new financial undertakings that will apply throughout FY2016. Details of the revised banking arrangements are set out in the events subsequent to the reporting date section of this Report.

#### **Fleet**

As at 30 June 2015, the McAleese Group had disposed of surplus equipment from the Oil & Gas and Heavy Haulage & Lifting division as part of its ongoing asset divestment program to right size the fleet to operating requirements.

The McAleese Group has also invested in bolstering its compliance activities to ensure it meets both external regulatory requirements and internal operating standards. The benefits of this fleet investment program have included improved operational efficiency and reliability, environmental and safety outcomes.

## Divisional Performance

### Heavy Haulage & Lifting

	2015	2014	% Change
Revenue (\$m)	143.9	186.5	(22.8)
EBITDA (\$m)	16.2	39.6	(59.1)
% Margin	11.3%	21.2%	
EBIT (\$m)	4.4	27.8	(84.2)
% Margin	3.1%	14.9%	

The Heavy Haulage & Lifting division (HH&L) provides 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.

Earnings performance of the HH&L division during FY2015 was significantly impacted by deferred mine maintenance, particularly in its core operating region of Northern Queensland, and the wind down of services to major capital projects. The deferral of new capital projects during the period compounded the impact of this wind down in existing services.

A combination of these factors and consequent excess market capacity also resulted in downward pressure on margins as customers and contractors sought to reduce project costs in light of falling commodity prices and increased domestic competition. In response to the contracting pipeline of resources projects, the HH&L division is seeking new lift and shift opportunities within the public infrastructure sector. In particular, the division is targeting a range of transport infrastructure opportunities planned for development along the Australian east coast.

### Bulk Haulage

	2015	2014	% Change
Revenue (\$m)	264.4	265.2	(0.3)
EBITDA (\$m)	38.3	41.8	(8.4)
% Margin	14.5%	15.7%	
EBIT (\$m)	13.7	21.6	(36.6)
% Margin	5.2%	8.1%	

The Bulk Haulage division provides bulk commodities haulage across off-road and on-road (highway) routes and ancillary onsite services in the mining sector.

During the 1H FY2015 the Bulk Haulage division commenced haulage for Atlas Iron's Mt Webber mine and successfully met all contractual KPIs. In December 2014 the division also commenced a two year contract to provide haulage and road maintenance services to Millennium Minerals (ASX: MOY) at their Nullagine Project in the East Pilbara region of Western Australia.

Throughout the reporting period management were focused on working collaboratively with Atlas Iron to achieve cost savings to enhance the long-term sustainability of the relevant operations, this included the provision of rate relief during the 1H and early 2H FY2015.

During the second half, and amid further volatility in iron ore pricing, Atlas Iron made an initial decision to progressively place its Abydos, Wodgina and Mt Webber mines into care and maintenance. In response, McAleese Group led a coordinated contractor approach with Atlas Iron's other major contractors, including Qube (ASX: QUB) and MACA Limited (ASX: MAC) to progressively restore operations at all three of Atlas Iron's mines.

## McAleese Limited

### Directors' report

While the initial rate relief and revised contractor arrangements impacted margins and earnings performance in this business, the revised haulage arrangements include upside profit share for McAleese Group linked to the Australian dollar Iron Ore price.

During the 2H FY2015, the Bulk Haulage division entered a new iron ore haulage agreement with Process Minerals International (PMI) a subsidiary of Mineral Resources (ASX: MIN). The project saw the redeployment of over 40 quad road train combinations and staff to support the haulage of an initial 1 million tonnes of iron ore from PMI's Iron Valley project to Utah Point over a six month period.

In light of the customer and commodity concentration evident in the Bulk Haulage division, the management team is focused on a customer and commodity diversification strategy targeting new opportunities in geographies and commodities not currently contributing to the division's earnings profile.

### Oil & Gas

	2015	2014	% Change
Revenue (\$m)	146.0	295.4	(50.6)
EBITDA (\$m)	12.5	9.9	26.3
% Margin	8.6%	3.3%	
EBIT (\$m)	4.8	(4.2)	214.3
% Margin	3.3%	(1.4%)	

The Oil & Gas division comprises Cootes Transport, a provider of liquid and gaseous fuel transportation services in Australia for global oil and gas companies and Refuel International, a designer and manufacturer of refuelling and handling equipment. The Cootes Transport fleet travelled ~30 million kilometres to deliver more than 4 million litres of fuel and gas during FY2015.

Revenues decreased during the 2015 financial year following a reduction in work for Origin Energy Limited (ASX: ORG) and the expiration of work conducted on behalf of Caltex Australia Limited (ASX: CTX) in NSW. The Cootes Transport business has also been advised that it had been unsuccessful in retendering for the Caltex Victoria contract, due to expire in Q1 FY2016. Both of these contracts were marginal on an EBIT basis. The Oil & Gas division continued to improve its profitability achieving a ~214% increase in EBIT during the period.

The Cootes Transport business continues to reshape its operating fleet, disposing of surplus equipment as and when it completes contracts.

During FY2015 the Cootes Transport business was able to demonstrate significantly improved safety and operating performance reflecting the substantial investment in its fleet, safety systems and processes. These initiatives were also recognised in December 2014 when the Notice to Show Cause and Improvement Notices issued by Roads and Maritime Services in New South Wales (RMS NSW) were concluded. The Cootes Transport business was also successful in achieving 12 months Lost Time Injury (LTI) Free.

The Refuel International business continued to enhance its reputation as one of the leading providers of aviation refuelling equipment internationally, despite a challenging trading environment.

Going forward, the Company aims to operate a best in class gas transportation business, underpinned by superior assets and capability within the industry. The Cootes Transport business continues to focus on expanding its customer base outside its traditional metro and regional fuel/LPG supply chains. This includes the transport of other dangerous goods, including anhydrous ammonia, and working with the Bulk Haulage division in pursuing fuel and LPG transport opportunities to supply isolated locations within key resource producing regions.

# McAleese Limited

## Directors' report

### Specialised Transport

	2015	2014	% Change
Revenue (\$m)	82.4	79.9	3.1
EBITDA (\$m)	1.6	5.4	(70.4)
% Margin	1.9%	6.7%	
EBIT (\$m)	(1.1)	3.6	(130.6)
% Margin	(1.3%)	4.5%	

*McAleese Group acquired WA Freight Group in April 2014. The 2014 results represents 12 months trading.*

The Specialised Transport division comprises the operations of WA Freight Group which include the movement of less than truck load consolidated freight (LTL) utilising express services between the East and West coasts of Australia and on all main capital city corridors. During FY2015 the division transported more than 240 thousand tonnes of products with Company owned fleet travelling in excess of 10 million kilometres.

The Specialised Transport business experienced subdued general freight activity resulting from softening economic activity and a slowdown in the Australian infrastructure and resources sectors. The reduced levels of activity were particularly evident on the East/West Corridor.

The division continues to implement improvement initiatives aimed at reducing direct labour costs and improving sub-contractor management.

### Strategic Vision & Values

With the support of its lenders and with revised banking arrangements in place, the McAleese Group is committed to implementing strategic initiatives and activities to restore the Company's performance and ensure it is best positioned to capitalise on future opportunities.

The McAleese Group has also appointed advisory firm, Moelis & Co, to assist the Company with exploring its strategic options which include sourcing new capital to support longer term growth.

To restore performance in the near term, McAleese Group is focused on repositioning its businesses in their competitive markets and continuing to improve performance in the areas of safety, customer and people which form the Company's guiding values.

- Safety

At McAleese Group, our health, safety and environment (HSE) responsibilities are integral to the way we do business and we are committed to the continuous improvement of our HSE performance.

Our fundamental belief is that all injuries can be prevented and the McAleese Group aspires to conduct its business in a manner whereby everyone returns home safe.

During FY2015 the McAleese Group improved its Total Recordable Injury Frequency Rate (TRIFR) by 39% against pcip to 17.6.

The McAleese Group's Lost Time Injury Frequency Rate (LTIFR) was reduced from 9.4 to 4.1 and reflects a 56% improvement against pcip.

While this is testament to the positive momentum of our operational and safety teams, it is still short of the Company's overall target to reduce TRIFR below 10. As the McAleese Group strives to continue this improvement, each of the operating divisions have implemented a target TRIFR reduction of 30% for FY2016.

## **McAleese Limited**

### **Directors' report**

- Customer

At McAleese we strive to always deliver on our customer promises and to seek to find better service solutions that deliver safe, efficient and cost effective outcomes.

The Company has commenced a realignment of its business development teams and activities to better capitalise on cross selling opportunities across the resources and infrastructure project markets.

With better co-ordination of market capabilities in bulk haulage, heavy haulage and crane hire, the McAleese Group will offer national, Company-owned and integrated lift and shift services across all phases of the project life, from construction through to production. The coordinated approach is expected to improve internal tendering processes, grow pipeline opportunities and better leverage the Company's skills and assets.

During FY2016 the Company will also be focused on improved alignment of its general and express freight activities providing a Company-owned network of services running along Australia's East coast and along the East/West corridor. This will reduce reliance on, and costs associated with, using subcontractors, particularly in regional areas of Northern Queensland, and assist in repositioning the business in its competitive markets.

- People

All employed at McAleese Group understand that they are accountable for their actions and dealings at every level of our organisation. In FY2014 the Board set measurable objectives for achieving gender diversity.

To support the delivery of these objectives a Group-wide HR framework was developed and rolled out to staff to encourage and promote a diverse and inclusive workplace culture.

During FY2015 female participation was increased to 17.7%, exceeding the Board's objective of 15% twelve months ahead of schedule (by end FY2016).

As part of a pilot program to improve workplace diversity and enable greater indigenous engagement in the workforce, Bulk Haulage saw an increase in indigenous workforce participation.

### **Material business risks**

This section sets out the principal risks and uncertainties associated with McAleese Group's business and operations. These risks and uncertainties, which may occur individually or concurrently, could significantly affect the McAleese Group's operations and performance. There may be additional risks unknown to McAleese Group and other risks, currently believed to be immaterial, which could become material. In addition, any loss arising from such risks may not be recoverable (in whole or in part) under the McAleese Group's insurance policies. The mitigation strategies set out below do not remove the risks or uncertainties, however, they may mitigate, either in whole or in part, the exposure presented to the McAleese Group.

The McAleese Group's process for managing risk is set out in the Corporate Governance Statement and can be accessed from <http://www.mcaleese.com.au/overview/corporate-governance/>

The current domestic and international economic and business climate may adversely affect the Company's overall performance. Further, the transport and logistics industry is subject to a number of inherent risks. These include, but are not limited to, exposure to changes in macro economic conditions, changes in government regulations, fluctuations in fuel pricing and other exogenous events such as vehicle accidents and natural disasters.

## **McAleese Limited**

### **Directors' report**

McAleese Group is subject to a number of specific business risks which may impact the achievement of the Company's strategy and financial prospects:

#### **Reliance on Atlas Iron - Contractor Collaboration Agreement and equity position**

Atlas Iron is a major customer of the McAleese Group, contributing significantly to Group earnings. The Bulk Haulage division acquired 280 million shares or 10.51% of Atlas' issued capital and 280 million listed options on completion of their capital raising in July 2015. Fluctuations in production and ongoing activity at the Atlas mines determine the number of tonnes hauled by the Bulk Haulage division.

Therefore, the success of the Bulk Haulage division (and the overall Group) is linked to the ongoing operational performance of Atlas and the pricing that they achieve for their iron ore. The revised haulage agreement was struck as part of the Atlas Contractor Collaboration arrangements which includes a commitment from Atlas Iron to reduce volatility on a three month look forward basis using hedging products, fixed price sales and shorter dated pricing periods.

Any future closure of the Atlas mines, including placing operations into care and maintenance or other forms of suspension or termination of operations, could result in loss of expected revenues for the McAleese Group, and additional expenses, including expenses for termination, redundancies, sale of surplus equipment, maintenance and storage of equipment used to service the Atlas contract.

To mitigate its reliance on Atlas, the McAleese Group has sought to bolster its business development efforts with specific focus on organic growth targeting new commodities and geographies.

#### **Commodity Price Risk**

Pricing for commodities hauled by McAleese Group's Bulk Haulage division, such as iron ore and gold ore, is based on international benchmarks and are affected by international supply and demand forces. Weaker prices for hard commodities could impact the performance of the Company's current and potential customers and reduce the services required from the McAleese Group thereby affecting the McAleese Group's overall performance.

As noted in the Reliance on Atlas Iron risk above, the Company has entered revised agreements with Atlas Iron for haulage services provided by the Bulk Haulage division. Atlas Iron's revenue and cash flows are derived from the mining and sale of iron ore. As such, McAleese's financial performance is highly dependent on Atlas Iron's production volumes and realised AUD iron ore prices.

To mitigate this risk, the McAleese Group seeks to work closely with its customers, in particular Atlas Iron, in relation to forward scheduling of operations and has sought to bolster its business development efforts with specific focus on organic growth targeting new commodities and geographies.

#### **Loss of key customers, material contracts or revenue**

McAleese Group's contracts, including those with key customers, may generally be terminated by the customer without cause on between 30 to 180 days notice. McAleese Group's contracts can generally be terminated by the customer on shorter notice for a breach of contract which McAleese Group is unable to remedy and may be terminated immediately for a regulatory, environmental or occupational health and safety breach.

The McAleese Group mitigates this risk by aiming to provide outstanding service and value and by pursuing a revenue and customer diversification strategy aimed at securing organic growth opportunities within each of its business units and at the McAleese Group level.

### **Financial Stability**

These risks include access to funding, interest rate exposure and credit risk.

The McAleese Group has various financial and non-financial covenants under its debt facilities which could limit its future financial flexibility. Net total indebtedness as at 30 June 2015 was \$170.5 million. If McAleese Group's operating results were to deteriorate, including due to the loss of a material customer contract, McAleese Group may be unable to meet the covenants governing its indebtedness which may require McAleese Group to seek amendments, waivers of covenant compliance, alternative borrowing arrangements, to reduce debt or raise additional equity. If a breach of covenant were to occur there is no assurance that McAleese Group's financiers would consent to an amendment or waiver, or that its financiers would not exercise their enforcement rights, including requiring immediate repayment.

Such events could limit the McAleese Group's flexibility in planning for or reacting to downturns in its business or otherwise materially and adversely affect its financial performance and growth prospects.

The status of financial risks is reported monthly in the Board papers and the monthly finance report. Reports are prepared from the financial systems which provide timely information. Clear organisational accountabilities are in place to ensure compliance with financial arrangements.

The McAleese Group maintains active engagement with all members of its banking syndicate and as announced, subsequent to the balance date, compliance with its covenants were waived following the implementation of revised banking arrangements and new covenants that will apply to the McAleese Group during FY2016.

### **McAleese License to Operate**

McAleese Group engages in potentially high risk activities including the transportation of dangerous goods, and the operation of transportation vehicles and cranes and provides services to customers who engage in high risk activities such as mining and construction. As such, McAleese Group is exposed to a range of risks including operational failures, accidents and activities that may result in project delays, damage to property or contamination of the environment and other major adverse events.

To mitigate these risks the Group has made significant investments in the safety and efficiency of its fleet, its inspection and compliance procedures and the training of its people by embedding safety and frontline leadership practices.

### **Reduced capital investment/construction activity and increased competition**

McAleese Group operates in competitive sectors comprising a variety of national and regional providers of transport and logistics solutions. Competition is typically based on a number of factors including price, service capabilities, equipment and fleet availability, ability to comply with certain safety and operational standards and overall service quality.

The number of new infrastructure projects and maintenance in the Australian infrastructure sector vary due to a range of factors. The contraction in Australia's mining and construction pipelines has seen increased pressure on pricing by Engineering Procurement and Construction Management providers (EPCMs) and Original Equipment Manufacturers (OEMs) as well as an increase in equipment available, for hire or sale particularly in the heavy haulage and craneage industries.

The business is focused on diversifying its market offer by geography and commodity to mitigate this. In particular the HH&L business is now focused on securing work from the public infrastructure pipeline and gaining increased share of wallet from its existing customer base.



## **McAleese Limited**

### **Directors' report**

#### **Significant changes in the state of affairs**

During the period the Company entered into a revised haulage agreement with one of its key customers, Atlas Iron Limited (Atlas). The revised haulage agreement provides Atlas with improved cost competitiveness through a lower base haulage rate and McAleese with upside profit share linked to the Australian dollar iron ore price. The revised haulage agreement is the result of an initiative involving other major Atlas contractors, and was established to maintain mining and haulage activities from Atlas' mines. The profit share arrangement leaves the McAleese Group highly leveraged to the Australian dollar iron ore price.

The Company also committed \$14 million at balance date to Atlas' share issue undertaken in July 2015. Participation in the share issue allows the Company to share in the ongoing success of a highly cost competitive and recapitalised Atlas.

#### **Environmental regulation**

The Company'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.

#### **Events subsequent to reporting date**

Following the capital raising by one of the McAleese Group's key customers, Atlas Iron, the McAleese Group acquired 280 million ordinary shares in Atlas Iron at a cost of \$14 million, representing 10.51% of the total Atlas shares on issue. In addition to this, the McAleese Group also acquired 280 million listed options over ordinary shares in Atlas at no cost. The options have a strike price of 7.5 cents per share and expire on 30 June 2017.

Subsequent to the balance date the Company agreed revised SFA terms with its lenders. The revised arrangements suspend the McAleese Group's previous financial undertakings relating to leverage, interest cover ratio and gearing during FY2016. The new covenants are minimum EBITDA, minimum CFADS (Cash Flow Available for Debt Servicing) and maximum capital expenditure requirements.

The Company's facility limits have been reduced as part of the revised arrangements. The Board and management are satisfied that a combination of cash on hand, forecast cash generation and remaining facility limits will provide the Company with sufficient liquidity.

The revised banking arrangements provide McAleese Group with balance sheet stability, adequate runway to implement strategic initiatives and activities, and enable the future improvement of its businesses.

The Board and Management will continue to monitor the performance of each of the divisions against expectation and the Group against the revised banking requirements.

#### **Likely developments**

A description of the McAleese 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.



## **McAleese Limited**

### **Directors' report**

#### **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 Officers 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 42 and forms part of the Directors' Report for the year ended 30 June 2015.

#### **Rounding of amounts**

The McAleese 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.

# McAleese Limited

## Directors' report

### Remuneration Report

#### SECTION 1 INTRODUCTION AND OVERVIEW

The directors of McAleese Limited (the "Company" or "McAleese") present the Remuneration Report prepared in accordance with section 300A of the Corporations Act 2001 (Cth) for the Company and its controlled entities (together, the "Group") for the year ended 30 June 2015.

This Remuneration Report forms part of the Directors' Report. The information provided in this report has been audited as required by section 308(3C) of the Corporations Act 2001. Details of the McAleese Group's remuneration strategy and arrangements for the 2014/15 Financial Year are set out in this Report.

The report has been prepared in respect of Key Management Personnel (KMP), being those whose remuneration must be disclosed in this Report. The Board has determined that the Key Management Personnel for the 2014/15 Financial Year are the Non-Executive Directors of the Company and those management personnel including the Managing Director who had the authority and responsibility for planning, directing and controlling the activities for the Company for the year ended 30 June 2015 (refer table 2), and including certain former Executives (refer table 3).

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 Executives	Former KMP
Fixed	Fees	Section 7.1 Table 7	n/a	n/a	Section 10.1 Table 14
	Fixed Remuneration	n/a	Section 9.4 Table 13	Section 9.1 Table 10	Section 10.1 Table 14
Variable remuneration	Short Term Incentive	n/a	Section 9.4 Table 13	Section 9.1 Table 10	Section 10.1 Table 14
	Long Term Incentive	Section 7.2 Table 8	Section 9.3 Table 12	Section 9.3 Table 12	n/a
Service agreements	Contractual Termination Payments	n/a	Section 6.1 Table 6	Section 6.1 Table 6	n/a

## **SECTION 2 – REMUNERATION STRATEGY & FRAMEWORK**

### **Section 2.1 - Remuneration strategy and framework**

The McAleese Board is committed to ensuring that it has a remuneration strategy that drives a culture of performance and ensures KMP are rewarded for the delivery of financial results and the achievement of McAleese Group's short term business objectives and long term vision.

The remuneration framework must also conform to appropriate market practice to ensure the retention of KMP. Accordingly, the total remuneration of the McAleese Group Executives is a mix of fixed annual remuneration and variable (at-risk) remuneration through short and long term incentives which places a significant portion of total remuneration at risk and is linked to demanding financial and non-financial performance objectives. The actual remuneration received by the Executive reflects the McAleese Group's performance and share price over an extended period which is considered by the Board to provide an appropriate focus on sustained performance.

In 2015, the changes to the Company's remuneration practice and policies as outlined in section 2.2, reflect the Board's decision to place emphasis on the importance of retaining the McAleese Group management personnel in light of the difficult circumstances faced by the Company. The Board sought to recognise the efforts and contribution of the Executive by providing a market-competitive remuneration structure that both motivates and generates shareholder value. The continuation of this framework is critical to attracting, developing and retaining the right people within the McAleese Group.

### **Section 2.2 - Review of remuneration strategy & framework**

Following a review of McAleese Group's remuneration strategy and framework in FY2014, a number of changes to the remuneration framework were implemented in FY2015, including:

- an appropriate comparator group was used to benchmark and set the fixed annual remuneration of Executives;
- total remuneration to be benchmarked against the 50<sup>th</sup> percentile (median) of the comparator group;
- a fixed to variable remuneration mix which targets a ratio of 45:55 for the Managing Director and approximately 60:40 for the Executives; and
- increasing short term incentive at-target opportunity for Executives from 20% to 30% thereby placing an increased proportion of remuneration at risk and linked to achievement of demanding performance objectives over the financial year; and
- the introduction of Divisional performance measures to align incentives with business performance results that the Executives can directly influence.

### **Section 2.3 - 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 was conducted for Directors, the Managing Director, and other Executives in relation to FY2015.

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### **SECTION 3 - REMUNERATION AND NOMINATION COMMITTEE**

As set out in the Company's Remuneration and Nomination Committee Charter, the Remuneration and Nomination Committee (the Committee) is comprised of only Non-Executive Directors, with a minimum of 3 members and a Non-Executive Director as chair. With regard to remuneration matters, the Committee is primarily responsible for providing recommendations to the Board on:

- Non-Executive Director fees;
- The overarching executive remuneration framework and incentive plans; and
- Specific recommendations on remuneration levels and the other terms of employment of the Managing Director, any Executive Directors and other Executives.

The Committee meets regularly throughout the year, usually quarterly or as required. The Managing Director, Other Directors and Senior Management may attend a meeting either ex-officio or by invitation should their input be required. However, the Executives do not participate in any discussion or decision relating to their own remuneration.

The Committee has the appropriate resources and authority to discharge its duties and responsibilities, including the authority to engage independent advisors as the Committee may require. The Committee's charter provides further information on the role of this committee and is available under the Corporate Governance section of the Company's website at [www.mcaleese.com.au/overview/corporate-governance/](http://www.mcaleese.com.au/overview/corporate-governance/).

## SECTION 4 - KEY MANAGEMENT PERSONNEL

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

**Table 2 - Current Key Management Personnel**

ROLE		DATE OF APPOINTMENT AS KMP
<b>Current Non-Executive Directors</b>		
D Telford	Chairman and Non-Executive Director	19 September 2013
W Kent	Deputy Chairman and Non-Executive Director	19 September 2013
G Maggiolo	Non-Executive Director	19 March 2012
K Gleeson	Non-Executive Director	1 September 2014
W Saxelby	Non-Executive Director	1 March 2015
<b>Current Executive Directors</b>		
M Rowsthorn	Managing Director and Chief Executive Officer	19 March 2012
<b>Current Executives</b>		
J Russell	Group CFO	5 November 2014
M Tamplin	DGM	18 February 2014
A Simpson	DGM	18 February 2014
S Fanning	DGM	28 April 2014

## McAleese Limited

### Directors' report

**Table 3 - Former Key Management Personnel**

ROLE		LAST DATE AS KMP
<b>Former Non-Executive Directors</b>		
none		
<b>Former Executive Directors</b>		
K Price <sup>2</sup>	Executive Director	20 November 2014
<b>Former Executives</b>		
W Saxelby <sup>1</sup>	Interim Group CFO	4 November 2014
K Price <sup>2</sup>	DGM	8 April 2015

**Notes:**

1. W Saxelby completed his term as a consultant fulfilling the Interim Group Chief Financial Officer role on 4 November 2014. Thereafter, he was appointed as a Non-Executive Director on 1 March 2015.
2. K Price resigned his appointment as an Executive Director of the Company on 20 November 2014 but continued as an Executive until his retirement on 8 April 2015.

## SECTION 5 – ELEMENTS OF REMUNERATION

The McAleese remuneration framework currently has three components:

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

A previous component, the Loan Funded Share Plan ("LFSP") was replaced by the LTI with W Kent the only remaining participant in the LFSP.

The relative proportion of the Executives' total remuneration packages for FY2015 that was performance-based is set out in the table below.

**Table 4 – FY2015 Executive total remuneration package mix**

	% OF TOTAL REMUNERATION PACKAGE		
	FIXED ANNUAL REMUNERATION	VARIABLE REMUNERATION	
		SHORT TERM INCENTIVE (AT-TARGET)	LONG TERM INCENTIVE (MAXIMUM)
Managing Director	45.46%	27.27%	27.27%
Group CFO	62.50%	18.75%	18.75%
Other Executives	66.67%	20.00%	13.33%

### Section 5.1 - Fixed annual remuneration (FAR)

An Executive's FAR remunerates them in line with market benchmarks and their performance, taking into account the responsibilities of the Executive's position, level of skill and 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 Executives). FAR is reviewed annually by the Remuneration and 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 Group's short term business performance (12 months). The specific performance measures may vary from year to year depending on the McAleese Group's strategy and business objectives and are set to drive increased financial performance and to generate shareholder returns.

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

## McAleese Limited

### Directors' report

The Board reserve the right to vary, suspend or terminate the STIP at its complete discretion.

#### [Section 5.2.1 - Performance measures](#)

The measures for the FY2015 STIP were set by the Board and include both financial and non-financial performance measures. There were two financial measures for FY2015, namely Earnings before Interest and Tax (EBIT) and a cash flow measure. A non-financial measure to drive the McAleese Group's continued focus on its safety performance was included to reflect the Company's commitment to improving the McAleese Group's Total Recordable Injury Frequency Rate (TRIFR).

The weighting of the financial and non-financial measures for FY2015 are outlined in the following table:

**Table 5 – FY2015 STI performance measures and weighting**

		FINANCIAL				NON – FINANCIAL		MAXIMUM STIP
		GROUP EBIT	DIVISIONAL EBIT	GROUP CASH FLOW	DIVISIONAL CASH FLOW	GROUP TRIFR	DIVISIONAL TRIFR	OPPORTUNITY
M Rowsthorn	MD&CEO	60%	-	20%	-	20%	-	100%
J Russell	Group CFO	60%	-	20%	-	20%	-	100%
M Tamplin	DGM	30%	30%	-	20%	-	20%	100%
A Simpson	DGM	30%	30%	-	20%	-	20%	100%
S Fanning	DGM	30%	30%	-	20%	-	20%	100%

#### **Section 5.3 - Long term incentive**

The McAleese Long Term Incentive Plan (LTIP) links Executive remuneration to McAleese Group'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.



## McAleese Limited

### Directors' report

#### Section 5.3.1 - LTIP amount

In the year ending 30 June 2015, the Managing Director and 4 Executives were granted awards under the LTIP (M Rowsthorn, J Russell, M Tamplin, A Simpson and S Fanning). The Executives' LTIP award was set at a value equivalent to a percentage of FAR, being 60% for the Managing Director, 30% for the McAleese Group Chief Financial Officer and 20% for the other Executives (the "maximum awards"). The number of Performance Rights in the FY2015 LTIP awards was determined by reference to the volume weighted average price ("VWAP") on the ten trading days prior to the Company's 2014 Annual General Meeting on 20 November 2014. There are no voting or dividend rights attached to the Performance Rights, but they will attach to any ordinary shares issued on vesting.

#### Section 5.3.2 - Performance measure

Vesting of the Performance Rights is subject to two independent performance conditions outlined below, measured over a 3 year period from 1 July 2014. Two conditions, Total Shareholder Return ("TSR"), and Pro Forma Earnings Per Share ("EPS"), were selected that are both transparent and related to outcomes for shareholders. Each condition determines the vesting of 50% of any LTI award.

#### ***Total Shareholder Return ("TSR")***

The TSR condition requires growth in the Company's total shareholder returns to be at or above the median of those companies in the comparator group measured over the 3 year performance period.

The vesting schedule is as follows:

TSR OF McALEESE RELATIVE TO THE COMPARATOR GROUP	PROPORTION OF RIGHTS VESTING
Below the 50 <sup>th</sup> percentile	0%
At the 50th percentile	50%
Between the 50 <sup>th</sup> percentile and the 75 <sup>th</sup> percentile	Straight-line vesting between 50% and 100% ( <i>e.g. each percentile improvement will result in an additional 2% vesting</i> )
75th percentile or greater	100%

#### ***Pro Forma Earnings Per Share ("EPS")***

The Pro Forma EPS condition requires the achievement of an average annual increase in the Pro Forma EPS over the three year performance period. This performance measure assesses the growth in accounting based earnings per share and reflects an absolute target set by the Board, in consideration of the Company's three year outlook. For the purposes of this measure, the EPS base will be the original FY2015 Forecast Statutory EPS, excluding significant items.

## McAleese Limited

### Directors' report

Vesting of the Performance Rights subject to the EPS performance measure will occur as follows:

ANNUAL AVERAGE EPS GROWTH	PROPORTION OF RIGHTS VESTING
Below 7.5%	0%
At 7.5%	50%
Between 7.5% and 10%	Straight-line vesting between 50% and 100%
10% or greater	100%

#### Section 5.3.3 - Testing and vesting

After the expiry of a three year performance period which ends 30 June 2017, the Board will determine whether the performance conditions have been satisfied. The performance conditions are tested once, at the end of the performance period. If the conditions are satisfied in all or in part, then the relevant number of participant's rights vest and the participant is entitled to receive one fully paid ordinary share for each vested right. The participant does not pay for the shares. If the performance conditions are not satisfied during the performance period the performance rights will lapse.

In accordance with the plan rules, in the event of a change of control of the Company, the Board has discretion to waive any vesting conditions attached to LTI rights, having regard to relevant individual and company performance measures. Where an Executive ceases employment with McAleese, their leaver status will be determined by the Board and any unvested LTI rights that have not been exercised within the required period will be treated in accordance with the plan rules as follows:

LEAVER STATUS	OUTCOME
Good Leaver	Performance rights will vest pro rata to the proportion of the performance period that has elapsed, having regard to the extent to which the performance conditions have been achieved at the completion of the performance period.
Leaver	Performance rights will be forfeited, subject to the Board's discretion to permit some or all of the performance rights to vest based on its assessment of the circumstances in which the Executive has ceased employment.
Bad Leaver	All rights, entitlements and interests in any performance rights will be forfeited.

## McAleese Limited

### Directors' report

The terms and conditions of each grant affecting remuneration in this or future reporting periods are as follows:

PERFORMANCE RIGHT GRANT	GRANT DATE	VESTING DATE	FAIR VALUE PER PERFORMANCE RIGHT AT GRANT DATE
LTI 2014 - Tranche 1 <sup>1</sup>	23 April 2014	22 April 2016	\$0.390
LTI 2014 - Tranche 2 <sup>1</sup>	23 April 2014	22 October 2016	\$0.390
LTI 2014 - Tranche 3 <sup>1</sup>	23 April 2014	22 April 2017	\$0.390
LTI 2015 - TSR (50% of grant) <sup>2</sup>	2 March 2014	30 June 2017	\$0.094
LTI 2015 - EPS (50% of grant) <sup>2</sup>	2 March 2014	30 June 2017	\$0.245
Sign-on bonus - Tranche 1 (40%) <sup>3</sup>	5 November 2014	5 November 2015	\$0.410
Sign-on bonus - Tranche 2 (60%) <sup>3</sup>	5 November 2014	5 November 2016	\$0.410

Notes:

1. The participants of LTI 2014 are A Simpson and M Tamplin.
2. The participants of LTI 2015 are M Rowsthorn, J Russell, A Simpson, M Tamplin and S Fanning.
3. J Russell's employment contract entitled him to a sign-on bonus, payable in 621,397 performance rights determined using a 5 day volume weighted average price (VWAP) based on the 5 trading days up to and including the commencement date of his employment, 5 November 2014. These performance rights will vest in 2 tranches subject to J Russell's continued employment with the Company; 40% on 5 November 2015 and the balance on 5 November 2016.

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

## McAleese Limited

### Directors' report

#### Section 5.3.4 – LTIP performance requirements - FY16 changes

As a result of the annual review of the LTIP by the Remuneration & Nomination Committee and the Board, the following changes are proposed to apply to the FY2016 grant of Performance Rights to Executives under the LTIP in respect of the performance period from 1 July 2015 to 30 June 2018.

1. The number of Performance Rights in the FY2016 LTIP awards will be determined by reference to the volume weighted average price ("VWAP") on the ten trading days immediately following the release of the Company's FY2015 results.
2. Average annual EPS growth will no longer be used as an LTIP performance condition. The Board is of the view that the Relative Total Shareholder Return ("TSR") performance condition is sufficiently focused on profit maximisation and that the EPS growth performance condition is not suitable in the context of the Company's recent EPS performance, where relatively minor increases in EPS may result in high EPS growth rates which are not necessarily reflective of the significant creation of shareholder value.
3. Vesting of the Performance Rights will continue to be subject to the TSR performance condition, measured over a 3 year period from 1 July 2015. TSR will now be the sole performance condition.
4. The comparator group for the FY2016 LTIP will comprise of certain entities in the S&P /ASX 200 index that are ranked between 151 to 200 in that index by market capitalisation.

Except for the amendments outlined above, there are no other changes proposed.

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## 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 Executives are set out in Table 6.

## McAleese Limited

### Directors' report

**Table 6 - Contractual terms for current Executives**

	NOTICE PERIOD (By McAleese)	NOTICE PERIOD (By Executive)	TERMINATION / REDUNDANCY PAYMENT
<b>CURRENT EXECUTIVE DIRECTOR</b>			
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.
<b>CURRENT EXECUTIVES</b>			
J Russell	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 3 months FAR is payable.
M Tamplin	6 months	6 months	Payment in lieu of notice at Company's discretion for Company initiated termination only.
A Simpson	6 months	6 months	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.
S Fanning	6 months	6 months	

### 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 12 months following termination of their employment.

## SECTION 7 - NON-EXECUTIVE DIRECTORS

### Section 7.1 Fees and Payments

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, as set out in paragraph 8.3(a) of the McAleese Group Constitution.

## McAleese Limited

### Directors' report

Fees are reviewed annually and for the financial year ending 30 June 2015, the aggregate fees payable to the Non-executive Directors was \$353,881. 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 and the Remuneration & Nomination Committee. No fees or payments are currently made to Non-executive Directors for Board Committee membership.

**Table 7 - Non-executive Directors' fees (and other benefits)**

BOARD	CHAIR OF BOARD		BOARD MEMBER	
	FY15	FY14	FY15	FY14
Base Fee <sup>1</sup>	\$150,000	\$150,000	\$75,000	\$75,000
COMMITTEES OF THE BOARD	CHAIR OF COMMITTEE		COMMITTEE MEMBER	
	FY15	FY14	FY15	FY14
Audit, Business Risk and Compliance	\$0	\$0	\$0	\$0
Remuneration & Nomination	\$0	\$0	\$0	\$0

1. Superannuation contributions were made on behalf of the Non-executive Directors at a rate of 9.5%, which satisfies the Company's statutory superannuation obligations. The amounts set out in the table above include superannuation.

### Section 7.2 Other benefits - Loan Funded Share Plan

The McAleese Group Loan Funded Share Plan ("LFSP") was approved by the Board on 22 May 2013. Participation in the LFSP was at the discretion of the Board. The benefits to the participant can only be achieved if there is growth in the McAleese share price, which is dependent on McAleese Group'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. 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.

During FY2015, there was no grant of Loan Funded Shares. Since listing on the ASX, the LFSP has been replaced by the LTIP and W Kent remains the only participant in the LFSP.

## McAleese Limited Directors' report

**Table 8 - Loan Funded Share Plan changes – Current Executives**

			MAXIMUM SHARE OPPORTUNITY AT START OF YEAR <sup>1</sup>	SHARE OPPORTUNITIES OFFERED DURING THE YEAR (MAXIMUM) <sup>2</sup>	FAIR VALUE OF LFSP OFFERED DURING THE YEAR <sup>3</sup>	SHARES VESTED DURING THE YEAR	SHARES CONVERTED DURING THE YEAR	VALUE OF THOSE SHARES CONVERTED DURING THE YEAR	SHARE OPPORTUNITIES LAPSED DURING THE YEAR <sup>4</sup>	VALUE OF LAPSED OPPORTUNITIES <sup>5</sup>	INCREMENTAL VALUE OF LTIP DURING YEAR <sup>6</sup>	MAXIMUM SHARE OPPORTUNITY AT YEAR END
<b>Current Non-Executive Directors</b>												
W Kent <sup>6</sup>	Deputy Chairman	FY15	674,306	0	0	224,769 <sup>7</sup>	0	0	0	0	0	449,537
		FY14	0	674,306	273,459	0	0	0	0	0	273,459	674,306

**Notes:**

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 pre-IPO 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 pre-IPO LFSP offer was the first offer under the LFSP and the LFS granted to W Kent have 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.
7. LFSP vested in accordance with their terms of issue on 28 November 2014.

## SECTION 8 - CORPORATE PERFORMANCE

### Section 8.1 – FY2015 performance

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

For FY2015, the McAleese Group EBIT target was not met and only Oil & Gas achieved their Divisional target; which was achieved at maximum. Cash Flow targets were not met. All Divisions except Heavy Haulage & Lifting achieved or exceeded their safety target. Based on these results, an STI payment was awarded by the Board. Details of the STI payment are detailed in Table 10.

## McAleese Limited

### Directors' report

#### Section 8.2 – FY2015 LTIP outcomes

Long term incentive payments to Executives are linked to relative TSR and pro forma EPS. The Performance conditions will be tested at the conclusion of the Performance period on 30 June 2017.

For previous grants that were awarded under the LTIP, relative TSR will not be tested until FY2016 with vesting only occurring if there is an appropriate TSR ranking against the comparator group.

#### Section 8.3 – Analysis of relationship between the Company's performance, shareholder wealth, and remuneration

In considering the Company's performance, the benefit to shareholders and appropriate remuneration for the Executives, the Board, through its Remuneration and Nomination Committee, has regard to financial and non-financial indices, including the indices shown in the table below in respect of the current financial year and the preceding financial years since the Company's IPO on 28 November 2013.

**Table 9 - Relationship between the Company's performance, shareholder wealth, and remuneration**

	30 JUNE 2015	30 JUNE 2014
Loss attributable to owners of the Company (\$'000) <sup>1</sup>	\$90,944	\$63,292
Dividends paid	-	-
Share price	\$0.10	\$0.49

Notes:

1. The loss amounts have been calculated in accordance with Australian Accounting Standards (AASBs).

The at-risk or performance related components of the Executive's total remuneration, in the form of short term and long term incentives, reward Executives only where value is delivered to shareholders, directly linking the reward to the Company's financial results and its overall performance.

## SECTION 9 - REMUNERATION TABLES - CURRENT DIRECTORS AND EXECUTIVES

#### Section 9.1 - Total remuneration – Current Directors and Executives

Details of the nature and amount of each element of the remuneration for each of the current Directors and Executives are outlined in Table 10. All amounts are in Australian dollars and relate only to that portion of the year in which the current Director or Executive occupied the role.



# McAleese Limited

## Directors' report

**Table 10 - Total remuneration – Current Directors and Executives**

			SHORT TERM BENEFITS						SHARE BASED PAYMENTS		POST-EMPLOYMENT BENEFITS	TOTAL
			SALARY	NON-MONETARY BENEFITS <sup>1</sup>	DIRECTOR'S FEES	SHORT TERM INCENTIVE	OTHER PAYMENTS	TERMINATION PAYMENTS	TOTAL AMORTISATION VALUE OF LTIP	CASH / OTHER EQUITY	SUPERANNUATION CONTRIBUTIONS	
			\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Current Non-Executive Directors												
D Telford	Chairman	FY15	0	0	136,986	0	0	0	0	0	13,014	150,000
		FY14	0	0	71,818	0	0	0	0	0	6,643	78,461
W Kent	Deputy Chairman	FY15	0	0	68,493	0	0	0	96,439	0	6,507	171,439
		FY14	0	0	53,600	0	50,000	0	129,570	0	4,958	238,128
G Maggiolo	Non-Executive Director	FY15	0	0	68,493	0	0	0	0	0	6,507	75,000
		FY14	0	0	40,574	0	0	0	0	0	3,753	44,327
K Gleeson <sup>2</sup>	Non-Executive Director	FY15	0	0	57,078	0	0	0	0	0	5,422	62,500
		FY14	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
W Saxelby <sup>3</sup>	Non-Executive Director	FY15	0	0	22,831	0	0	0	0	0	2,169	25,000
		FY14	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Current Executive Directors												
M Rowsthorn	Managing Director / CEO	FY15	481,217	0	0	45,000	0	0	24,924	0	21,312	572,453
		FY14	114,416	0	46,519	0	0	0	0	0	14,887	175,822
Sub-total of Current Directors		FY15	481,217	0	353,881	45,000	0	0	121,363	0	54,931	1,056,392
		FY14	114,416	0	212,511	0	50,000	0	129,570	0	30,241	536,738

# McAleese Limited

## Directors' report

**Table 10 - Total remuneration – Current Directors and Executives (continued)**

		SHORT TERM BENEFITS						SHARE BASED PAYMENTS		POST-EMPLOYMENT BENEFITS		
		SALARY	NON-MONETARY BENEFITS <sup>1</sup>	DIRECTOR'S FEES	SHORT TERM INCENTIVE	OTHER PAYMENTS	TERMINATION PAYMENTS	TOTAL AMORTISATION VALUE OF LTIP	CASH / OTHER EQUITY	SUPERANNUATION CONTRIBUTIONS	TOTAL	
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Current Executives												
J Russell <sup>4</sup>	Group CFO	FY15	281,396	0	0	26,408	0	0	123,044	0	12,257	443,105
		FY14	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
M Tamplin <sup>5 6</sup>	DGM	FY15	374,239	6,981	0	92,250	0	0	31,190	0	27,500	532,160
		FY14	138,128	0	0	0	100,000	0	4,541	0	9,152	251,821
A Simpson <sup>5 6</sup>	DGM	FY15	373,167	0	0	26,464	0	0	31,190	0	26,250	457,071
		FY14	117,692	0	0	21,000	70,000	0	4,541	0	9,152	222,385
S Fanning <sup>5 6</sup>	DGM	FY15	375,090	0	0	36,900	7,582	0	6,813	0	25,000	451,385
		FY14	50,462	0	0	0	0	331,164	0	0	2,877	384,503
Sub-total of Current Executives		FY15	1,403,892	6,981	0	182,022	7,582	0	192,237	0	91,007	1,883,721
		FY14	306,282	0	0	21,000	170,000	331,164	9,082	0	21,181	858,709
TOTAL CURRENT DIRECTORS & EXECUTIVES		FY15	1,885,109	6,981	353,881	227,022	7,582	0	313,600	0	145,938	2,940,113
		FY14	420,698	0	212,511	21,000	220,000	331,164	138,652	0	51,422	1,395,447

**Notes:**

1. Non-monetary benefits include salary sacrificed components of remuneration packages including motor vehicles and related fringe benefits tax.
2. K Gleeson was appointed as a Director on 1 September 2014 - amounts shown above represent her fees from that date until 30 June 2015.
3. W Saxelby was appointed as a Director on 1 March 2015 - amounts shown above represent his Director's fees from 1 March 2015 until 30 June 2015. The remuneration relating to his term, from 1 July 2014 to 4 November 2014, as Interim Group Chief Financial Officer is shown in Table 14.
4. J Russell became KMP on his appointment to the position of Group Chief Financial Officer on 5 November 2014 – amounts shown above represent his remuneration from that date until 30 June 2015.
5. M Tamplin, A Simpson and S Fanning – FY15 amounts shown above represent their remuneration from 1 July 2014 until 30 June 2015.
6. FY2014 salary amounts shown for M Tamplin, A Simpson and S Fanning reflect the period during FY2014 when they were KMP, namely A Simpson and M Tamplin became KMP from 18 February 2014 and S Fanning became KMP on 9 June 2014.

## McAleese Limited

### Directors' report

#### Section 9.2 - Total shareholdings – Current Directors and Executives

Details of the total number of Shares and or Options held by each Director and Executive of the Company are set out in Table 11.

**Table 11 - Total shareholdings – Current Directors and 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	OTHER SHARES DISPOSED OF DURING THE YEAR	BALANCE OF SHARES HELD AT END OF YEAR	BALANCE OF SHARES HELD AT REPORTING DATE
Current Non-Executive Directors										
D Telford	Chairman	FY15	121,608	0	0	0	0	0	121,608	121,608
		FY14	0	0	0	668	120,940 <sup>2</sup>	0	121,608	121,608
W Kent	Deputy Chairman	FY15	3,844,776	0	0	0	0	0	3,844,776	3,844,776
		FY14	0	0	0	1,512,880	2,331,896 <sup>2</sup>	0	3,844,776	3,844,776
G Maggiolo	Non-Executive Director	FY15	20,351,341	0	0	0	0	0	20,351,341	20,351,341
		FY14	114,530	0	0	432,400	20,824,607 <sup>2</sup>	(1,020,196) <sup>3</sup>	20,351,341	20,351,341
K Gleeson	Non-Executive Director	FY15	0	0	0	0	0	0	0	0
		FY14	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
W Saxelby	Non-Executive Director	FY15	300,000	0	0	0	0	0	300,000	300,000
		FY14	0	0	0	0	300,000	0	300,000	300,000
Current Executive Directors										
M Rowsthorn	Managing Director / CEO	FY15	87,023,218	0	0	0	0	0	87,023,218	87,023,218
		FY14	0	0	0	1,004	87,022,214 <sup>1</sup>	0	87,023,218	87,023,218
Sub-total of Current Directors		FY15	111,640,943	0	0	0	0	0	111,640,943	111,640,943
		FY14	114,530	0	0	1,946,952	110,599,657	(1,020,196)	111,640,943	111,640,943

## McAleese Limited Directors' report

			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	OTHER SHARES DISPOSED OF DURING THE YEAR	BALANCE OF SHARES HELD AT END OF YEAR	BALANCE OF SHARES HELD AT REPORTING DATE
Current Executives										
J Russell	Group CFO	FY15	0	0	0	0	0	0	0	0
		FY14	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
M Tamplin	DGM	FY15	0	0	0	0	0	0	0	0
		FY14	0	0	0	0	0	0	0	0
A Simpson	DGM	FY15	0	0	0	0	0	0	0	0
		FY14	0	0	0	0	0	0	0	0
S Fanning	DGM	FY15	0	0	0	0	0	0	0	0
		FY14	0	0	0	0	0	0	0	0
Sub-total of Current Executives		FY15	0	0	0	0	0	0	0	0
		FY14	0	0	0	0	0	0	0	0
TOTAL Current Directors & Executives		FY15	111,640,943	0	0	0	0	0	111,640,943	111,640,943
		FY14	114,530	0	0	1,946,952	110,599,657	(1,020,196)	111,640,943	111,640,943

### Notes:

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

### Section 9.3 - Long term incentive plan (LTIP)

Executives have participated in grants under the LTIP. Details of the entitlements of those current Executives under the LTIP are set out in Table 12.

## McAleese Limited

### Directors' report

**Table 12 - LTIP opportunities and changes – Current Executives**

		MAXIMUM SHARE OPPORTUNITY AT START OF YEAR <sup>1</sup>	SHARE OPPORTUNITIES OFFERED DURING THE YEAR (MAXIMUM) <sup>2</sup>	FAIR VALUE OF LTIP OFFERED DURING THE YEAR	SHARES VESTED AND CONVERTED DURING THE YEAR <sup>3</sup>	VALUE OF THOSE SHARES CONVERTED DURING THE YEAR	SHARE OPPORTUNITIES LAPSED DURING THE YEAR <sup>3</sup>	VALUE OF LAPSED OPPORTUNITIES	INCREMENTAL VALUE OF LFSP DURING YEAR <sup>4</sup>	MAXIMUM SHARE OPPORTUNITY AT YEAR END	
Current Executive Directors											
M Rowsthorn	Managing Director / CEO	FY15	0	1,042,806	176,756	0	0	0	0	176,756	1,042,806
		FY14	0	0	0	0	0	0	0	0	0
Current Executives											
J Russell	Group CFO	FY15	0	927,382 <sup>5</sup>	306,637	0	0	0	0	306,637	927,382
		FY14	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
M Tamplin	DGM	FY15	152,121	285,034	48,314	0	0	0	0	48,314	437,155
		FY14	0	152,121	59,327	0	0	0	0	59,327	152,121
A Simpson	DGM	FY15	152,121	285,034	48,314	0	0	0	0	48,314	437,155
		FY14	0	152,121	59,327	0	0	0	0	59,327	152,121
S Fanning	DGM	FY15	0	285,034	48,314	0	0	0	0	48,314	285,034
		FY14	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

**Notes:**

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 being Performance Rights that vest into Shares subject to satisfaction of certain performance conditions (for the FY2015 grants, the performance conditions are based on average annual EPS growth and relative TSR measured over a three year performance period - see Section 5.3 for further details).
3. The 2014 LTIP offer was the first offer under the LTIP and has not lapsed for current Executives.
4. The net value of LTIP offered, vested, converted and lapsed during the year provides an indication of incremental value received during the year.
5. J Russell's employment contract entitled him to a sign-on bonus, payable in 621,397 Performance Rights determined using a 5 day volume weighted average price (VWAP) based on the 5 trading days up to and including the commencement date of his employment, 5 November 2014. These performance rights will vest in 2 tranches subject to J Russell's continued employment with the Company; 40% on 5 November 2015 and the balance on 5 November 2016. In addition, J Russell received 305,985 Performance Rights under the LTIP which represented his LTIP entitlement prorated for the 238 days from the commencement of his employment to 30 June 2015.

## McAleese Limited

### Directors' report

#### Section 9.4 - Managing Director's total remuneration package

In setting the Managing Director's remuneration for FY2015, the Board took into account the importance of retaining a calibre of executive that will successfully implement business strategies and objectives to restore the Company's balance sheet and drive shareholder value. The Board is of the view that the remuneration strategy applied balances this requirement with the interests of our shareholders and will ensure enhancement of shareholder wealth and the delivery of improved future earnings.

**Table 13 - Managing Director's Total Remuneration Package**

	FY15 FIXED ANNUAL REMUNERATION	FY15 SHORT TERM INCENTIVE (AT TARGET) <sup>1</sup>	FY15 LONG TERM INCENTIVE (MAXIMUM) <sup>2</sup>
M Rowsthorn	\$500,000	60%	60%

Notes:

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.

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## SECTION 10 - REMUNERATION TABLES – FORMER DIRECTORS AND EXECUTIVES

### Section 10.1 - Total remuneration – Former Directors and Executives

Details of the nature and amount of each element of the remuneration of the former Directors and Executives are outlined in Table 14. All amounts are in Australian dollars and relate only to that portion of the year in which the former Director or Executives occupied the role.

## McAleese Limited

### Directors' report

**Table 14 - Total remuneration – Former Directors and Executives**

			SHORT TERM BENEFITS					SHARE BASED PAYMENTS		POST-EMPLOYMENT BENEFITS		TOTAL
			SALARY	NON-MONETARY BENEFITS <sup>1</sup>	DIRECTOR'S FEES	SHORT TERM INCENTIVE	OTHER PAYMENTS	TERMINATION PAYMENTS	TOTAL AMORTISATION VALUE OF LTIP	CASH / OTHER EQUITY	SUPERANNUATION CONTRIBUTIONS	
Former Executive Directors & Executives												
K Price <sup>2</sup>	Executive Director & DGM	FY15	305,686	0	0	0	0	726,300	0	0	29,040	1,061,026
		FY14	385,149	144,777	0	0	0	0	0	0	35,626	565,552
W Saxelby <sup>3</sup>	Interim Group CFO	FY15	0	0	0	0	323,900	0	0	0	0	323,900
		FY14	0	0	0	0	150,139	0	0	0	0	150,139
TOTAL Current Directors & Executives		FY15	305,686	0	0	0	323,900	726,300	0	0	29,040	1,384,926
		FY14	385,149	144,777	0	0	150,139	0	0	0	35,626	715,691

**Notes:**

1. Non-monetary benefits include salary sacrificed components of remuneration packages.
2. K Price resigned his appointment as an Executive Director of the Company on 20 November 2014 but continued as an Executive until his retirement on 8 April 2015. The amounts shown above represent his combined remuneration from 1 July 2014 until 8 April 2015.
3. W Saxelby ceased contracting as the interim Group Chief Financial Officer on 4 November 2014 - amounts shown above represent his consultant fees for the period W Saxelby was KMP, from 1 July 2014 to 5 November 2014. W Saxelby was engaged for a further 7 day period to assist with the transition to the new Group CFO, for which he received an additional \$18,100. The remuneration relating to his appointment as a Director, from 1 March 2015 to 30 June 2015, is shown in Table 10.

## McAleese Limited

### Directors' report

#### Section 10.2 - Total shareholdings – Former Directors and Executives

Details of the total number of Shares and or Options held by former Directors and Executives of the Company are set out in Table 15.

**Table 15 - Total shareholdings – Former Directors and 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	OTHER SHARES DISPOSED OF DURING THE YEAR	BALANCE OF SHARES HELD AT LAST DATE AS A KMP
<b>Former Executive Directors &amp; Executives</b>									
K Price <sup>3</sup>	Executive Director & DGM	2015	21,072,364	0	0	0	0	(988,716)	20,083,648
		2014	139,940	0	0	1,395,000	25,432,860 <sup>1</sup>	(5,895,436) <sup>2</sup>	21,072,364

Notes:

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. K Price resigned as an Executive Director of the Company on 20 November 2014 but continued as an Executive until his retirement on 8 April 2015. The amounts shown above represent his shareholdings from 1 July 2014 until 8 April 2015.

#### Section 10.3 - Loan Funded Share Plan

As discussed in Section 7.2 McAleese operates a loan funded share plan. During FY2015, no former Directors or Executives participated in the plan.



## **SECTION 11 - OTHER INFORMATION**

### **Loans to Directors and Executives**

There were no loans made to Directors of McAleese Limited or to any Executives of the Company and the consolidated entity, including their personal related entities during the year, nor were there any loans outstanding at the end of the prior financial year, other than the limited recourse loan to W Kent in connection with the McAleese Group Loan Funded Share Plan.

### **Other transactions with Directors and Executives**

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

### **Directors' and Officers' liability insurance**

Amounts disclosed as remuneration of Directors and Executives exclude premiums paid by the McAleese 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 Group's "Policy for Dealing in Securities" prohibits directors and all employees (including the 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 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 Group's directors and Executives (including the Executives) from entering into any margin loan or similar funding arrangement in relation to acquiring Shares.

## **SECTION 12 - GLOSSARY OF TERMS**

**Annual General Meeting** or **AGM** means the meeting of a company that section 250N of the Corporations Act 2001 requires to be held.

**Audit, Business Risk and Compliance Committee** or **ABRCC** means the sub-committee of the Board with responsibility to assist the Board in carrying out its accounting, auditing and financial reporting responsibilities.

**Board** means the board of McAleese Limited.

**Cash flow** means cash flows from operating activities.

**Company** means McAleese Limited.

**Comparator Group** for FY2015 the comparator group is defined as a group of entities in the S&P /ASX 200 index that are ranked between 101 to 200 in that index by market capitalisation.

**DGM** means Divisional General Manager.

**Director** means a Director of McAleese Limited.

**EBIT** means earnings before interest, tax and significant items.

**EPS** means earnings per share

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

**Fixed Annual Remuneration** or **FAR** means base salary and superannuation.

**Fixed Remuneration** means the component of total remuneration which is paid irrespective of performance.

**Group** means McAleese Limited and its subsidiaries.

**Initial Public Offering** or **IPO** means the listing of the stock of a company on a public stock exchange for the first time.

**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).

**Long Term Incentive** or **LTI** means the at-risk component of an employee's remuneration that is used to reward long-term performance against specific conditions with company Shares or Performance Rights at no cost.

**McAleese** means McAleese Limited.

## McAleese Limited

### Directors' report

**Non-Executive Director** means a member of the Board of Directors of McAleese Limited who does not form part of the executive management team.

**Officer** of the company means a director, secretary of the corporation, or a person who makes, or participates in making, decisions that affect the business of the corporation, or who has the capacity to affect significantly the corporation's financial standing.

**Options** or Performance Options means an option to subscribed for or purchase ordinary shares that has achieving a nominated performance milestone as a condition of its exercise

**Performance Period** means the period of time during which the performance goals must be met in order to determine the degree of payout and / or vesting with respect to, or the amount or entitlement to, an award.

**Performance Rights** means the contractual right to receive a given number of ordinary shares if a nominated performance criteria is achieved.

**Pro Forma EPS** means the statutory earnings per share (EPS) minus significant items.

**Remuneration and Nomination Committee** (Committee) or **RNC** mean the sub-committee of the Board with responsibility to review and recommend appointment, remuneration, corporate governance, and diversity strategy and policy for the organisation on behalf on the Board.

**Safety** means the Total Reportable Injury Frequency Rate (TRIFR).

**Senior Management** means the team of individuals at the highest level of organisational management who have the day-to-day responsibility of managing the Company.

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

**Short Term Incentive** or STI means the at-risk component of an employee's remuneration that is used to reward short-term performance against specific conditions at no cost with a cash payment.

**TSR** means total shareholder return.

**Variable Remuneration** means the at-risk component of total remuneration which allows for increased pay depending on the work and effort put into a job.

**Volume Weighted Average Price** or **VWAP** means the total volume traded within a given time frame, to determine the ratio of value associated with all the trading that was conducted during the cited period.

## **McAleese Limited**

### **Directors' report**

This report is made with the resolution of the directors:



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Mr Don Telford  
**Director**



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Mr Mark Rowsthorn  
**Director**

Dated at Camberwell on the 26<sup>th</sup> day of August 2015.



***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 2015 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

Suzanne Bell  
*Partner*

Melbourne

26 August 2015

**McAleese Limited**  
**Consolidated statement of comprehensive income**  
**For the year ended 30 June 2015**

	Note	30 Jun 15 \$'000	30 Jun 14 \$'000
Revenue	6	636,888	762,359
Other income	7	53,154	4,868
Direct transport and logistics costs		(140,306)	(136,866)
Cost of goods sold		(14,490)	(49,250)
Repairs and maintenance		(30,119)	(37,400)
Employee benefits expense		(245,928)	(305,260)
Fuel, oil, electricity		(67,748)	(79,157)
Occupancy and property costs		(30,811)	(27,682)
Depreciation and amortisation expense	8	(46,712)	(46,601)
Impairment charges – goodwill & intangibles	19	(53,092)	(30,621)
Impairment charges / reversals – plant & equipment	18	(83,514)	(16,688)
Impairment charges – equity investment and associated loans & net receivables	29	(18,886)	-
Other expenses	9	(47,943)	(74,864)
<b>Profit/(loss) before finance costs and income tax</b>		<b>(89,507)</b>	<b>(37,162)</b>
Net finance costs	10	(15,395)	(39,230)
<b>Profit/(loss) before income tax</b>		<b>(104,902)</b>	<b>(76,392)</b>
Income tax benefit	11	13,958	12,768
<b>Profit/(loss) after income tax</b>		<b>(90,944)</b>	<b>(63,624)</b>
<b>Profit/(loss) attributable to:</b>			
Owners of the Company		(90,944)	(63,292)
Non-controlling interest		-	(332)
<b>Profit/(loss) for the year</b>		<b>(90,944)</b>	<b>(63,624)</b>
<b>Other comprehensive income</b>			
<i>Items that have been or may be reclassified subsequently to profit or loss:</i>			
Change in fair value of cash flow hedges		-	1,774
Translation of foreign operations		369	(199)
Reclassification of translation reserve to profit or loss	25	(762)	(533)
Tax on items that may be reclassified subsequently to profit or loss		-	(532)
<i>Total items that have been or may be reclassified subsequently to profit or loss</i>		(393)	510
<b>Other comprehensive income/(loss), net of tax</b>		<b>(393)</b>	<b>510</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>(91,337)</b>	<b>(63,114)</b>
<b>Total comprehensive income/(loss) attributable to:</b>			
Owners of the Company		(91,337)	(62,782)
Non-controlling interest		-	(332)
<b>Total comprehensive income/(loss) for the year</b>		<b>(91,337)</b>	<b>(63,114)</b>
Basic earnings/(loss) per share (cents)	12	(32.17)	(30.20)
Diluted earnings/(loss) per share (cents)	12	(32.17)	(30.20)

*The notes on pages 47 to 96 are an integral part of these consolidated financial statements.*

**McAleese Limited**  
**Consolidated statement of financial position**  
**As at 30 June 2015**

	Note	30 Jun 15 \$'000	30 Jun 14 \$'000
<b>Current assets</b>			
Cash and cash equivalents	30	44,782	50,958
Trade and other receivables	13	62,245	96,206
Loan to associate	29	-	-
Prepayments	14	5,639	5,972
Inventories	15	4,845	2,204
Assets classified as held for sale	16	18,775	53,104
<b>Total current assets</b>		<b>136,286</b>	<b>208,444</b>
<b>Non-current assets</b>			
Investment in convertible note	29	-	-
Investment in joint venture	29	-	-
Property, plant and equipment	18	278,057	374,209
Intangible assets	19	1,119	54,691
Deferred tax assets	17	13,740	-
<b>Total non-current assets</b>		<b>292,916</b>	<b>428,900</b>
<b>Total assets</b>		<b>429,202</b>	<b>637,344</b>
<b>Current liabilities</b>			
Trade and other payables	20	47,368	67,022
Financial instruments	30	2,515	1,600
Loans and borrowings	21	209,228	18,488
Current tax provision		(1)	-
Employee provisions	22	18,124	24,377
Other provisions	23	2,734	17,066
Liabilities classified as held for sale	16	657	10,145
<b>Total current liabilities</b>		<b>280,625</b>	<b>138,698</b>
<b>Non-current liabilities</b>			
Financial instruments	30	2,692	2,248
Loans and borrowings	21	4,210	258,439
Employee provisions	22	1,765	2,318
Other provisions	23	2,846	3,053
Deferred tax liabilities	17	-	501
<b>Total non-current liabilities</b>		<b>11,513</b>	<b>266,559</b>
<b>Total liabilities</b>		<b>292,138</b>	<b>405,257</b>
<b>Net assets</b>		<b>137,064</b>	<b>232,087</b>
<b>Equity</b>			
Contributed equity	24	251,417	251,417
Reserves	25	(3,486)	(1,297)
Accumulated losses		(110,867)	(19,923)
<b>Total equity attributable to equity holders of the Company</b>		<b>137,064</b>	<b>230,197</b>
Non-controlling interest		-	1,890
<b>Total equity</b>		<b>137,064</b>	<b>232,087</b>

*The notes on pages 47 to 96 are an integral part of these consolidated financial statements.*

**McAleese Limited**  
**Consolidated statement of changes in equity**  
For the year ended 30 June 2015

**Opening Balance 1 July 2013**

Total comprehensive income

Profit / (loss)

Other comprehensive income

**Total comprehensive income**

Share based payments expense

**Transactions with owners in their capacity as owners**

Issue of new shares

Issue of new shares – Initial Public

Offering (net of transaction costs)

Conversion of convertible loan note to ordinary shares

Change in ownership interest in subsidiary

**Total transactions with owners in their capacity as owners**

**Balance at 30 June 2014**

**Opening balance at 1 July 2014**

Total comprehensive income

Profit / (loss)

Other comprehensive income

**Total comprehensive income**

Share-based payments expense

**Transactions with owners in their capacity as owners**

Change in ownership interest in subsidiary

**Total transactions with owners in their capacity as owners**

**Balance at 30 June 2015**

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	Retained Earnings	Total Equity	Non-controlling Interest	Total Equity
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(2,548)	54,800	52,252	225	1,131	(1,242)	-	114	43,369	95,735	4,163	99,898
-	-	-	-	-	-	-	-	(63,292)	(63,292)	(332)	(63,624)
-	-	-	-	(732)	1,242	-	510	-	510	-	510
-	-	-	-	(732)	1,242	-	510	(63,292)	(62,782)	(332)	(63,114)
-	-	-	-	-	-	138	138	-	138	-	138
4,000	-	4,000	-	-	-	-	-	-	4,000	-	4,000
133,163	-	133,163	-	-	-	-	-	-	133,163	-	133,163
116,802	(54,800)	62,002	-	-	-	-	-	-	62,002	-	62,002
-	-	-	(2,059)	-	-	-	(2,059)	-	(2,059)	(1,941)	(4,000)
253,985	(54,800)	199,165	(2,059)	-	-	-	(2,059)	-	197,106	(1,941)	195,165
251,417	-	251,417	(1,834)	399	-	138	(1,297)	(19,923)	230,197	1,890	232,087
251,417	-	251,417	(1,834)	399	-	138	(1,297)	(19,923)	230,197	1,890	232,087
-	-	-	-	-	-	-	-	(90,944)	(90,944)	-	(90,944)
-	-	-	-	(393)	-	-	(393)	-	(393)	-	(393)
-	-	-	-	(393)	-	-	(393)	(90,944)	(91,337)	-	(91,337)
-	-	-	-	-	-	314	314	-	314	-	314
-	-	-	(2,110)	-	-	-	(2,110)	-	(2,110)	(1,890)	(4,000)
-	-	-	(2,110)	-	-	-	(2,110)	-	(2,110)	(1,890)	(4,000)
251,417	-	251,417	(3,944)	6	-	452	(3,486)	(110,867)	137,064	-	137,064

The notes on pages 47 to 96 are an integral part of these consolidated financial statements.



**McAleese Limited**  
**Consolidated statement of cash flows**  
For the year ended 30 June 2015

	Note	30 Jun 15 \$'000	30 Jun 14 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers		725,842	847,641
Cash paid to suppliers and employees		(673,092)	(758,850)
Interest received		1,130	597
Interest paid		(14,622)	(35,935)
Tax received / (paid)		81	(2,057)
<b>Net cash inflow from operating activities</b>	27	<b>39,339</b>	<b>51,396</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(54,127)	(69,300)
Proceeds from sale of property, plant and equipment		27,223	7,748
Purchase of additional investment in subsidiary	28	(4,000)	(4,000)
Purchase of investment in subsidiary / business, net of cash acquired	28	(1,681)	(14,422)
Disposal of subsidiaries and businesses, net of cash disposed	28	68,790	5,266
Repayment of related party loan		-	(1,000)
Purchase of convertible note	29(b)	(4,000)	-
Advances to associated entity	29(b)	(9,358)	-
Purchase of investment in joint venture	29(b)	(3,000)	-
Transaction costs associated with investment in joint venture		(342)	-
Purchase of intangible assets	19	(573)	(205)
<b>Net cash inflow / (outflow) from investing activities</b>		<b>18,932</b>	<b>(75,913)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	296,390
Repayment of borrowings		(55,000)	(368,836)
Payment of debt establishment costs		-	(3,353)
Proceeds from issue of shares		-	140,000
Transaction costs relating to initial public offering		-	(6,496)
Payment of finance lease liabilities		(9,447)	(4,816)
<b>Net cash (outflow) / inflow from financing activities</b>		<b>(64,447)</b>	<b>52,889</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(6,176)</b>	<b>28,372</b>
Cash and cash equivalents at 1 July		50,958	22,586
<b>Cash and cash equivalents at 30 June</b>	30	<b>44,782</b>	<b>50,958</b>

*The notes on pages 47 to 96 are an integral part of these consolidated financial statements.*

**McAleese Limited**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2015**

**1. Reporting entity**

McAleese Limited (the 'Company') is a company incorporated and domiciled in Australia. These consolidated financial statements ('financial statements') as at and for the year ended 30 June 2015 covers the consolidated entity consisting of 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 26 August 2015.

**(b) Basis of measurement and the going concern assumption**

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

The Group incurred a loss after tax of \$90.9 million for the year ended 30 June 2015, primarily as a result of asset impairments, and has a current asset deficiency of \$144.3 million as at 30 June 2015.

As disclosed in note 21, the Group is funded by a syndicated facility agreement which is secured over assets of the Group. At the balance date the facility was subject to financial undertakings including ratios of debt and interest to earnings and gearing for which compliance is required throughout the financial year.

As announced on 31 July 2015, a significant debtor of the Heavy Haulage and Lifting division was placed into voluntary administration. Based on the information available, the Directors have fully impaired the debt of \$6.5m (excluding GST) as at 30 June 2015. As a result of the impairment, the Group would not have complied with the financial undertakings as they existed at 30 June 2015 and as calculated at that date.

In August 2015, the Group and its financiers entered into an agreement to amend the syndicated facility agreement that, subject to the satisfaction of conditions precedent, waives the above mentioned event of non-compliance. The conditions precedent relate to the full form documentation of an already executed and detailed term sheet and other limited conditions that the Directors consider perfunctory.

If this agreement had been in place as at 30 June 2015, \$204.5 million of the current loans and borrowings of \$209.2 million would have been classified as non-current and the Group would have had net current assets of \$60.2 million.

## **2. Basis of preparation (continued)**

### **(b) Basis of measurement and the going concern assumption (continued)**

Notwithstanding the subsequent amendment to the syndicated facility agreement, the ongoing ability of the Group to defer payment of the facility depends on its ability to remain within the limits of the revised financial undertakings which will be influenced by factors including:

- the performance of key customer Atlas Iron Limited ('Atlas Iron'), the operations and cash flows of which are highly dependent upon the achievement of AUD iron ore prices in excess of operating cost outcomes (refer additional commentary below);
- the operating environment;
- extent of capital expenditure;
- working capital levels;
- the successful execution of cost reduction programs; and
- cash flows from the realisation of assets held for sale and other surplus assets.

#### ***Reliance on key customer – Atlas Iron Limited***

Atlas Iron is a key customer of McAleese, and is forecast to make a material contribution to the Group's revenue and EBITDA in FY16 and beyond. Accordingly, McAleese's forecast trading result and cash flows are highly dependent upon the operations of Atlas Iron. Atlas Iron's revenue and cash flows are derived from the mining and sale of iron ore. As such, McAleese's financial performance is highly dependent on Atlas Iron's production volumes and realised AUD iron ore prices.

On 15 May 2015, the Group announced that it had entered revised agreements with Atlas Iron for haulage services from its Abydos and Wodgina mines. The revised haulage agreements provide Atlas Iron with a lower base haulage rate and the Group with profit share linked to the realised AUD iron ore price. In addition to the Abydos and Wodgina agreements, the Group has a contract with Atlas Iron for haulage services from Atlas Iron's Mt Webber mine. Haulage rates from the Mt Webber mine are currently the subject of negotiation.

The material assumptions adopted by the Directors in the cash flow forecasts in relation to the Atlas Iron Haulage contracts include:

- an average forecast price for iron ore fines of AUD\$67 per tonne for FY16 and AUD\$77 per tonne for FY17
- estimated haulage of tonnes over the mine lives consistent with the annual production guidance as disclosed in the Atlas Iron Prospectus dated 11 June 2015
- a restart at the Mt Webber mine in the September 2015 quarter (which has been achieved)
- execution of an arrangement for the Mt Webber mine on no worse terms than the Contractor Collaboration Deeds in relation to the Abydos and Wodgina mines for FY16 and FY17, with a return to the existing contract terms after the Contractor Collaboration Deeds expire and for the remaining life of the Mt Webber mine

A 10% increase / decrease of the average forecast price for iron ore 62% fines (including cost and freight rate) from AUD\$67 per tonne, assuming all other variables remain constant, would result in an \$11 million increase / \$6 million decrease in the Group's FY16 EBITDA.

#### ***Current operating environment across the Group***

The current operating environment presents challenges in terms of price pressures and volatile demand patterns. Should trading conditions continue to deteriorate, particularly across the resources, infrastructure and construction sectors, the Group has the ability to make further adjustments in the normal course of business to compensate.

## **2. Basis of preparation (continued)**

### **(b) Basis of measurement and the going concern assumption (continued)**

The forecast trading results and cash flows, taking into account the material assumptions above in relation to Atlas Iron and reasonably possible changes in trading performance, show that the Group will operate within the level and terms of its revised financial undertakings. However, possible adverse changes in the material assumptions related to Atlas Iron and current market conditions create material uncertainty about whether the Group will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Should the ability of the Group to realise sufficient cash flows from trading operations or existing facilities be restricted, the Group will actively pursue alternative funding arrangements and implement additional measures to preserve cash. These may include, but are not limited to, further working capital reductions and further assets sales.

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

Note 3(h) sets out the basis on which the Directors have determined the recoverable amount of the non-current assets which comprise the operating fleet. The recoverable amount is predicated on the assumption that the Group will continue as a going concern. In the event that the Group is unable to continue as a going concern a further provision would be required to write down the value of the assets to an alternative valuation.

### **(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.

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 subsidiaries and businesses
- Note 29 - interest in other entities

## **2. Basis of preparation (continued)**

### **(e) New and amended standards adopted by the Group**

The Group has adopted the following new standards and amendments to standards for the first time for the annual reporting period commencing on 1 July 2014.

*AASB 2014-1 Amendments to Australian Accounting Standards*

*AASB 2014-2 Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements*

The adoption of these new standards has not resulted in any changes to existing accounting policies or had a material impact on the financial statements.

### **(f) Standards issued but not yet adopted**

A number of new standards and amendments to standards have been published that are not mandatory for the 30 June 2015 reporting period. The Group has not applied the following new or amended standards in preparing these consolidated financial statements.

*AASB 9 Financial Instruments*

AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments in AASB 39.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

*AASB 15 Revenue from Contracts with Customers*

AASB 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. It replaces existing revenue recognition guidance, including *AASB 18 Revenue*, *AASB 11 Construction Contracts* and *IFRIC 13 Customer Loyalty Programmes*.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.

At this stage, the Group is not able to estimate the impact of the above new standards on its consolidated financial statements and will make a more detailed assessment of any potential impact at a later date.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods.

### **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.

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.

### **3. Significant accounting policies (continued)**

#### **(b) Foreign currency (continued)**

##### *(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 reclassified to profit or loss.

#### **(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.

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.



### **3. Significant accounting policies (continued)**

#### **(c) Financial instruments (continued)**

##### *(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.

##### *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 unless an election is made to treat as fair value through profit or loss, in which case they are recognized in profit and loss. When an investment is derecognised, the cumulative gain or loss in equity is reclassified to profit or loss.



### **3. Significant accounting policies (continued)**

#### **(c) Financial instruments (continued)**

##### *(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 de-recognition, 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.

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. The usage of assets varies across each of the Group's divisions.

#### **(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.

### **3. Significant accounting policies (continued)**

#### **(e) Intangible assets (continued)**

##### *(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.

#### **(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.

### **3. Significant accounting policies (continued)**

#### **(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.

##### *(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.

### **3. Significant accounting policies (continued)**

#### **(h) Impairment (continued)**

##### *(ii) Non-financial assets (continued)*

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. Fair value less costs of disposal reflects the price that would be received to sell an asset in an orderly transaction between market participants less any incremental costs directly attributable to the disposal of 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.

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**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.

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

- The Heavy Haulage & Lifting division (HH&L) provides 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.
- The Bulk Haulage division provides bulk commodities haulage across off-road and on-road (highway) routes and ancillary onsite services in the mining sector.
- The Oil & Gas division comprises Cootes Transport, a provider of liquid and gaseous fuel transportation services in Australia for global oil and gas companies and Refuel International, a designer and manufacturer of refuelling and handling equipment.
- The Specialised Transport division comprises the operations of WA Freight Group which include the movement of less than truck load consolidated freight (LTL) utilising express services between the East and West coasts of Australia and on all main capital city corridors.

Unallocated items comprise mainly corporate overheads, finance costs, taxation and associated assets and liabilities. The Group's investment in HHA was held at the Group level and is also unallocated

One customer contributed individually more than 10% of Group revenue in 2015. The revenue contribution was \$193,519,000 (2014: \$185,444,000) and was within the Bulk Haulage segment.

Sales revenue from external customers attributable to Australia is \$630,262,000 (2014: \$737,021,000) and attributable to foreign operations is \$6,626,000 (2014: \$25,338,000). The foreign operations were sold during the period. Non-current assets attributable to Australia is \$292,916,000 (2014: \$428,900,000) and attributable to foreign operations is \$nil (2014: nil).



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**5. Segment information (continued)**

	Heavy Haulage & Lifting		Bulk Haulage		Oil & Gas		Specialised Transport		Total Reportable Segments		Unallocated		Total Group	
	30 Jun 15 \$'000	30 Jun 14 \$'000	30 Jun 15 \$'000	30 Jun 14 \$'000	30 Jun 15 \$'000	30 Jun 14 \$'000	30 Jun 15 \$'000	30 Jun 14 \$'000	30 Jun 15 \$'000	30 Jun 14 \$'000	30 Jun 15 \$'000	30 Jun 14 \$'000	30 Jun 15 \$'000	30 Jun 14 \$'000
Revenue	143,922	186,548	264,420	265,175	146,036	295,408	82,465	15,215	636,843	762,346	45	13	636,888	762,359
Other income	1,854	1,627	9	515	51,343	2,726	(52)	0	53,154	4,868	-	-	53,154	4,868
<b>Segment income</b>	<b>145,776</b>	<b>188,175</b>	<b>264,429</b>	<b>265,690</b>	<b>197,379</b>	<b>298,134</b>	<b>82,413</b>	<b>15,215</b>	<b>689,997</b>	<b>767,214</b>	<b>45</b>	<b>13</b>	<b>690,042</b>	<b>767,227</b>
EBITDA before significant items	16,164	39,564	38,309	41,825	12,478	9,894	1,578	521	68,529	91,804	(6,824)	(6,542)	61,705	85,262
Elimination of profit on transactions with equity investee	(178)	-	(10)	-	-	-	(11)	-	(199)	-	-	-	(199)	-
Depreciation and amortisation	(11,561)	(11,771)	(24,573)	(20,203)	(7,678)	(14,122)	(2,635)	(423)	(46,447)	(46,519)	(265)	(82)	(46,712)	(46,601)
<b>EBIT before significant items</b>	<b>4,425</b>	<b>27,793</b>	<b>13,726</b>	<b>21,622</b>	<b>4,800</b>	<b>(4,228)</b>	<b>(1,068)</b>	<b>98</b>	<b>21,883</b>	<b>45,285</b>	<b>(7,089)</b>	<b>(6,624)</b>	<b>14,794</b>	<b>38,661</b>
<u>Individually significant items:</u>														
Profit on disposal of subsidiary	-	-	-	-	51,341	2,523	-	-	51,341	2,523	-	-	51,341	2,523
Loss on disposal of business	-	-	-	-	(2,539)	-	-	-	(2,539)	-	-	-	(2,539)	-
IPO costs	-	-	-	-	-	-	-	-	-	-	-	(2,673)	-	(2,673)
Acquisition and sale costs	(96)	-	(139)	-	-	-	-	-	(235)	-	(341)	-	(576)	-
Impairment charges - goodwill & intangibles	-	(6,772)	(48,960)	-	-	(23,849)	(4,132)	-	(53,092)	(30,621)	-	-	(53,092)	(30,621)
Impairment charges / reversals - plant & equipment	(66,940)	-	(17,800)	(7,175)	1,226	(9,513)	-	-	(83,514)	(16,688)	-	-	(83,514)	(16,688)
Impairment charges - equity investment and associated loans & net receivables	(1,558)	-	(94)	-	-	-	(86)	-	(1,738)	-	(17,148)	-	(18,886)	-
Mona Vale accident costs	-	-	-	-	2,259	(11,329)	-	-	2,259	(11,329)	-	-	2,259	(11,329)
Restructure costs & superannuation	-	(1,735)	-	-	1,757	(14,200)	-	-	1,757	(15,935)	-	-	1,757	(15,935)
Onerous lease	-	-	-	-	-	(1,100)	-	-	-	(1,100)	-	-	-	(1,100)
Consulting and advisory costs	-	-	-	-	-	-	-	-	-	-	(1,051)	-	(1,051)	-
<b>Total significant items</b>	<b>(68,594)</b>	<b>(8,507)</b>	<b>(66,993)</b>	<b>(7,175)</b>	<b>54,044</b>	<b>(57,468)</b>	<b>(4,218)</b>	<b>-</b>	<b>(85,761)</b>	<b>(73,150)</b>	<b>(18,540)</b>	<b>(2,673)</b>	<b>(104,301)</b>	<b>(75,823)</b>
<b>EBIT after significant items</b>	<b>(64,169)</b>	<b>19,286</b>	<b>(53,267)</b>	<b>14,447</b>	<b>58,844</b>	<b>(61,696)</b>	<b>(5,286)</b>	<b>98</b>	<b>(63,878)</b>	<b>(27,865)</b>	<b>(25,629)</b>	<b>(9,297)</b>	<b>(89,507)</b>	<b>(37,162)</b>
Net finance costs	-	-	-	-	-	-	-	-	-	-	(15,395)	(39,230)	(15,395)	(39,230)
<b>Profit/(loss) before income tax</b>	<b>(64,169)</b>	<b>19,286</b>	<b>(53,267)</b>	<b>14,447</b>	<b>58,844</b>	<b>(61,696)</b>	<b>(5,286)</b>	<b>98</b>	<b>(63,878)</b>	<b>(27,865)</b>	<b>(41,024)</b>	<b>(48,527)</b>	<b>(104,902)</b>	<b>(76,392)</b>
Income tax benefit	-	-	-	-	-	-	-	-	-	-	13,958	12,768	13,958	12,768
<b>Profit/(loss) after income tax</b>	<b>(64,169)</b>	<b>19,286</b>	<b>(53,267)</b>	<b>14,447</b>	<b>58,844</b>	<b>(61,696)</b>	<b>(5,286)</b>	<b>98</b>	<b>(63,878)</b>	<b>(27,865)</b>	<b>(27,066)</b>	<b>(35,759)</b>	<b>(90,944)</b>	<b>(63,624)</b>
<b>Reportable segment assets</b>	<b>152,648</b>	<b>250,956</b>	<b>124,432</b>	<b>192,336</b>	<b>73,038</b>	<b>119,574</b>	<b>18,605</b>	<b>21,791</b>	<b>368,723</b>	<b>584,657</b>	<b>60,479</b>	<b>52,687</b>	<b>429,202</b>	<b>637,344</b>
<b>Reportable segment liabilities</b>	<b>(25,407)</b>	<b>(41,405)</b>	<b>(24,532)</b>	<b>(34,087)</b>	<b>(20,195)</b>	<b>(56,708)</b>	<b>(8,337)</b>	<b>(8,712)</b>	<b>(78,471)</b>	<b>(140,912)</b>	<b>(213,667)</b>	<b>(264,345)</b>	<b>(292,138)</b>	<b>(405,257)</b>

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**6. Sales revenue**

	30 Jun 15 \$'000	30 Jun 14 \$'000
Rendering of services	610,651	683,867
Sale of goods	26,237	78,492
	<b>636,888</b>	<b>762,359</b>

**7. Other income (including individually significant items)**

	Note	30 Jun 15 \$'000	30 Jun 14 \$'000
<b>Individually significant items:</b>			
Profit on disposal of subsidiary	28	51,341	2,523
<b>Total individually significant items</b>		51,341	2,523
Net gain on sale of property, plant and equipment		1,813	2,014
Other income		-	331
		<b>53,154</b>	<b>4,868</b>

**8. Depreciation and amortisation expense**

		30 Jun 15 \$'000	30 Jun 14 \$'000
Depreciation of property, plant and equipment	18	45,234	43,868
Amortisation of intangible assets	19	1,478	2,733
		<b>46,712</b>	<b>46,601</b>

**9. Other expenses (including individually significant items)**

		30 Jun 15 \$'000	30 Jun 14 \$'000
<b>Individually significant items:</b>			
IPO costs		-	2,673
Acquisition and sale costs		576	-
Mona Vale accident costs		(2,259)	11,329
Restructure costs & superannuation		(1,757)	15,935
Onerous lease		-	1,100
Loss on disposal of business	28	2,539	-
Consulting and advisory costs		1,051	-
<b>Total individually significant items</b>		150	31,037
Impairment loss on trade receivables	30	7,900	413
Other expenses		39,893	43,414
		<b>47,943</b>	<b>74,864</b>

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**10. Finance costs**

	30 Jun 15 \$'000	30 Jun 14 \$'000
Interest income	1,717	685
<b>Finance costs</b>		
Interest on borrowings	(14,795)	(21,817)
Amortisation of borrowing costs	(958)	(9,143)
Change in fair value of derivatives	(1,359)	(3,848)
Interest on convertible loan note	-	(5,107)
	<b>(17,112)</b>	<b>(39,915)</b>
<b>Net finance costs</b>	<b>(15,395)</b>	<b>(39,230)</b>

**11. Income tax expense**

	Note	30 Jun 15 \$'000	30 Jun 14 \$'000
Current tax expense		-	-
Deferred tax gain	17	(14,101)	(13,209)
Prior year under provision		143	441
		<b>(13,958)</b>	<b>(12,768)</b>

**Reconciliation of effective tax rate**

	30 Jun 15 \$'000	30 Jun 14 \$'000
Loss before income tax	(104,902)	(76,392)
Tax using the Company's domestic tax rate of 30% (2014: 30%)	(31,470)	(22,918)
Effect of tax rates used in foreign jurisdictions	(5)	(13)
Non-deductible expenses	242	744
Impairment charges - goodwill & intangibles	15,922	9,187
Impairment charges - equity investment	900	-
Amortisation of intangible assets	320	686
Non-assessable profit on disposal of subsidiary	(15,760)	(757)
Net capital gain on disposal of subsidiary	9,322	-
Interest on convertible loan notes	-	1,532
Foreign currency translation reserve	684	-
Current year losses for which no deferred tax asset was recognised	720	121
Prior year losses for which deferred tax now recognised	(1)	(1,791)
Change in recognised deductible temporary differences	(1,180)	-
De-recognition of carried forward tax losses	6,205	-
Prior year under provision	143	441
<b>Income tax benefit</b>	<b>(13,958)</b>	<b>(12,768)</b>

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## 11. Income tax expense (continued)

### Unrecognised deferred tax assets

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

	30 Jun 15 \$'000	30 Jun 14 \$'000
Deductible temporary differences	262	3,206
Deductible temporary differences that are capital in nature	-	2,506
Carried forward tax losses – non-restricted use	3,781	410
Carried forward tax losses – restricted use	4,339	620
	<b>8,382</b>	<b>6,742</b>

The tax losses and deductible temporary differences have not been recognised as it is not probable that future taxable profit will be available in the short to medium term against which the Group can utilize the benefits. Non-restricted and restricted use tax losses relate to both Australian and foreign entities. The Australian restricted use tax losses are limited to an available fraction applied to taxable income whilst the foreign tax losses in general are limited to a 20 year carry forward period from the year in which the losses are incurred. A yearly limitation also applies to the use of restricted foreign losses and this is reflected in the amounts disclosed.

### Tax recognised in other comprehensive income

	Before tax \$'000	30 Jun 15 Tax expense \$'000	Net of tax \$'000	Before tax \$'000	30 Jun 14 Tax expense \$'000	Net of tax \$'000
Cash flow hedges	-	-	-	1,774	(532)	1,242
	-	-	-	<b>1,774</b>	<b>(532)</b>	<b>1,242</b>

## 12. Earnings per share

	30 Jun 15	30 Jun 14
<b>Basic earnings per share (EPS)</b>		
Earnings used in calculating basic EPS (\$'000)	(90,944)	(63,292)
Weighted average number of shares on issue used in calculating basic and diluted EPS	282,713,087	209,590,517
<b>Basic earnings/(loss) per share (cents)</b>	<b>(32.17)</b>	<b>(30.20)</b>
<b>Diluted earnings/(loss) per share (cents)</b>	<b>(32.17)</b>	<b>(30.20)</b>

Performance rights on issue of 3,129,532 (2014:304,242) could potentially dilute basic earnings per share in the future but have not been included in the calculation of diluted earnings per share as they are antidilutive.

## 13. Trade and other receivables

	Note	30 Jun 15 \$'000	30 Jun 14 \$'000
Trade receivables		70,108	96,894
Provision for impairment of receivables	30	(11,967)	(1,141)
Receivables from other related parties		28	1
Other receivables		4,862	13,673
Reclassification to assets held for sale	16	(786)	(13,221)
		<b>62,245</b>	<b>96,206</b>

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## 14. Prepayments

		30 Jun 15 \$'000	30 Jun 14 \$'000
	Note		
Registrations and permits		3,234	3,915
Insurances		641	609
Rates and taxes		773	665
Other prepayments		1,001	1,568
Reclassification to assets held for sale	16	(10)	(785)
		<b>5,639</b>	<b>5,972</b>

## 15. Inventories

		30 Jun 15 \$'000	30 Jun 14 \$'000
	Note		
Raw materials and consumables		1,767	6,631
Work in progress		1,378	2,041
Finished goods		3,450	9,486
Reclassification to assets held for sale	16	(1,750)	(15,954)
		<b>4,845</b>	<b>2,204</b>

As at 30 June 2015 the write-down of inventories to net realisable value amounted to \$27,000 (2014: \$747,000).

## 16. Assets and liabilities classified as held for sale

		30 Jun 15 \$'000	30 Jun 14 \$'000
(a) Assets classified as held for sale	Note		
Disposal group held for sale:			
Trade and other receivables	13	786	13,221
Prepayments	14	10	785
Inventories	15	1,750	15,954
Deferred tax asset	17	29	1,136
Property, plant and equipment	18	7,931	12,338
Intangibles	19	-	1,004
<b>Total assets of disposal group held for sale</b>		<b>10,506</b>	<b>44,438</b>

Assets held for sale:

Property, plant and equipment	18	8,269	8,666
<b>Total assets held for sale</b>		<b>8,269</b>	<b>8,666</b>

(b) Liabilities directly associated with assets classified as held for sale

Disposal group held for sale:

Trade and other payables	20,30	561	7,117
Employee entitlements	22	96	2,300
Other provisions	23	-	728
<b>Total liabilities directly associated with assets of disposal group held for sale</b>		<b>657</b>	<b>10,145</b>

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

- i) The disposal group held for sale includes the Castlereagh Quarry which is expected to be sold in the new financial year. Sunshine Refuellers Pty Ltd (trading as Refuel International) which formed part of the Liquip Group of Companies, and was part of the disposal group held for sale at 30 June 2014, was not subsequently sold as part of the disposal of that group, and is therefore no longer held for sale.
- ii) Assets held for sale represents the remaining excess equipment in the Oil & Gas division which is expected to be sold in the first quarter of the 2015/16 financial year and excess equipment in the Heavy Haulage & Lifting division which is expected to be sold throughout the 2015/16 financial year.

**17. Deferred tax balances**

**Recognised deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

	<b>Assets</b>		<b>Liabilities</b>		<b>Net</b>	
	<b>30 Jun 15</b>	<b>30 Jun 14</b>	<b>30 Jun 15</b>	<b>30 Jun 14</b>	<b>30 Jun 15</b>	<b>30 Jun 14</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Property, plant and equipment	-	-	(6,769)	(32,110)	(6,769)	(32,110)
Inventories	8	59	(527)	(629)	(519)	(570)
Loans and borrowings	4,346	6,684	-	-	4,346	6,684
Employee benefits	6,248	8,166	-	-	6,248	8,166
Other provisions	1,047	3,498	-	-	1,047	3,498
Other items	11,023	7,578	(1,636)	(3,208)	9,387	4,370
Tax losses carried forward	-	9,461	-	-	-	9,461
	<b>22,672</b>	<b>35,446</b>	<b>(8,932)</b>	<b>(35,947)</b>	<b>13,740</b>	<b>(501)</b>
Set-off	(8,932)	(35,446)	8,932	35,446	-	-
<b>Net deferred tax assets/(liabilities)</b>	<b>13,740</b>	<b>-</b>	<b>-</b>	<b>(501)</b>	<b>13,740</b>	<b>(501)</b>

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**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 assets / (liabilities) \$'000
<b>30 June 2015</b>									
Opening balance		(32,110)	(570)	6,684	8,166	3,498	4,370	9,461	(501)
Assets previously held for sale		177	59	-	693	-	207	-	1,136
Acquired through business combination	28	-	-	-	-	-	-	-	-
Disposal of subsidiary	28	(132)	(27)	-	(544)	-	(151)	-	(854)
Recognised in profit or loss	11	25,254	125	(2,338)	(2,038)	(2,302)	5,254	(9,854)	14,101
Recognised in other comprehensive income		-	-	-	-	-	-	-	-
Prior year overprovision		42	(106)	-	-	(149)	(270)	393	(90)
Other		-	-	-	-	-	(23)	-	(23)
Reclassification to assets held for sale	16	-	-	-	(29)	-	-	-	(29)
<b>Closing balance</b>		<b>(6,769)</b>	<b>(519)</b>	<b>4,346</b>	<b>6,248</b>	<b>1,047</b>	<b>9,387</b>	<b>-</b>	<b>13,740</b>
<b>30 June 2014</b>									
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)
<b>Closing balance</b>		<b>(32,110)</b>	<b>(570)</b>	<b>6,684</b>	<b>8,166</b>	<b>3,498</b>	<b>4,370</b>	<b>9,461</b>	<b>(501)</b>

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**18. Property, plant and equipment**

	Note	Land and buildings \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Leased plant and equipment \$'000	Total \$'000
<b>Cost</b>						
Balance at 1 July 2014		173	6,359	543,935	51,801	602,268
Acquisitions through business combinations	28	-	-	1,225	-	1,225
Additions		-	1,720	52,446	-	54,166
Assets previously held for sale		947	18,553	71,056	-	90,556
Disposal of subsidiary	28	(1,014)	(6)	(6,654)	-	(7,674)
Disposals		(8)	(30)	(92,131)	-	(92,169)
Transfers		-	2,897	17,645	(20,548)	(6)
Reclassification to assets held for sale	16	-	(18,547)	(35,780)	-	(54,327)
Effect of movements in exchange rates		67	-	162	-	229
<b>Balance at 30 June 2015</b>		<b>165</b>	<b>10,946</b>	<b>551,904</b>	<b>31,253</b>	<b>594,268</b>
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
<b>Balance at 30 June 2014</b>		<b>173</b>	<b>6,359</b>	<b>543,935</b>	<b>51,801</b>	<b>602,268</b>
<b>Depreciation</b>						
Balance at 1 July 2014		(62)	(2,718)	(213,889)	(11,390)	(228,059)
Acquisitions through business combinations	28	-	-	-	-	-
Depreciation	8	(15)	(1,988)	(41,093)	(2,138)	(45,234)
Impairment		-	-	(87,020)	-	(87,020)
Reversal of impairment charge		-	-	3,506	-	3,506
Assets previously held for sale		(181)	(12,539)	(56,832)	-	(69,552)
Disposal of subsidiary	28	205	-	4,311	-	4,516
Disposals		8	29	67,562	-	67,599
Transfers		-	(1,814)	(3,264)	5,084	6
Reclassification to assets held for sale	16	-	12,857	25,270	-	38,127
Effect of movements in exchange rates		(12)	-	(88)	-	(100)
<b>Balance at 30 June 2015</b>		<b>(57)</b>	<b>(6,173)</b>	<b>(301,537)</b>	<b>(8,444)</b>	<b>(316,211)</b>
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)
<b>Balance at 30 June 2014</b>		<b>(62)</b>	<b>(2,718)</b>	<b>(213,889)</b>	<b>(11,390)</b>	<b>(228,059)</b>
<b>Carrying Amounts</b>						
As at 30 June 2015		<b>108</b>	<b>4,773</b>	<b>250,367</b>	<b>22,809</b>	<b>278,057</b>
As at 30 June 2014		111	3,641	330,046	40,411	374,209



## **18. Property, plant and equipment (continued)**

### **Impairment loss and subsequent reversal**

Impairment losses reversed during the period amounted to \$3,506,000 relating to held for sale assets impaired in the Oil & Gas Division in the previous year (2014: \$0).

Impairment losses of \$87,020,000 (2014: \$16,688,000) were recognised during the period relating to the write down of assets held for sale and in use assets to their recoverable amounts in the Oil & Gas, Heavy Haulage & Lifting and Bulk Haulage Divisions.

### **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).

### **Change in classification**

During the financial year the Group paid out finance leases of \$5,709,000 (2014: \$232,000) and transferred the corresponding assets from leased plant and equipment to plant and equipment.

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**19. Intangible assets**

	Note	Goodwill \$'000	Customer relationships \$'000	Customer contracts \$'000	Software \$'000	Development costs / other \$'000	Total \$'000
<b>Cost</b>							
Balance at 1 July 2014		51,357	3,353	4,465	4,384	-	63,559
Additions through business combination	28	-	-	335	-	-	335
Additions		-	-	-	506	67	573
Assets previously held for sale		-	3,292	248	1,784	217	5,541
Disposal of subsidiary	28	-	(3,292)	(248)	(1,795)	(217)	(5,552)
Disposals		-	-	-	-	-	-
Transfers		-	-	-	-	-	-
Reclassification to assets held for sale	16	-	-	-	-	-	-
Impairment		(51,357)	-	-	-	-	(51,357)
Movements in exchange rates		-	-	-	32	-	32
<b>Balance at 30 June 2015</b>		<b>-</b>	<b>3,353</b>	<b>4,800</b>	<b>4,911</b>	<b>67</b>	<b>13,131</b>
Balance at 1 July 2013		77,035	6,645	4,713	5,996	217	94,606
Additions through business combination	28	4,132	-	-	-	-	4,132
Additions		-	-	-	205	-	205
Disposal of subsidiary	28	-	-	-	(22)	-	(22)
Disposals		-	-	-	(1)	-	(1)
Transfers		-	-	-	3	-	3
Reclassification to assets held for sale	16	-	(3,292)	(248)	(1,784)	(217)	(5,541)
Impairment		(29,810)	-	-	-	-	(29,810)
Movements in exchange rates		-	-	-	(13)	-	(13)
<b>Balance at 30 June 2014</b>		<b>51,357</b>	<b>3,353</b>	<b>4,465</b>	<b>4,384</b>	<b>-</b>	<b>63,559</b>
<b>Amortisation</b>							
Balance at 1 July 2014		-	(1,348)	(3,896)	(3,624)	-	(8,868)
Amortisation	8	-	(356)	(709)	(413)	-	(1,478)
Assets previously held for sale		-	(2,415)	(248)	(1,657)	(217)	(4,537)
Disposal of subsidiary	28	-	2,485	248	1,688	217	4,638
Disposals		-	-	-	-	-	-
Transfers		-	-	-	-	-	-
Reclassification to assets held for sale	16	-	-	-	-	-	-
Impairment		-	(1,719)	-	(16)	-	(1,735)
Movements in exchange rates		-	-	-	(32)	-	(32)
<b>Balance at 30 June 2015</b>		<b>-</b>	<b>(3,353)</b>	<b>(4,605)</b>	<b>(4,054)</b>	<b>-</b>	<b>(12,012)</b>
Balance at 1 July 2013		-	(1,995)	(2,815)	(4,864)	(217)	(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	-	2,415	248	1,657	217	4,537
Impairment		-	(753)	(58)	-	-	(811)
Movements in exchange rates		-	-	-	14	-	14
<b>Balance at 30 June 2014</b>		<b>-</b>	<b>(1,348)</b>	<b>(3,896)</b>	<b>(3,624)</b>	<b>-</b>	<b>(8,868)</b>
<b>Carrying Amounts</b>							
<b>As at 30 June 2015</b>		<b>-</b>	<b>-</b>	<b>195</b>	<b>857</b>	<b>67</b>	<b>1,119</b>
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 2015.

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.

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

	30 Jun 15 \$'000	30 Jun 14 \$'000
Bulk Haulage	-	47,225
Specialised Transport	-	4,132
	-	<b>51,357</b>

### 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 15	30 Jun 14	30 Jun 15	30 Jun 14
Bulk Haulage	14.4%	15.2%	-	-
Specialised Transport	14.4%	15.2%	2.0%	2.0%

### 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 Bulk Haulage division by \$47,225,000 and the Specialised Transport division by \$4,132,000. The impairment is the result of adverse changes and volatility within the market segments in which the Bulk Haulage and Specialised Transport CGUs operate.

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**20. Trade and other payables**

		30 Jun 15 \$'000	30 Jun 14 \$'000
Trade payables		20,854	38,487
Other payables and accrued expenses		21,044	28,192
Other related party payables		11	614
Employee payables		6,020	6,846
Reclassification to liabilities held for sale	16	(561)	(7,117)
	<b>30</b>	<b>47,368</b>	<b>67,022</b>

**21. Loans and borrowings**

		30 Jun 15 \$'000	30 Jun 14 \$'000
<b>Current borrowings</b>			
Secured bank loans	30	205,400	10,000
Capitalised facility fees		(1,836)	(959)
Finance lease liabilities	30	5,664	9,447
		<b>209,228</b>	<b>18,488</b>
<b>Non-current borrowings</b>			
Secured bank loans	30	-	250,400
Capitalised facility fees		-	(1,835)
Finance lease liabilities	30	4,210	9,874
		<b>4,210</b>	<b>258,439</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.

**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.

As announced on 31 July 2015, a significant debtor of the Heavy Haulage and Lifting division was placed into voluntary administration. Based on the information available, the Directors have fully impaired the debt of \$6.5 million (excluding GST) as at 30 June 2015. As a result of the impairment, the Group would not have complied with the financial undertakings as they existed at 30 June 2015 and as calculated at that date. Secured bank loans and related fees have therefore been classified as a current liability at balance date as the Group did not have an unconditional right to defer settlement for at least twelve months after that date. Refer Note 38, Subsequent Events, for information regarding the Group's revised financing arrangements.

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## 21. Loans and borrowings (continued)

### Terms and debt repayment schedule

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

	Currency	Year of Maturity	30 Jun 15		30 Jun 14	
			Face Value \$'000	Carrying Amount \$'000	Face Value \$'000	Carrying Amount \$'000
Secured bank loan	AUD	2016	55,400	55,400	110,400	110,400
Secured bank loan	AUD	2017	150,000	150,000	150,000	150,000
Finance lease liabilities	AUD	2016 / 2017	9,874	9,874	19,321	19,321
			<b>215,274</b>	<b>215,274</b>	<b>279,721</b>	<b>279,721</b>

### 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 15 \$'000	30 Jun 14 \$'000
Cash	44,384	49,907
Receivables	60,924	103,061
Loans receivable from non-grantors	344	29,481
Prepayments	5,431	6,576
Inventories	3,449	14,015
Property, plant & equipment - owned	270,809	329,072
Property, plant & equipment - leased	23,106	31,729
Intangible assets	1,029	55,675
Deferred tax assets	13,587	636
<b>Total assets pledged as security</b>	<b>423,063</b>	<b>620,152</b>

### Finance lease liabilities

Finance lease liabilities are payable as follows:

	30 Jun 15			30 Jun 14		
	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	6,104	440	5,664	10,398	951	9,447
Between one and five years	4,339	129	4,210	10,442	568	9,874
	<b>10,443</b>	<b>569</b>	<b>9,874</b>	<b>20,840</b>	<b>1,519</b>	<b>19,321</b>

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## 22. Employee provisions

		30 Jun 15 \$'000	30 Jun 14 \$'000
	<b>Note</b>		
<b>Current employee provisions</b>			
Annual leave		12,064	17,522
Sick leave		18	27
Long service leave		5,689	8,470
Rostered day off		440	495
Reclassification to liabilities held for sale	16	(87)	(2,137)
		<b>18,124</b>	<b>24,377</b>
<b>Non-current employee provisions</b>			
Long service leave		1,774	2,481
Reclassification to liabilities held for sale	16	(9)	(163)
		<b>1,765</b>	<b>2,318</b>

## 23. Other provisions

		30 Jun 15 \$'000	30 Jun 14 \$'000
	<b>Note</b>		
<b>Current other provisions</b>			
Warranty		-	728
Onerous lease		330	380
Restructure & superannuation		804	12,251
Mona Vale accident		1,414	4,296
Other		186	139
Reclassification to liabilities held for sale	16	-	(728)
		<b>2,734</b>	<b>17,066</b>
<b>Non-current other provisions</b>			
Onerous lease		346	669
Other		2,500	2,384
		<b>2,846</b>	<b>3,053</b>

## Reconciliation of movement in provisions

		Warranty \$'000	Onerous lease \$'000	Restructure & superannuation \$'000	Mona Vale accident \$'000	Other \$'000
	<b>Note</b>					
Opening balance at 1 July 2014		728	1,049	12,251	4,296	2,523
Charged to profit and loss		167	-	470	-	163
Written back to profit and loss		-	-	(2,227)	(2,259)	-
Amounts used during the period		(312)	(373)	(9,690)	(623)	-
Disposed through sale of subsidiary	28	(331)	-	-	-	-
Disposed through sale of business	28	(276)	-	-	-	-
Effect of movements in exchange rates		24	-	-	-	-
<b>Closing balance 30 June 2015</b>		<b>-</b>	<b>676</b>	<b>804</b>	<b>1,414</b>	<b>2,686</b>

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## 23. Other provisions (continued)

### Warranty

The provision is based on estimates made from historical warranty data associated with similar products and services. The provision is nil at balance date following the disposal of the businesses who previously carried the provision.

### 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 to redundancy payments identified in the current period but expected to be paid during the 2015/16 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
<b>Closing balance 30 June 2015</b>	<b>282,713,087</b>	<b>251,417</b>
Closing balance at 30 June 2014	282,713,087	251,417

### 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.

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**25. Reserves**

	30 Jun 15 \$'000	30 Jun 14 \$'000
Capital reserve	(3,944)	(1,834)
Foreign currency translation reserve	6	399
Cash flow hedge reserve	-	-
Share-based payments reserve	452	138
	<b>(3,486)</b>	<b>(1,297)</b>

**Reconciliation of movement in reserves**

	30 Jun 15 \$'000	30 Jun 14 \$'000
<b>Capital reserve</b>		
Opening balance at 1 July	(1,834)	225
Change in ownership interest in subsidiary	(2,110)	(2,059)
<b>Closing balance at 30 June</b>	<b>(3,944)</b>	<b>(1,834)</b>
<b>Foreign currency translation reserve</b>		
Opening balance at 1 July	399	1,131
Net investment hedge	675	(189)
Disposal of subsidiary and business	(762)	(533)
Currency translation differences arising during the year	(306)	(10)
<b>Closing balance at 30 June</b>	<b>6</b>	<b>399</b>
<b>Cash flow hedge reserve</b>		
Opening balance at 1 July	-	(1,242)
Transfer to profit & loss	-	1,774
Deferred tax	-	(532)
<b>Closing balance at 30 June</b>	<b>-</b>	<b>-</b>
<b>Share-based payments reserve</b>		
Opening balance at 1 July	138	-
Share-based payment expense	314	138
<b>Closing balance at 30 June</b>	<b>452</b>	<b>138</b>

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**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. The majority of the reserve was reclassified to profit and loss following the disposal of the Group's 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 and performance rights issued to employees but not yet exercised.



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## 26. Dividends

No dividends have been declared by directors at balance date in respect of the financial year (30 Jun 2014: nil).

### Franking credits

Franking credits available for subsequent reporting periods

30 Jun 15 \$'000	30 Jun 14 \$'000
23,287	21,809

The above amounts represents the balance of the franking account as at the end of the financial year, adjusted, where applicable, 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

### Cash flows from operating activities

Loss after income tax

Adjusted for:

Impairment charges - goodwill & intangibles

Impairment charges / reversals - plant & equipment

Impairment charges - equity investment and associated loans

Depreciation and amortisation

Share-based payments expense

Amortisation of borrowing costs

Capitalised interest

IPO costs included in P&L treated as financing activities

Fair value of derivatives through profit and loss

Discount on convertible notes issued

Net gain on sale of property, plant and equipment

Profit on disposal of subsidiary

Loss on disposal of subsidiary

Acquisition costs reclassified to investing activities

Change in inventories

Change in trade and other receivables

Change in other assets

Change in trade and other payables

Change in provisions and employee benefits

Movement in tax balances

### Cash flows from operating activities

30 Jun 15 \$'000	30 Jun 14 \$'000
(90,944)	(63,624)
53,092	30,621
83,514	16,688
15,567	-
46,712	46,601
314	138
958	9,143
-	(3,598)
-	2,673
1,359	3,848
-	5,107
(1,813)	(2,014)
(51,341)	(2,523)
2,539	-
438	-
<b>60,395</b>	<b>43,060</b>
(1,633)	(292)
33,924	12,876
1,109	(459)
(18,836)	(5,441)
(21,743)	16,477
(13,877)	(14,825)
<b>39,339</b>	<b>51,396</b>

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**28. Acquisition and disposal of subsidiaries and businesses**

**Summary of business and subsidiary acquisition**

On 4 August 2014, the Group acquired the business assets of Busby Transport, a Queensland based general transport business. The comparative information represents the acquisition of the shares in W.A. Freight Group on 28 April 2014.

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

	Note	30 Jun 15 \$'000	30 Jun 14 \$'000
Consideration		1,585	14,085
Total assets and liabilities recognised as a result of the acquisition :			
Cash		-	3
Trade & other receivables		-	10,635
Prepayments		-	451
Inventories		50	65
Property, plant and equipment	18	1,225	8,365
Intangibles	19	335	-
Trade and other payables		(25)	(5,183)
Loans & borrowings		-	(1,358)
Employee provisions		-	(1,970)
Other provisions		-	(501)
Deferred tax liability	17	-	(554)
Net identifiable assets acquired		1,585	9,953
<b>Goodwill on acquisition</b>	<b>19</b>	<b>-</b>	<b>4,132</b>

**Outflow of cash; net of cash acquired**

	30 Jun 15 \$'000	30 Jun 14 \$'000
Total consideration	1,585	14,085
Less: Balances acquired		
Cash	-	(3)
Plus: Acquisition costs	96	340
<b>Outflow of cash – investing activities</b>	<b>1,681</b>	<b>14,422</b>

(i) Revenue and profit contribution

The acquired business contributed revenues of \$4,636,000 to the Group for the period 4 August 2014 to 30 June 2015. It is impractical to disclose the profit or loss contribution as the business acquired has been incorporated into the total transport business within the Heavy Haulage & Lifting division and overhead expenses are not allocated to any particular component of the consolidated business.

If the acquisition had occurred on 1 July 2014, consolidated revenue for the year ended 30 June 2015 would have been \$5,149,000.

**Additional investment in subsidiary**

On 1 July 2014, the Group acquired the remaining 25% minority interest in National Crane Hire Pty Limited for \$4,000,000 (2014: 25% \$4,000,000).

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**28. Acquisition and disposal of subsidiaries and businesses (continued)**

**Summary of subsidiary disposal**

On 22 August 2014, the Company disposed of its investment in Liquip International Pty Ltd, an Australian subsidiary considered “non-core” and immaterial to the Group’s overall business. The comparative period represents the Company’s disposal of its Singapore subsidiary, Watt Wah Petroleum Haulage Pte Limited.

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

	Note	30 Jun 15 \$'000	30 Jun 14 \$'000
Sale proceeds		65,625	5,752
Total assets and liabilities de-recognised as a result of the disposal :			
Cash		-	351
Trade & other receivables		7,786	1,505
Prepayments		849	-
Inventories		7,763	13
Property, plant and equipment	18	1,100	2,400
Intangibles	19	897	-
Deferred tax assets	17	854	-
Trade and other payables		(2,911)	(560)
Employee provisions		(1,813)	(33)
Other provisions	23	(331)	-
Deferred tax liability	17	-	(49)
FX Reserve	25	(1,279)	(533)
Net identifiable assets disposed		12,915	3,094
<b>Profit on disposal</b>		<b>52,710</b>	<b>2,658</b>
Disposal costs		(1,369)	(135)
<b>Net profit on disposal</b>	<b>7</b>	<b>51,341</b>	<b>2,523</b>

**McAleese Limited**  
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**28. Acquisition and disposal of subsidiaries and businesses (continued)**

***Summary of business disposal***

On 31 October 2014, the Group disposed of the business assets of Beta Fluid Systems Inc., a USA subsidiary considered “non-core” and immaterial to the Group’s overall business.

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

	Note	30 Jun 15 \$'000	30 Jun 14 \$'000
Sale proceeds		5,761	-
Total assets and liabilities de-recognised as a result of the disposal :			
Trade & other receivables		2,972	-
Inventories		5,483	-
Property, plant and equipment	18	2,058	-
Intangibles	19	17	-
Trade and other payables		(3,954)	-
Employee provisions		(141)	-
Other provisions	23	(276)	-
FX Reserve	25	517	-
Net identifiable assets disposed		6,676	-
<b>Loss on disposal</b>		<b>(915)</b>	<b>-</b>
Disposal costs		<b>(1,624)</b>	<b>-</b>
<b>Net loss on disposal</b>	<b>9</b>	<b>(2,539)</b>	<b>-</b>

***Inflow of cash: net of cash disposed***

	30 Jun 15 \$'000	30 Jun 14 \$'000
Total sale proceeds	71,386	5,752
Less: Balances disposed		
Cash	-	(351)
Less: Disposal costs	(2,993)	(135)
Plus : Disposal costs accrued	397	-
<b>Inflow of cash – investing activities</b>	<b>68,790</b>	<b>5,266</b>

**McAleese Limited**  
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**29. Interest in other entities**

**(a) Subsidiaries**

The group's subsidiaries are listed below. Unless otherwise stated they have share capital consisting solely of ordinary shares that are directly held by the Group, and the proportion of ownership interest held equals the voting rights held by the group. The country of incorporation is also their principal place of business.

	Country of incorporation	Ownership interest	
		30 Jun 15	30 Jun 14
BFSNC Inc. (formerly Beta Fluid Systems, Inc.) <sup>(i)</sup>	USA	100%	100%
Cootes Transport Group Pty Limited	Australia	100%	100%
Harbrew Pty Limited	Australia	100%	100%
IES DGM Pty Limited	Australia	100%	100%
International Energy Services Asia Pte Limited <sup>(ii)</sup>	Singapore	-	100%
International Energy Services Group Pty Limited	Australia	100%	100%
International Energy Services Holdings Pty Limited	Australia	100%	100%
International Energy Services Pty Limited	Australia	100%	100%
Jetstyle Express Pty Limited	Australia	100%	100%
Jolly's Transport Services Pty Limited	Australia	100%	100%
Liquip Fuel Handling India Private Limited	India	100%	100%
Liquip International Pty Limited <sup>(iii)</sup>	Australia	-	100%
McAleese Finance Pty Limited	Australia	100%	100%
McAleese Investments Pty Limited	Australia	100%	100%
McAleese Resources Pty Limited	Australia	100%	100%
McAleese Saleco Pty Limited <sup>(iv)</sup>	Australia	-	100%
McAleese Subco Pty Limited	Australia	100%	100%
National Crane Hire Pty Limited <sup>(v)</sup>	Australia	100%	75%
National Crane Service & Repairs Pty Limited <sup>(v)</sup>	Australia	100%	75%
Spotswood Lessee Pty Limited	Australia	100%	100%
Sunshine Refuellers Pty Limited <sup>(vi)</sup>	Australia	100%	-
W.A. Freightlines Pty Limited	Australia	100%	100%
WAFL SPV Pty Limited	Australia	100%	100%
Walter Wright Cranes Pty Limited	Australia	100%	100%

- (i) The Group disposed of the business assets in BFSNC Inc. on 31 October 2014, but retains its 100% ownership interest in the entity.
- (ii) International Energy Services Asia Pte Limited was deregistered on 20 November 2014.
- (iii) The Group disposed of Liquip International Pty Limited on 22 August 2014.
- (iv) McAleese Saleco Limited was deregistered on 4 September 2014.
- (v) The Group owns 100% of National Crane Hire Pty Limited and National Crane Service & Repairs Pty Limited after acquiring a further 25% on 1 July 2014.
- (vi) Sunshine Refuellers Pty Limited was incorporated on 4 July 2014.

**(b) Joint Venture**

During the period, the Group acquired a 50% equity investment in HHA Group Pty Ltd (HHA) for \$3,000,000. HHA is a provider of heavy haulage transport services, with its principal place of business located in Queensland. The investment in HHA is treated as a joint venture and is equity accounted.

Since the time of the Group's investment, market conditions for HHA have deteriorated significantly. The combined effect of these changes and a highly geared capital structure within HHA led to an assessment that the equity investment was fully impaired.

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**29. Interest in other entities (continued)**

**(b) Joint Venture (continued)**

**Investment, loans and receivables**

	<b>Note</b>	<b>30 Jun 15 \$'000</b>	<b>30 Jun 14 \$'000</b>
Investment in joint venture		3,000	-
Elimination of profit on transactions with joint venture		(199)	-
Provision for impairment of investment in joint venture		(2,801)	-
		-	-
Loans to associates		9,358	-
Provision for impairment of loans to associates		(9,358)	-
		-	-
Investment in convertible note loan		4,000	-
Provision for impairment of convertible note loan		(4,000)	-
		-	-
Trade receivables		2,529	-
Other receivables - accrued interest		989	-
Provision for impairment of receivables		(3,518)	-
		-	-
Trade payables		791	-
Written back to profit and loss		(791)	-
		-	-

The investment and associated loans to, and receivables from HHA have been impaired in full at balance date as HHA was placed in administration on 28 June 2015 and the Group expects minimal to no recovery of the outstanding amounts. Payables owing to HHA have been written back to profit and loss as an offset to the provision raised against the amounts owing by HHA. The Group has no further financial liabilities, contingencies or commitments in relation to HHA.

The trade and other receivables balances were one mechanism through which the Group provided working capital support to HHA prior to it being placed into administration.

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### 30. Financial risk management

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

- credit risk;
- liquidity risk;
- market risk;
- price 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 15 \$'000	30 Jun 14 \$'000
Cash and cash equivalents – available for use	30,385	50,958
Cash and cash equivalents – restricted use	14,397	-
Total cash and cash equivalents	44,782	50,958
Trade and other receivables	63,031	109,427
	<b>107,813</b>	<b>160,385</b>

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**30. Financial risk management (continued)**

*Cash and cash equivalents*

The cash and cash equivalents are held with bank and financial institution counterparties. The restricted use cash and cash equivalents relates to the following items;

At 30 June 2015, an amount of \$14 million was held in a trust account in the name of McAleese Resources Pty Limited (McAleese Resources) for the potential purchase of shares in Atlas Iron (Atlas), subject to an equity raising by Atlas in July 2015. The money was to be released to McAleese Resources if the Atlas equity raising did not proceed. In July 2015, Atlas successfully completed its equity raising and the \$14 million held on trust was converted by McAleese Resources into 280 million Atlas shares.

An additional amount of \$397,000 was held in escrow at balance date in relation to the sale of the Beta Fluid Systems (Beta) business. This amount is held in the name of Beta and will be released, subject to potential costs, pending the finalisation of ongoing site environmental assessments.

*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.

*Impairment losses*

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

	30 Jun 15 \$'000	30 Jun 14 \$'000
Not past due	49,091	86,990
Past due 1 – 30 days	11,895	16,153
Past due 31 – 90 days	4,702	4,225
Past due greater than 90 days	9,310	3,200
	<b>74,998</b>	<b>110,568</b>

At 30 June 2015, an impairment provision of \$11,967,000 (2014: \$1,141,000) was held within trade and other receivables. The impairment provision relates to several customers where indications are that they may not 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**

	Note	30 Jun 15 \$'000	30 Jun 14 \$'000
Opening balance		1,141	867
Charged to profit and loss	9	7,900	413
Charged to profit and loss – significant items		3,518	-
Written back to profit and loss		233	-
Amounts written off as uncollectable		(744)	(218)
Acquired through business combination		-	81
Disposed through sale of business		(81)	-
Movements in exchange rates		-	(2)
	<b>13</b>	<b>11,967</b>	<b>1,141</b>



**McAleese Limited**  
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**30. Financial risk management (continued)**

**(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.

The following are the contractual maturities of financial liabilities as per the banking arrangements that existed at 30 June 2015 and subject to debt covenant compliance at that date (refer Notes 21 & 38). The contractual cash flows include estimated interest payments and exclude the impact of netting agreements.

30 Jun 2015	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
<b>Non-derivative financial liabilities</b>							
Secured bank loans	21	205,400	224,771	1,530	7,503	63,019	152,719
Finance lease liabilities	21	9,874	10,443	1,190	4,914	4,339	-
Trade and other payables	16,20	47,929	47,929	47,929	-	-	-
		<b>263,203</b>	<b>283,143</b>	<b>50,649</b>	<b>12,417</b>	<b>67,358</b>	<b>152,719</b>
<b>Derivative financial liabilities</b>							
Interest rate swaps used for hedging		5,207	5,207	627	1,888	1,976	716
		<b>5,207</b>	<b>5,207</b>	<b>627</b>	<b>1,888</b>	<b>1,976</b>	<b>716</b>
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
<b>Non-derivative financial liabilities</b>							
Secured bank loans	21	260,400	304,455	10,102	12,411	14,060	267,882
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	-	-	-
		<b>353,860</b>	<b>399,434</b>	<b>85,279</b>	<b>21,771</b>	<b>20,163</b>	<b>272,221</b>
<b>Derivative financial liabilities</b>							
Interest rate swaps used for hedging		3,848	3,848	383	1,217	1,315	933
		<b>3,848</b>	<b>3,848</b>	<b>383</b>	<b>1,217</b>	<b>1,315</b>	<b>933</b>

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.

### 30. Financial risk management (continued)

#### (c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices 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.

#### (d) Price risk

The Group has an exposure to the AUD iron ore price, via a profit sharing arrangement with one of its major customers. The exposure has only arisen in the latter part of the current financial year. An increase or decrease in the AUD iron ore price of 10% would have resulted in an increase or decrease in profit and loss of \$388,000 and \$336,000 respectively. There would have been no impact on any other component of equity.

#### (e) 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) 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 June 2015

	Euro	USD	GBP
	In thousands of dollars (AUD equivalents)		
Trade receivables	-	-	-
Trade payables	-	-	-
<b>Net statement of financial position exposure</b>	-	-	-

##### 30 June 2014

	Euro	USD	GBP
	In thousands of dollars (AUD equivalents)		
Trade receivables	-	18	-
Trade payables	(36)	(78)	(1)
<b>Net statement of financial position exposure</b>	<b>(36)</b>	<b>(60)</b>	<b>(1)</b>

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

	Average rate		Reporting date spot rate	
	2015	2014	2015	2014
USD	0.8289	0.9498	0.7655	0.9439

**McAleese Limited**  
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For the year ended 30 June 2015

**30. Financial risk management (continued)**

*Sensitivity analysis*

A strengthening (weakening) of the AUD, as indicated below, against the USD 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	
	Impact on other components of equity Increase / (decrease) \$'000	Impact on profit / (loss) \$'000	Impact on other components of equity Increase / (decrease) \$'000	Impact on profit / (loss) \$'000
<b>30 June 2015</b>				
USD (10% movement)	31	-	(34)	-
<b>30 June 2014</b>				
USD (10% movement)	(3)	5	3	(6)

**(f) 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 0.5% (50 basis points) in interest rates throughout the reporting period would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Impact on profit after tax Higher / (lower)		Impact on other components of equity Higher / (lower)	
	30 Jun 15 \$'000	30 Jun 14 \$'000	30 Jun 15 \$'000	30 Jun 14 \$'000
+ 50 basis points (2014 : +100 basis points)	(171)	(707)	-	-
- 50 basis points (2014 : -100 basis points)	171	712	-	-

**(g) 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 equity ratio at the reporting date was as follows:

	30 Jun 15 \$'000	30 Jun 14 \$'000
Secured bank loans	205,400	260,400
Finance lease liabilities	9,874	19,321
Cash and cash equivalents	(44,782)	(50,958)
<b>Net debt</b>	<b>170,492</b>	<b>228,763</b>
<b>Total equity</b>	<b>137,064</b>	<b>232,087</b>
<b>Net debt to adjusted equity ratio</b>	<b>1.24</b>	<b>0.99</b>

**McAleese Limited**  
**Notes to the consolidated financial statements**  
For the year ended 30 June 2015

**30. Financial risk management (continued)**

**(h) 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
<b>30 June 2015</b>				
<b>Current liabilities</b>				
Interest rate swaps	-	2,515	-	2,515
	-	<b>2,515</b>	-	<b>2,515</b>
<b>Non-current liabilities</b>				
Interest rate swaps	-	2,692	-	2,692
	-	<b>2,692</b>	-	<b>2,692</b>
<b>30 June 2014</b>				
<b>Current liabilities</b>				
Interest rate swaps	-	1,600	-	1,600
	-	<b>1,600</b>	-	<b>1,600</b>
<b>Non-current liabilities</b>				
Interest rate swaps	-	2,248	-	2,248
	-	<b>2,248</b>	-	<b>2,248</b>

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

	30 Jun 15			30 Jun 14		
	Face Value \$'000	Average Fixed Interest Rate	Maturity	Face Value \$'000	Average Fixed Interest Rate	Maturity
Current interest rate swaps - 3 year maturity	52,500	3.50%	Nov 16	52,500	3.50%	Nov 16
Current interest rate swaps - 4 year maturity	112,500	3.79%	Nov 17	112,500	3.79%	Nov 17
<b>Total</b>	<b>165,000</b>	<b>3.69%</b>		<b>165,000</b>	<b>3.69%</b>	

**McAleese Limited**  
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### 31. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	30 Jun 15 \$'000	30 Jun 14 \$'000
Less than one year	17,655	25,006
Between one and five years	34,914	39,925
More than five years	6,078	11,796
	<b>58,647</b>	<b>76,727</b>

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 \$27,376,000 was recognised as an expense in profit or loss in respect of operating leases (2014: \$25,188,000).

### 32. Capital commitments

The Group had no contractual obligations to purchase property, plant and equipment as at 30 June 2015 (2014: \$43,044,000).

### 33. 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)

Mr Mark Rowsthorn (Managing Director and Chief Executive Officer)

Mr Wayne Kent (Deputy Chairman)

Cav Gilberto Maggiolo

Ms Kerry Gleeson (appointed as a director on 1 September 2014)

Mr Warren Saxelby (appointed as a director on 1 March 2015)

Mr Keith Price (resigned as a director on 20 November 2014)

**McAleese Limited**  
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**33. 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 - Divisional General Manager

Mr Matthew Tamplin - Divisional General Manager

Mr Steve Fanning - Divisional General Manager

Mr John Russell - Group Chief Financial Officer appointed 5 November 2014

Mr Warren Saxelby - Interim Group Chief Financial Officer ceased consulting contract on 4 November 2014

Key management personnel compensation during the year ended 30 June 2015 was;

	30 Jun 15 \$	30 Jun 14 \$
Short term benefits	3,836,461	4,580,468
Post-employment benefits	174,978	164,709
Share-based payments	313,600	138,652
<b>Total</b>	<b>4,325,039</b>	<b>4,883,829</b>

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 2015	124,569	6,615,638	28,443	11,017
30 June 2014	203,001	6,231,144	1,252	614,342

**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.

**McAleese Limited**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2015**

**33. 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 \$6,528,000 (2014: \$6,174,000) 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.

**34. Contingencies**

The Group has provided bank guarantees and letters of credit in the ordinary course of business of \$4,729,993 as at 30 June 2015 (2014: \$5,233,193).

The Group is involved in legal claims which arise from the ordinary course of business. There is significant uncertainty as to whether a liability will arise in respect of these items and the amount of any liability which may arise cannot be reliably measured at this time.

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. The Group is continuing to pursue a previous claim made 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
- Cootes Transport Group Pty Limited
- McAleese Resources Pty Limited
- W.A. Freightlines Pty Limited
- Jolly's Transport Service Pty Limited
- WAFL SPV Pty Limited
- National Crane Hire Pty Limited (added via Assumption Deed dated 29 June 2015)

Liquip International Pty Limited is no longer party to the deed subsequent to the disposal of that entity on 22 August 2014.

**McAleese Limited**  
**Notes to the consolidated financial statements**  
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**35. Deed of cross guarantee (continued)**

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'.

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 2015 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 15 \$'000	30 Jun 14 \$'000
Revenue	618,936	722,028
Other income	53,154	1,805
Direct transport and logistics costs	(140,175)	(132,855)
Cost of goods sold	(5,003)	(36,914)
Repairs and maintenance	(29,981)	(35,859)
Employee benefits expense	(240,993)	(289,724)
Fuel, oil, electricity	(67,669)	(78,092)
Occupancy and property costs	(30,413)	(26,703)
Depreciation and amortisation expense	(46,415)	(44,015)
Impairment charges - goodwill & intangibles	(53,092)	(30,621)
Impairment charges / reversals - plant & equipment	(83,514)	(16,688)
Impairment charges - equity investment and associated loans & receivables	(18,886)	-
Other expenses	(48,226)	(68,783)
<b>Profit/(loss) before finance costs and income tax</b>	<b>(92,277)</b>	<b>(36,421)</b>
Net finance costs	(15,237)	(37,946)
<b>Profit/(loss) before income tax</b>	<b>(107,514)</b>	<b>(74,367)</b>
Income tax benefit	14,215	9,958
<b>Profit/(loss) after income tax</b>	<b>(93,299)</b>	<b>(64,409)</b>
<b>Other comprehensive income</b>		
<i>Items that have been or may be reclassified subsequently to profit or loss:</i>		
Change in fair value of cash flow hedges	-	1,774
Tax on items that may be reclassified subsequently to profit or loss	-	(532)
Translation of loans treated as net investment in foreign operations	675	-
Reclassification of translation reserve to profit or loss	(3,082)	-
<i>Total items that have been or may be reclassified subsequently to profit or loss</i>	<i>(2,407)</i>	<i>1,242</i>
<b>Other comprehensive income/(loss), net of tax</b>	<b>(2,407)</b>	<b>1,242</b>
<b>Total comprehensive income/(loss) for the year</b>	<b>(95,706)</b>	<b>(63,167)</b>
<b>Summary of movements in retained earnings / (accumulated losses)</b>		
Opening balance at 1 July	(14,227)	50,182
Net impact on opening retained earnings from new entity to the deed	3,051	-
Loss after income tax	(93,299)	(64,409)
<b>Closing balance at 30 June</b>	<b>(104,475)</b>	<b>(14,227)</b>



**McAleese Limited**  
**Notes to the consolidated financial statements**  
For the year ended 30 June 2015

**35. Deed of cross guarantee (continued)**

**Statement of financial position**

	<b>30 Jun 15 \$'000</b>	<b>30 Jun 14 \$'000</b>
<b>Current assets</b>		
Cash and cash equivalents	44,364	49,890
Trade and other receivables	60,453	94,615
Loans to associates	-	-
Prepayments	5,421	5,868
Inventories	1,699	2,179
Intercompany receivables	-	21,267
Assets classified as held for sale	18,775	44,751
<b>Total current assets</b>	<b>130,712</b>	<b>218,570</b>
<b>Non-current assets</b>		
Investment in convertible note	-	-
Investment in joint venture	-	-
Other investments	16,962	20,948
Property, plant and equipment	277,556	341,414
Intangible assets	1,233	54,896
Deferred tax assets	12,389	-
<b>Total non-current assets</b>	<b>308,140</b>	<b>417,258</b>
<b>Total assets</b>	<b>438,852</b>	<b>635,828</b>
<b>Current liabilities</b>		
Trade and other payables	46,182	67,400
Financial instruments	2,515	1,600
Loans and borrowings	209,228	18,800
Intercompany payables	7,551	-
Employee provisions	15,375	20,494
Other provisions	2,734	17,066
Liabilities classified as held for sale	657	8,389
<b>Total current liabilities</b>	<b>284,242</b>	<b>133,749</b>
<b>Non-current liabilities</b>		
Financial instruments	2,692	2,248
Loans and borrowings	4,210	254,183
Employee provisions	1,406	1,924
Other provisions	2,846	3,053
Deferred tax liabilities	-	705
<b>Total non-current liabilities</b>	<b>11,154</b>	<b>262,113</b>
<b>Total liabilities</b>	<b>295,396</b>	<b>395,862</b>
<b>Net assets</b>	<b>143,456</b>	<b>239,966</b>
<b>Equity</b>		
Contributed equity	251,417	251,417
Reserves	(3,486)	2,776
Accumulated losses	(104,475)	(14,227)
<b>Total equity</b>	<b>143,456</b>	<b>239,966</b>

**McAleese Limited**  
**Notes to the consolidated financial statements**  
For the year ended 30 June 2015

### 36. Parent entity disclosures

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

	30 Jun 15 \$'000	30 Jun 14 \$'000
<b>Results of the parent entity</b>		
Loss for the year	(89,985)	(7,315)
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>(89,985)</b>	<b>(7,315)</b>
<b>Financial position of the parent entity</b>		
Current assets	135,904	220,599
Total assets	137,103	227,114
Current liabilities	39	65
Total liabilities	39	65
<b>Net assets</b>	<b>137,064</b>	<b>227,049</b>
<b>Equity of the parent entity, comprising:</b>		
Contributed equity	247,484	247,484
Accumulated losses	(110,420)	(20,435)
<b>Total equity</b>	<b>137,064</b>	<b>227,049</b>

#### Parent entity contingencies

There were no contingent liabilities as at 30 June 2015 (2014: nil).

#### Parent entity capital commitments for acquisition of property plant and equipment

There were no capital commitments as at 30 June 2015 (2014: 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 15 \$	30 Jun 14 \$
<b>Audit services</b>		
Audit and review of financial statements		
Auditors of the Company – KPMG Australia	522,000	485,000
<b>Total audit services</b>	<b>522,000</b>	<b>485,000</b>
<b>Other services</b>		
Auditors of the Company – KPMG Australia	156,255	1,015,831
<b>Total other services</b>	<b>156,255</b>	<b>1,015,831</b>
<b>Total auditors' remuneration</b>	<b>678,255</b>	<b>1,500,831</b>

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

### **38. Subsequent events**

Following the capital raising by one of the Group's key customers, Atlas Iron Limited (Atlas), the Group acquired 280 million ordinary shares in Atlas Iron at a cost of \$14 million, representing 10.51% of the total Atlas shares on issue. In addition to this, the Group also acquired 280 million listed options over ordinary shares in Atlas at no cost. The options have a strike price of 7.5 cents per share and expire on 30 June 2017.

Subsequent to the balance date the Company agreed revised terms with its lenders. The revised arrangements suspend the Group's previous financial undertakings relating to leverage, interest cover ratio and gearing during FY2016. The key new covenants are minimum EBITDA, minimum CFADS (Cash Flow Available for Debt Servicing) and maximum capital expenditure requirements.

The Company's facility limits have been reduced as part of the revised arrangements. The Board and management are satisfied that a combination of cash on hand, forecast cash generation and remaining facility limits will provide the Company with sufficient liquidity.

The revised arrangements provide McAleese Group with balance sheet stability, adequate runway to implement strategic initiatives and activities, and enable the future improvement of its businesses.

The Board and Management will continue to monitor the performance of each of the divisions against expectation and the revised banking requirements.

**McAleese Limited**  
**Directors' declaration**  
**For the year ended 30 June 2015**

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 43 to 96 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 2015 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 2015.
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:



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Mr Don Telford  
**Director**



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Mr Mark Rowsthorn  
**Director**

Dated at Camberwell on the 26<sup>th</sup> day of August 2015.



## **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 2015, 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 2015 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).

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

Without modifying our opinion, we draw attention to Note 2(b) to the financial report which indicates that the Group incurred a net loss of \$90.9m during the year ended 30 June 2015 and as of that date the Group's current liabilities exceeded its current assets by \$144.3m. These conditions along with the matters set forth in Note 2(b) indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group's ability to realise its assets and discharge its liabilities in the normal course of business and of the amounts stated in the financial report.

**Report on the remuneration report**

We have audited the Remuneration Report included in pages 15 to 40 of the directors' report for the year ended 30 June 2015. 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 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Suzanne Bell

*Partner*

Melbourne

26 August 2015