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APPENDIX 4E - PRELIMINARY FINAL REPORT

Name of Entity:	**BOART LONGYEAR LIMITED**
ABN or equivalent company reference:	**49 123 052 728**
Current reporting period:	**year ended 31 December 2009**
Previous reporting period:	**year ended 31 December 2008**

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	2009 US$'000	2008 US$'000	$ change	% change
Revenue from ordinary activities	978,177	1,838,538	(860,361)	-46.8%
Net profit from ordinary activities after tax attributable to members	(14,883)	156,724	(171,607)	-109.5%
net profit after tax attributable to members	(14,883)	156,724	(171,607)	-109.5%

Brief explanation of any figures reported above:

Refer to the Directors' Report

Dividends per ordinary share paid or to be paid (US¢):

	31 December 2009	31 December 2008
Dividends per ordinary share Interim dividend	0.0 cents	2.3 cents

Final dividends for the financial year ended 31 December provided for and paid	0.0 cents	0.0 cents

No interim or final dividends were paid during the year ended 31 December 2009.

Our interim ordinary dividend in respect of the year ended 31 December 2008 had a record date of 18 September 2008 with payment made on 16 October 2008. Our interim ordinary dividends were franked at 35%.

Net Tangilbe Assets per share (US¢):

Current period:	12.58 cents
Previous corresponding period:	(10.36) cents

Control gained over entites having material effect:

N/A

Details of aggregate share of profits (losses) of associates and joint venture entities:

N/A

Segment Information:

Please refer to the Annual Financial Report for the year ended 31 December 2009.

Compliance Statement:

The above information has been prepared based on accounts that have been audited.

SIGNED:

Fabrizio Rasetti

Company Secretary

DATE: 19 February 2010

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BOART LONGYEAR LIMITED
A.B.N. 49 123 052 728

ANNUAL FINANCIAL REPORT

YEAR ENDED 31 DECEMBER 2009

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CONTENTS

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DIRECTORS' REPORT

The directors present their report together with the financial report of Boart Longyear Limited ("Boart Longyear" or the "Company") and its controlled entities (collectively the "Group" or the "Consolidated Entity") for the financial year ended 31 December 2009 ("financial year") and the Independent Auditor's Report thereon.

Financial results and information contained herein are presented in United States ("US") dollars unless otherwise noted.

DIRECTORS

The directors of the Company in office during the financial year and as of the date of this report are set out below.

Graham Bradley

Mr. Bradley was appointed a director of the Company on 21 February 2007 and is currently Chairman of the Company. He is also Chairman of Stockland Corporation Limited (appointed February 2004) and Po Valley Energy Limited (appointed September 2004) and a director of Singapore Telecommunications Limited (appointed March 2004). He is also chairman of the unlisted local subsidiaries of HSBC plc and Anglo American plc. He was elected president of the Business Council of Australia in October of 2009. In addition, Mr. Bradley is a director of a number of non-profit philanthropic organisations.

From 1995 to 2003, Mr. Bradley was the Chief Executive Officer of the listed investment management group Perpetual Trustees Australia Limited (now known as Perpetual Limited). He also spent four years as the Chief Executive Officer of the law firm Blake Dawson. Previously, he spent 12 years at McKinsey & Company, an international firm of management consultants.

Mr. Bradley resigned as Chairman of Proteome Systems Limited on 29 November 2007 and Film Finance Corporation Australia Limited on 30 June 2008.

Mr. Bradley received a BA and LLB (Hons 1) from Sydney University and an LLM from Harvard Law School.

He is a member of the Remuneration & Nominations Committee.

Bruce Brook

Mr. Brook was appointed a director of the Company on 21 February 2007. He is currently a director and Chairman of the Audit Committee of Lihir Gold Limited (appointed December 2005) and Snowy Hydro Limited (appointed May 2006). He is a member of the Financial Reporting Council, a member of the Finance Committee of the University of Melbourne and a member of the Audit Committee of the Salvation Army (Southern Territory).

Mr. Brook was the Chief Financial Officer of WMC Resources Limited from 2002 to 2005 and has approximately 30 years' experience in various roles, including Deputy Chief Financial Officer of ANZ Banking Group Limited, Group Chief Accountant of Pacific Dunlop Limited, General Manager, Group Accounting at CRA Limited and General Manager, Accounting and Services at Pasminco Limited. Mr. Brook resigned as a director and the Chairman of the Board of Directors of Energy Developments Limited on 17 February 2010 (appointed a director in April 2009 and Chairman in September 2009). Mr. Brook resigned as a director of Consolidated Minerals Limited on 20 February 2008 (appointed December 2005).

Mr. Brook gained his B.Comm and B.Accounting at the University of Witwatersrand and is a Fellow of the Institute of Chartered Accountants in Australia.

He is Chairman of the Audit, Compliance & Risk Committee and a member of the Environment, Health & Safety Committee.

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David Grzelak

Mr. Grzelak was appointed a director of the Company on 13 November 2008. He is currently Chairman and Chief Executive Officer of Komatsu America Corp. and has held a variety of senior executive positions with Komatsu since joining the company in 1991. Prior to joining Komatsu, he worked in General Electric's Transportation Systems business for approximately 20 years. Mr. Grzelak has served as a director of the Alamo Group Inc. (listed on the New York Stock Exchange) and member of its Audit, Compensation & Nominations committees since 2006.

Mr. Grzelak earned his BS in industrial engineering from Penn State University and an MBA from Gannon University.

He is a member of the Audit, Compliance & Risk Committee and the Environment, Health & Safety Committee.

Craig Kipp

Mr. Kipp was appointed a director of the Company on 28 June 2008. He was appointed the Company's Chief Executive Officer on 1 January 2009, prior to which time he was President and Chief Operating Officer. Mr. Kipp joined the Company in 2005 after 22 years with General Electric, where he was employed in various capacities, including as President and Chief Operating Officer of the Global Nuclear Fuel division and General Manager of operations in Hungary and China.

Mr. Kipp received his BS and MS in Mechanical Engineering from the University of North Dakota and an MBA from the University of Chicago.

David McLemore

Mr. McLemore was appointed a director of the Company on 21 February 2007. He has more than 35 years of industrial and broad operational experience. He has held a number of positions with various Advent International portfolio companies for more than 10 years and was involved with Advent International's acquisition of the Group from Anglo American plc in 2005.

Mr. McLemore served at various times as Chairman, Deputy Chairman and Vice Chairman of the Group from 2005 until 2007. Mr. McLemore also served as a General Manager of General Electric's Power Systems division from 1985 to 1997.

Mr. McLemore received his BS from Oklahoma State University.

He is Chairman of the Environment, Health & Safety Committee and was appointed its Chairman effective 15 November 2008. He is also a member of the Remuneration & Nominations Committee.

Peter St George

Mr. St George was appointed a director of the Company on 21 February 2007. He also has been a director of First Quantum Minerals Limited (listed on the Toronto Stock Exchange) since October 2003. Mr. St George was a director of Spark Infrastructure Group, Powercor Australia Limited, Citipower Pty Limited and CHEDHA Holdings Pty Limited from December 2005 until 31 December 2008. He also served as a director and Chairman of Walter Turnbull, an Australian accounting and financial services firm, from August 2002 until 31 October 2008 and was a director of SFE Corporation Limited from 2000 until its merger with ASX Limited in July 2006.

Mr. St George served as Chief Executive/Co-Chief Executive of Salomon Smith Barney Australia/NatWest Markets Australia from 1995 to 2001. In addition, he has more than 20 years' experience in senior corporate advisory roles within NatWest Markets and Hill Samuel & Co in London.

Mr. St George qualified as a Chartered Accountant in South Africa and received an MBA from the University of Cape Town.

He is Chairman of the Remuneration & Nominations Committee and a member of the Audit, Compliance & Risk Committee.

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DIRECTORS' MEETINGS

The following table sets out for each director the number of directors' meetings (including meetings of committees of directors) held and the number of meetings attended by each director during the financial year while he was a director or committee member. The table does not reflect the directors' attendance at committee meetings in an "ex-officio" capacity.

Directors	Board of Directors		Remuneration & Nominations Committee		Audit, Compliance & Risk Committee		Environment, Health & Safety Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Graham Bradley	7	7	6	6				
Bruce Brook	7	7			7	7	4	4
Craig Kipp	7	7						
David McLemore	7	7	6	6			4	4
Peter St. George	7	7	6	6	7	7		
David Grzelak	7	7			7	7	4	4

In addition to the seven regular meetings of the Board, 35 special meetings were held during the course of the year.

COMPANY SECRETARIES

Fabrizio Rasetti was appointed Company Secretary on 26 February 2007. Prior to joining Boart Longyear he worked at SPX Corporation, a corporation listed on the New York Stock Exchange, and served in various management roles in the legal department and business development during his nine-year tenure there. Prior to SPX Corporation, he worked in the private law firms of Howrey & Simon and Towey & Associates in Washington, DC. Mr. Rasetti received his BS in Foreign Service and JD from Georgetown University.

Paul Blewett was appointed Company Secretary on 21 October 2008. Prior to joining Boart Longyear he was General Counsel and Company Secretary for Hills Industries Limited (ASX:HIL). Prior to Hills Industries, he held a number of positions with other Australian Securities Exchange listed companies, following private legal practice for 8 years with Lynch Meyer, Adelaide, South Australia. Mr. Blewett received his LLB from the University of Adelaide in 1983.

PRINCIPAL ACTIVITIES

The Company is a leading integrated provider of drilling services, capital equipment and consumable products for customers in the mining and minerals exploration, environmental and infrastructure, and energy industries. The Group conducts these activities through two operating divisions, known as the Global Drilling Services and Global Products divisions.

The Global Drilling Services division operates in over 40 countries. It provides services to a diverse customer base and offers a broad range of drilling technologies, including, but not limited to, diamond core, underground, reverse circulation, rotary and sonic drilling.

The Global Products division manufactures and sells capital equipment and consumables primarily to customers in the drilling services and mining industries globally. These products include rigs and products such as bits, rods and in-hole tools for exploration drilling, rock drilling and environmental, infrastructure and construction applications. The division also distributes a wide variety of products and supplies through its network of retail drill stores in the United States.

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Financial performance

Financial performance across all business lines and geographic regions has been negatively affected by the global credit crisis and economic downturn. Results for the twelve months ended 31 December 2009 reflect a decrease in revenue and profits as a result of these and other causes.

Total revenue for the twelve months ended 31 December 2009 was $978 million, a decrease of approximately 47% compared to $1,839 million for the prior year. Of the $860 million decrease in revenue during 2009, $503 million was attributable to a decrease in revenues in the Global Drilling Services division and $357 million was due to the Global Products division. Revenues were lower in each of the five geographic regions.

In 2009, the Global Drilling Services division generated revenue of $737 million, down approximately 41% from the prior year. In particular, drill rig utilisation decreased and pricing was lower, but lower revenues were partially offset by lower operating costs and improved efficiency.

In 2009, the Global Products division generated revenue of $241 million, down 60% from the prior year. The decrease was driven by lower sales volume caused by adverse market conditions that reduced the number of mineral drilling projects. Management aggressively cut costs to offset the steep decline in revenue.

The Group continued the initiative begun late in 2008 to reduce operating costs through a series of restructuring activities. During the financial year, the Group incurred costs of $8 million for employee separation costs, as well as costs of $5 million related to occupancy reductions and other initiatives. 2009 general and administrative expenses of $117 million were down 35% from the prior year. Selling and marketing expenses of $71 million were down 40% from the prior year.

Net profit (loss) after tax for the twelve months ended 31 December 2009 was a loss of ($15) million compared to a profit of $157 million in the prior twelve months ended 31 December 2008. The 2009 losses include restructuring expenses of $13 million and $17 million in one-time expenses (primarily non-cash) related to the capital raising program undertaken during the financial year.

Tax benefit for the twelve months ended 31 December 2009 was $8 million compared to an expense of $75 million for the prior twelve months ended 31 December 2008. The 34.2% tax benefit compares favorably to the 32.2% tax expense reported in 2008, and takes into account the tax weighting of the corporate structure.

Earnings (loss) per share in 2009 was (0.6) cents per share on a basic and diluted basis, compared to earnings per share on a basic and diluted basis of 10.4 cents for the prior year.

DIVIDENDS

No dividends have been paid or declared during the financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Capital Raising and Debt Repayment

During the financial year, the Group executed a capital raising program that raised approximately $698 million. Proceeds from the capital raising were used to repay and retire the Group's $585 million Term Loan A debt facility, to repay approximately $62 million of amounts previously drawn on its existing revolver facility, and to pay approximately $50 million of costs directly related to the capital raising. The Group recorded a pre-tax, one-time (primarily non-cash) charge of $17 million related to the capital raising, largely related to certain floating-to-fixed interest rate obligations.

Divestiture of Operations

During the financial year, the Group completed the sale of its Sub Saharan African manufacturing operations in Roodepoort, South Africa. The sale also included the buyer's exclusive right to manufacture and sell certain of the Group's percussive rock drills and hard rock tools in Sub Saharan Africa. The Group recognised a loss on the disposal of approximately $4 million.

Other than the Company's capital raising, debt retirement and divestiture listed above, in the opinion of the directors, there were no other significant changes in the state of affairs of the Group during the financial year.

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Enterprise Resource Planning System Implementation

The Company has initiated a project to implement a new Enterprise Resource Planning ("ERP") system. The ERP system will be an integral element of the Company's management, reporting and control systems. The Company will transition to the new ERP system in a series of conversions scheduled to occur in 2010 and 2011.

EVENTS SUBSEQUENT TO REPORTING DATE

In the opinion of the directors, there has not arisen in the interval between the end of the financial year and the date of the report any matter or circumstance that has significantly affected, or may significantly affect, the Group's operations, results or state of affairs in future financial years.

FUTURE DEVELOPMENTS

The Group intends to continue its principal activities related to providing drilling services and selling drilling capital equipment and consumable products while focusing on operating improvements, product development, cost management, cash generation and debt reduction. The Group may also elect to expand its product or service offerings through organic growth initiatives or strategic acquisitions.

Further information about likely developments in the operations of the Group in future years, expected results of those operations, and strategies of the Group and its prospects for future financial years has been omitted from this report because disclosure of the information is likely to result in unreasonable prejudice to the Group.

CORPORATE GOVERNANCE STATEMENT

The Board believes that high standards of corporate governance are an essential prerequisite for creating sustainable value for shareholders. This statement summarises the main corporate governance policies and practices in place within the Group. Unless otherwise noted, the Company has followed the best practice recommendations set out in the ASX Corporate Governance Council's Principles and Recommendations (the "ASX Guidelines").

The Company's most significant governance policies, including Board and committee charters, may be found on the Company's website at www.boartlongyear.com.

Role of the Board

The Board charter sets out the powers and responsibilities of the Board. These include:

- providing strategic direction for, and approving, the Company's business plans and objectives;
- monitoring the operational and financial position and performance of the Company;
- establishing a sound risk management framework for the Company and ensuring that management takes reasonable steps to implement appropriate controls and otherwise mitigate risks;
- requiring that robust financial and other reporting mechanisms are put in place to provide adequate, accurate and timely information to the Board and shareholders regarding all material developments;
- appointing and evaluating the performance of the Chief Executive Officer, approving other key executive appointments and planning for executive succession;
- reviewing and approving remuneration for senior executives;
- approving the Company's annual operating budget and business plans and monitoring the management of the Company's capital, including any material capital expenditures, acquisitions or divestitures;
- monitoring procedures to ensure compliance with legal and regulatory requirements and accounting standards; and
- determining the level of authority delegated to the Chief Executive Officer and Company management.

The Board has delegated to the Chief Executive Officer and to the Company's Executive Management Committee ("EXCO") responsibility for managing the business of the Company in compliance with Board policies, legal requirements and the fundamental standards of ethics and integrity reflected in the Group's Code of Business Conduct. The Board policies and charters set clear thresholds for management authority and ensure accountability to, and oversight by, the Board or its committees for the approval of specific matters, including remuneration of senior executives, changes to the Company's share capitalisation, declaration of dividends, the Company's annual operating budget, material acquisitions and divestitures and changes to corporate strategy. Delegations are regularly reviewed by the Board and may be changed by the Board at any time.

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Composition of the Board

At the date of this report, the Company has one executive director and five non-executive directors.

Boart Longyear recognises that the ability of its Board to fulfill its role properly requires that the directors collectively have an appropriate range of skills, experience and expertise, including experience in accounting and financial reporting, operational expertise and experience in the markets the Group serves, and that a majority of the directors are independent. In assessing the independence of non-executive directors, the Board has considered the criteria detailed in the Board charter, including, whether a director:

- is a substantial shareholder of the Company, or otherwise is associated directly or indirectly with a substantial shareholder;
- has been employed in an executive capacity by the Company or Group within the last three years and did not become a director within three years of being so employed;
- has been a principal of a material professional advisor or a material consultant to the Company or Group within the last three years;
- is a partner in, or material shareholder or officer of, a material supplier or customer of the Company or Group;
- has a material contractual relationship with the Company or Group other than as a director; and
- has received more than A$100,000 from the Company or Group during the past year other than as compensation for the director fulfilling his duties as a director.

The charter also defines materiality as being an amount in excess of 5% of Boart Longyear's or the advisor's, supplier's or customer's revenues or expenses, as the case may be.

The Board meets the requirements of the charter and the recommendations of the ASX Guidelines as a majority of the Board is comprised of non-executive directors and all non-executive directors, including the Chairman, meet the independence criteria listed above.

Board Processes

The Board meets at least six times a year and convenes additional meetings as required. The agenda for Board meetings is prepared by the Chief Executive Officer and other senior management in conjunction with the Chairman and, along with supporting papers, is distributed to directors prior to each meeting. Certain senior executives participate in Board and committee meetings, thus providing the directors with access to key operating, financial and compliance personnel on a regular basis. In addition, the directors have access to other Company employees in Board and committee meetings, during visits to operations and in other settings.

Board Committees

The Board has three permanent committees to assist it in discharging its responsibilities. These are the:

- Audit, Compliance & Risk Committee;
- Remuneration & Nominations Committee; and
- Environment, Health & Safety Committee.

These committees have written charters that are reviewed annually. All non-executive directors may attend any committee meeting. The Chairman of each committee reports on committee proceedings at the next Board meeting and minutes of committee meetings are circulated to directors in the Board papers.

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Audit, Compliance & Risk Committee

The Audit, Compliance & Risk Committee assists the Board to fulfill its governance and disclosure responsibilities in relation to the quality and integrity of the Company's financial reports, internal controls, risk management framework and external audits. The committee also monitors compliance with laws and regulations. The committee makes recommendations to the Board regarding the appointment, performance and independence of the external auditor and must approve all non-audit services performed by the external auditor.

The committee is comprised of three non-executive directors, all of whom are independent directors and at least one of whom has relevant accounting qualifications or experience. The members of the committee during and since the financial year are:

- Bruce Brook – Chairman
- Peter St George
- David Grzelak

Remuneration & Nominations Committee

The Remuneration & Nominations Committee supports the Board by overseeing matters related to executive and director remuneration and the composition and performance of the Board. The committee's responsibilities include:

- developing and reviewing remuneration plans, including annual bonus plans and long term incentive plans, including equity-based incentive plans;
- developing performance objectives for the Chief Executive Officer and his direct reports and reviewing performance against those objectives;
- overseeing policies for recruitment, retention and succession planning for directors and key executive positions; and
- reviewing the composition of the Board and monitoring the performance of the Board and the directors.

The committee consists of the following three non-executive directors:

- Peter St George – Chairman
- Graham Bradley
- David McLemore

Environment, Health & Safety Committee

Boart Longyear places a high priority on safety, management of operational risks and compliance with environmental laws and regulations. The Environment, Health & Safety Committee assists the Board in the effective discharge of its responsibilities in relation to these matters and has authority to investigate any matter within the scope of the committee's charter.

Among its responsibilities, the committee:

- ensures that the Company has effective systems and processes for monitoring and mitigating operational risks;
- reviews and assesses the Company's policies and practices to ensure compliance with environmental and operational regulatory requirements, including through internal and external audits; and
- reviews the results of investigations of any major health, safety or environmental incidents occurring in the Company's operations.

The committee consists of the following three non-executive directors:

- David McLemore – Chairman
- Bruce Brook
- David Grzelak

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Board and Director Performance

The Board has a formal annual assessment process that includes performance assessments of the Board committees and individual directors. As part of the assessment process, each director completes a questionnaire on the operation of the Board and its committees and the performance and contributions of the directors. The results of the questionnaires are compiled by the Chairman and discussed with each director individually. The Chairman also holds a further discussion about the Board's effectiveness with the Board as a whole. The Board effectiveness evaluation took place this year between June and December 2009.

New directors undergo an induction process to inform them of the nature of the Company's business, strategies, risks and issues, and expectations about director performance, including awareness of continuous disclosure principles. The terms of a non-executive director's appointment are set out in a letter to the director from the Company. The letter details the director's obligations, including to:

- act in the best interests of the Company at all times;
- submit to re-election from time-to-time as required by the Company's constitution;
- notify the Chairman of any change in circumstances that might prevent the director from being regarded as independent;
- comply with the Company's constitution, governance policies and all applicable legal requirements, including the Company's Securities Trading Policy;
- devote sufficient time to prepare for and attend Board meetings and otherwise to discharge the director's duties;
- keep confidential, and not use for the benefit of any person or party other than the Company, any confidential information of the Company or Group; and
- disclose any directorships, business interests or circumstances that might represent conflicts of interests or reasonably be perceived to interfere with the exercise of the director's independent judgment, or have an adverse impact on the Company's reputation or public profile.

The appointment letter also confers certain benefits and rights upon the director, including indemnities and insurance coverage for liabilities arising out of the discharge of the director's duties and unfettered access to papers, information and employees of the Company. In addition, directors may, with the approval of the Chairman, consult with professional advisors.

Executive Performance

The Company employs a structured performance evaluation process to ensure that senior executives are motivated to deliver shareholder value and are accountable to the Board at all times. The process commences early each financial year when the Board establishes and approves corporate performance objectives as well as individual performance objectives for the most senior managers of the Company. As detailed more fully in the Remuneration Report, performance against those objectives determines the potential incentive the executive may receive under the Company's annual bonus plan. The Chief Executive Officer's annual incentive is based 100% on the achievement of the annual corporate performance objectives approved by the Board. Other senior managers of the Company have individual performance objectives that account for 50% of the total annual bonus for which they are eligible and the annual corporate performance objectives account for the balance. The Company's executive performance assessment process for 2009 and goal-setting process for 2009 commenced in January 2009 and was completed in March 2009.

Risk Management

The Board recognises that risk management and internal controls are fundamental to good corporate governance, and the Board and senior management accept their responsibility to identify and manage risk on an ongoing basis. The Company's risk management framework consists of a number of controls, including:

- documented systems, procedures, authorities and delegations for the orderly management of the Company;
- policies and ethical standards, and ensuring that employees understand such obligations;
- risk-based internal audits to test the Company's controls and assist management with the enforcement of Company policies; and
- certifications from management and process owners throughout the Company regarding the design and operation of risk management systems, internal controls and compliance.

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The Board is assisted and advised in its oversight of the Company's risk management system by two of its committees: the Environment, Health & Safety Committee with respect to operational risks generally and the Audit, Compliance & Risk Committee with respect to financial, compliance and other risks. Those committees review the annual audit plan of the Company's internal audit function and Environment, Health & Safety group, and, along with senior management, consider the findings of those audits. The Audit, Compliance & Risk Committee also monitors compliance programs managed by the Company's legal function and reviews the significant findings of any compliance reviews or investigations.

The Company also has implemented a formal risk management system based on a written risk management policy and the findings of Company audits and investigations. The system is managed by the corporate Director of Risk Management, who, among other tasks, directs regular regional and corporate risk identification and mitigation reviews and assists in tracking corrective actions.

Integrity of Financial Reporting

In accordance with the ASX Guidelines, the Chief Executive Officer and Chief Financial Officer have certified the following (among other detailed certifications) to the Board in writing:

1) in their opinion, after having made appropriate enquiries, with regard to the integrity of the financial statements of the Company for the year ended 31 December 2009:

    (i) the financial statements of the Company and Consolidated Entity for the financial year comply with Accounting Standards and have been properly maintained in accordance with section 286 of the Corporations Act 2001;

    (ii) the financial reports of the Company and Consolidated Entity, and notes thereto, present a true and fair view, in all material respects, of the financial position and performance of the Company and of the Consolidated Entity in accordance with section 297 of the Corporations Act 2001; and

    (iii) 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) to the best of their knowledge and belief after having made appropriate enquiries, with regard to risk management and internal control systems of the Company for the year ended 31 December 2009:

    (i) the statements made in (1) above regarding the integrity of the financial statements are founded on a sound system of risk management and internal compliance which, in all material respects, implements the policies adopted by the Board of Directors;

    (ii) the risk management and internal compliance system, to the extent it relates to financial reporting, is operating effectively in all material respects based on the risk management model adopted by the Company; and

    (iii) nothing has come to management's attention since 31 December 2009 that would indicate any material change to the statements made in 2(i) and 2(ii) above.

These statements are supported by certifications made to the Chief Executive Officer and Chief Financial Officer by the financial managers of each of the Company's divisions and regions and by other managers globally. They provide a reasonable but not absolute level of assurance and do not imply a guarantee against adverse events or more volatile outcomes arising in the future. A number of internal control deficiencies relating to financial reporting have been identified during the financial year, and in such cases, where deemed appropriate, additional tests of procedures or tests of resulting account balances included in the financial statements have confirmed that there has been no material impact on the financial reports. Management also has reported to the Board as to the effectiveness of the Company's management of material business risks.

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Code of Business Conduct and Ethical Standards

Boart Longyear's directors, management and employees are required to act with integrity at all times and maintain high ethical standards. The Company has adopted a Code of Business Conduct that covers a broad range of matters, including:

- conflicts of interest and the preservation and proper use of Company assets;
- protection of confidential and commercially sensitive information;
- employment legislation;
- competition law and fair dealing;
- environmental, health and safety considerations;
- improper payments, bribery and money laundering, including transactions with government officials;
- financial reporting and record-keeping; and
- each employee's affirmative duty to report violations of policy or law.

The Code of Business Conduct is available on the Company's website at www.boartlongyear.com. The Company supplements the Code of Business Conduct with additional policies that provide more detailed guidance on substantive legal requirements and other principles and requires employees to successfully complete assigned compliance training courses on an ongoing basis.

Environmental Performance

Boart Longyear is committed to achieving a high standard of environmental performance. The Company's operations are subject to various environmental laws and regulations in the many jurisdictions in which it operates, including regulations under both Commonwealth and state legislation in Australia. The Board, with the assistance of the Environment, Health & Safety Committee, monitors environmental performance against relevant legislation and Company objectives and monitors remedial action when required.

The directors are not aware of any business unit operating in breach of environmental regulations during the financial year and to the date of this report under any applicable law of the Commonwealth or of a State or Territory.

Continuous Disclosure

The Board aims to ensure that all of its shareholders and the market in general are kept fully and promptly informed of all major developments and changes that are likely to materially affect its operations, financial results and business prospects. The Company's External Communications Policy specifies how the Company will meet its continuous disclosure obligations under ASX Listing Rule 3.1 and sets out procedures for Company employees to report potentially price-sensitive information to management and the Board.

The Company produces financial statements for its shareholders and other interested parties twice per year. Shareholders have the right to attend the Annual General Meeting in May and are provided with an explanatory memorandum on the resolutions proposed through the Notice of Meeting. The Company also has an investor relations function to manage and assure prompt and relevant communications with shareholders and the market generally, and the Company posts material information for its shareholders, such as ASX announcements and financial results, on its website at www.boartlongyear.com.

Donations

Boart Longyear contributes to the communities in which it works with donations, sponsorship and practical support. The Company does not make political donations.

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DIRECTORS' SHAREHOLDINGS

The following table sets out each director's relevant interest in shares, debentures, and rights or options over shares or debentures of the Company or a related body corporate as at the date of this report.

Directors	Fully paid ordinary shares	Restricted shares, [1] rights and options	Total
Graham Bradley	4,552,146	491,891	5,044,037
Bruce Brook	998,272	45,945	1,044,217
David Grzelak	10,000	-	10,000
David McLemore	1,158,609	-	1,158,609
Peter St. George	1,001,515	72,972	1,074,487
Craig Kipp	5,214,626	5,694,710 [2]	10,909,336

(1) The non-executive directors' restricted shares as listed in the table above, although fully paid ordinary shares, are subject to a vesting condition of three years' service by the directors. Certain of the 5,694,710 restricted shares and options listed for Mr. Kipp are performance share rights granted under the Long-Term Incentive Plan and thus are subject to a performance condition as well as a service condition

(2) Mr. Kipp was awarded 900,000 share options on 18 June 2009 by the Board, subject to shareholder approval. Should shareholder approval not be received, the Company is legally committed to provide other compensation of equal value to Mr. Kipp.

GRANTS OF SHARES, RIGHTS OVER SHARES AND OPTIONS GRANTED TO DIRECTORS AND EXECUTIVES

The shares or rights over shares of the Company that have been granted to directors or executives of the Group are included in the Remuneration Report. Options over unissued shares of the Company have been granted to the Chief Executive Officer, Mr. Kipp, and certain other executives, as detailed in the Remuneration Report. No shares or interests have been issued during or since the end of the financial year as a result of exercise of an option.

DIRECTORS' AND OFFICERS' INTERESTS IN CONTRACTS

Except as noted herein, no contracts involving directors' or officers' interests existed during, or were entered into since the end of the financial year other than the transactions detailed in Note 34 to the financial statements.

PROCEEDINGS ON BEHALF OF 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 financial year.

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REMUNERATION REPORT

The information provided in this Remuneration Report is that required under Section 300A of the Corporations Act.

This Report sets out the remuneration arrangements for the Key Management Personnel (KMP), who are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise). The KMP include the top five highest-paid executives. The remuneration policy and programs detailed in this report also apply to senior Company management not included as KMP.

The following individuals have been included as KMP during the financial year:

- Graham Bradley - Chairman, Non-executive director
- Bruce Brook - Non-executive director
- David McLemore - Non-executive director
- Peter St George - Non-executive director
- Craig Kipp - Chief Executive Officer and Executive director
- Joseph Ragan III - Chief Financial Officer
- Brad Baker - Senior Vice President, Human Resources
- Fabrizio Rasetti - Senior Vice President, General Counsel and Company Secretary
- Scott Alexander - Vice President of Global Drilling Services (employment ended 31 December 2009)
- Michael Birch - Vice President of Global Products

Remuneration Policies and Practices

The Board has ultimate responsibility for remuneration issues, including policies and procedures to ensure that the Company remunerates fairly and responsibly. The Remuneration & Nominations Committee (“Remuneration Committee”) has been established to assist the Board with remuneration issues and is responsible for ensuring that the Company compensates appropriately and consistently with market practices. It also seeks to ensure that the Company’s remuneration programs and policies will attract and retain high-calibre directors, executives and employees and will motivate them to maximise the Company’s long-term business, create value for shareholders and support the Company’s goals and values. The role and responsibilities of the Remuneration Committee are set out in its charter. The Chief Executive Officer, the Senior Vice President for Human Resources and other members of senior management attend meetings of the committee, as appropriate, to provide information necessary for the committee to discharge its duties. In addition, the committee also has access to external consultants as it sees fit to provide advice, market data and other information required.

Overall, the structure, quantum and mix of components of the Company’s remuneration program, detailed below, are designed to meet the specific needs of the business and be consistent with good market practice. The Company and Remuneration Committee will regularly review all elements of its remuneration framework to ensure that they remain appropriate to the business strategy and are competitive and consistent with contemporary market practice.

Non-Executive Director Remuneration

Non-executive directors are remunerated by a fixed base fee with additional amounts paid for serving on Board committees. Non-executive director fees are determined within an aggregate directors’ fee pool limit that periodically will be approved by shareholders in general meeting. The current approved limit is A$2.0 million. Fees are set to reflect the responsibility and time commitments required of non-executive directors and are reviewed annually to ensure that they remain fair and consistent with market practice.

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The base fee for non-executive directors during the financial year was US$100,000 per annum, while the Chairman received a base fee of US$300,000 per annum. Non-executive directors (other than the Chairman) receives an additional 10% of the base fee for each Board committee on which they sit or 20% of the base fee for each committee they chair. Compulsory superannuation payments for Australian-resident non-executive directors are included in the base fee and additional committee fees. In 2009, given the financial difficulties the Company faced as a result of the economic downturn, the directors elected to reduce their compensation by 10% from 1 March 2009 through 31 December 2009. Effective 1 January 2010, the directors' fees were restored to the pre-reduced amounts indicated above. During the financial year, $746,912 of the pool was utilised for non-executive director fees, being approximately 48% of the fee pool limit.

Non-executive directors also are reimbursed for all reasonable out-of-pocket expenses incurred in carrying out their duties, including travel costs and office and secretarial support. They do not receive any retirement benefits other than statutory superannuation contributions or any performance-related remuneration, such as management short-term and long-term incentive awards.

Non-Executive Director Share Acquisition Plan

In February 2008, the Committee recommended, and the Board approved, the establishment of a Non-Executive Director Share Acquisition Plan (NEDSAP) as foreshadowed in the Company's prospectus. The NEDSAP is a fee sacrifice plan in which only non-executive directors may participate. Participation in the NEDSAP is voluntary, and non-executive directors may elect to sacrifice up to 100% of pre-tax fees to acquire ordinary shares at the prevailing market price. Shares acquired under the NEDSAP will be subject to a holding lock for up to ten years. The holding lock may be removed in certain circumstances, including a cessation of directorship. There have been no shares purchased under this plan during the financial year ended 31 December 2009. During the year ended 31 December 2008 there were 200,985 shares purchased under this plan.

Executive Remuneration

There are several components of remuneration provided to reward executives, presenting a balance of fixed and at-risk pay, as well as short and longer term rewards. Consistent with market practice, the proportion of remuneration attributable to each component depends on the executive's seniority. These components are as follows:

Fixed Remuneration	**At-risk Remuneration**
Base Salary	Short-Term Incentive - Corporate Bonus Plan ("CBP"); and Long-Term Incentive Plan ("LTIP") - share rights, cash rights and share options

The Company's executive remuneration has been structured to ensure that it:

- is reasonable;
- provides a competitive compensation program to retain, attract and reward key employees;
- achieves clear alignment between total remuneration and delivered business and personal performance over the short and long terms; and
- is an appropriately balanced mix of fixed and at-risk compensation.

The Company places great importance on the need to retain key employees, thereby avoiding disruption to operations. Accordingly, the use of both time-based and performance-based rewards is designed to ensure the Company's leadership is retained and delivers sustainable, long-term shareholder returns. The directors believe that the at-risk components of the remuneration framework will effectively align senior management's interests with those of shareholders.

The Directors believe that the achievement of certain performance objectives by executives of the Company links the remuneration policy to the Company achieving its targeted performance objectives. The Company has only been a public company since 11 April 2007 and therefore does not have a five-year history to present. An analysis of the past three years' remuneration and performance achievement has demonstrated the correlation between the short-term incentives (CBP) and the Company's achievement of its targeted performance objectives. For the 2009 plan year, the executive KMP will receive between 85% and 100% of their target bonus amount. For the 2008 plan year, the executive KMP received between 79% and 90% of their target bonus amount. Mr. Ragan received 100% for the 2008 year due to a one-time commitment made in his employment agreement. In both years, management remuneration under the CBP directly tracked to corporate financial targets established for those years, which represented between 50% of the bonus payable to senior executives and 100% of the bonus payable to the Chief Executive Officer.

The table below shows summary information about the Company's earnings and movements in shareholder wealth for the last three years to 31 December 2009:

	2009 US$'000	2008 US$'000	2007 US$'000
Revenue	978,177	1,838,538	1,575,737
Net profit (loss) after tax	(14,883)	156,724	81,115
Share price at start of period	A$0.20	A$2.35	A$1.87
Share price at end of year	A$0.35	A$0.20	A$2.35
Basic and diluted earnings (loss) per share	(0.6) cents	10.4 cents	5.4 cents
Dividends per share	None	3.8 cents	None

The relative proportions in 2009 of the elements of executive compensation that are fixed and incentive based are:

	Fixed		Incentive		Total
Executive Management	Short-term [1]	Long-term [2]	Short-term [3]	Long-term [4]	incentive based
Craig Kipp	37%	11%	43%	9%	52%
Joseph Ragan III	48%	10%	35%	7%	42%
Fabrizio Rasetti	49%	16%	23%	12%	35%
Scott Alexander	67%	4%	29%	0%	29%
Michael Birch	48%	16%	25%	11%	36%
Brad Baker	49%	16%	24%	11%	35%

(1) Short-term fixed compensation includes salary and other benefits such as automotive allowances. One-time items such as sign-on bonuses and special cash awards are excluded from the calculations. Mr. Alexander's termination benefits were a one-time item and are therefore excluded from the table.
(2) Long-term fixed compensation includes post-employment benefits and the 50% of the LTIP compensation that vests only based on service. For Mr. Kipp, the 2,500,000 share options granted to him in conjunction with his acceptance of the chief executive officer position were one-time grants and are therefore excluded from long-term compensation.
(3) Short-term incentive compensation includes the annual bonuses under the Corporate Bonus Plan.
(4) Long-term incentive compensation includes the 50% of the LTIP awards that vest based on both performance and service conditions.

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Fixed Remuneration

The fixed component of executive compensation consists primarily of base salary. The executive KPMs also receive other benefits, such as a vehicle allowance. In addition, the Company contributes to retirement programs, such as Australia's Superannuation Guarantee system and the United States' 401(k) plans. The level of fixed compensation paid to employees is based on market standards and also takes into account a variety of factors, including an individual's experience, the unique skills required to perform their role and their particular contribution to the Company.

In 2009, given the financial difficulties the Company faced as a result of the global economic downturn, the Group's executives, including the KMPs, elected to voluntarily reduce their base salaries by 10% from 1 March 2009 through 31 December 2009. The CEO elected to reduce his base salary by 15% from 1 January 2009 through 31 December 2009. Effective 1 January 2010 all executives' base salaries were restored to their pre-reduced amounts.

At-risk Remuneration

At-risk remuneration includes both short-term and long-term incentives.

Short-term Incentives

The Company has established its Corporate Bonus Plan ("CBP") to provide incentives for certain of its employees to achieve specific annual objectives that are determined by the Board on an annual basis. The CBP aims to:

- focus employees on achieving key financial, safety and operational targets;
- align individual efforts with annual operating performance objectives; and
- reward superior individual and Company performance.

The CBP rewards senior executives and other participants for their achievement during a financial year of specific key performance indicators for the Company as well as for the achievement of performance goals specific to the business unit or function for which they are responsible. The incentive earned under the CBP, if any, will vary depending on relative performance against a variety of targets, as detailed more fully below. Except in certain circumstances, all participants in the CBP must remain employed with the Company on the date incentives are paid to receive any award.

The potential incentives available under the CBP range between 10% and 100% of an employee's base salary depending on the employee's role. Of that potential incentive, 50% is linked to the Company's financial performance, and 50% is linked to operational or functional objectives relevant to the employee's business unit or function, such as meeting sales targets, staying within expense budget or meeting other individual commitments. Additionally, certain conditions may reduce, but not increase, incentives under the CBP, including failure by a participant's business unit to achieve target safety metrics (which can reduce the overall incentive payable under the CBP by up to 10%) and a participant's failure to adhere to corporate leadership values, such as legal compliance (which can reduce the incentive payable under the CBP by up to 100%).

The Remuneration and Nominations Committee approves the Company's annual financial targets for the CBP. Targets are set at both "threshold" and "stretch" levels. The committee also reviews non-financial targets for the CEO and his direct reports. The committee's philosophy in setting financial targets is to establish "threshold" targets that represent the desired minimum outcome for each goal and "stretch" targets that are realistically achievable with excellent execution of the Company's annual plan. At the end of the financial year, the committee assesses the level of achievement against financial and non-financial targets. The final determination of performance measures is determined after reviewing the Company's audited financial results.

The financial performance indicators adopted by the Board in 2009 as the most appropriate measures in the financial year for determining the incentives payable under the CBP were earnings before interest, taxes and depreciation and amortisation (EBITDA), sales, general and administrative expenses (SG&A) and cash generation. These performance metrics and targets were selected in order to focus executives on strict and aggressive management of expenses and cash generation which is critical during a severe economic and market segment downturn. Faced with rapidly declining revenues brought on by the market decline, it was determined that establishing the EBITDA and SG&A metrics as a percentage of sales was the most appropriate measure. In addition, it was critical that the Group generate cash in order to finance the ongoing needs of the business during the decline. Therefore, the cash target was set as an absolute dollar measure. For 2009, all stretch financial targets were exceeded. Achievement of individual operating or functional objectives were evaluated and determined on an individual functional, divisional or regional basis.

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Long-term Incentives

The Company has established a Long-term Incentive Plan ("LTIP") to assist in retaining key executives, encouraging superior performance on a sustained basis, and providing such executives with an opportunity to share in the growth and value of the Company. The incentive provided under the LTIP in 2009 was an annual grant of rights ("Rights") that vest based on the satisfaction of performance-based and/or time-based conditions. Rights can be granted in the form of shares ("Share Rights"), cash ("Cash Rights") or a combination thereof. Share Rights convert to ordinary, fully paid shares on a one-for-one basis.

The executives eligible to participate in the LTIP are senior divisional, regional and corporate executives. The target value of annual LTIP grants varies depending on the participant's position. The target amounts are based on market averages for comparable roles at similarly-sized companies. The Company made grants to approximately 110 participants in 2009.

Under the terms of the LTIP in 2009, participants received a specified number of Share Rights and/or Cash Rights that will, when vested, result in the participant receiving ordinary shares in the Company and/or cash at no cost to the participant. The Company may acquire shares underlying the share grants, and the price paid by the Company will be the prevailing market price of the shares at the time of acquisition. The acquired shares will be held in trust, and the participant will receive dividends paid on those shares from the time of acquisition until vesting. Shares acquired in respect of grants which do not vest will be held by the trustee and will be available for issue in respect of future grants for the Australian trust. Under the US trust, shares held in respect of grants which do not vest, or are forfeited, must be sold within 60 days of forfeiture.

In 2009, the Board of Directors amended the LTIP to allow for the grant of Cash Rights. The primary reason for introducing this feature was to allow LTIP grants to continue to provide market competitive incentives despite the Company's depressed share price. Otherwise, LTIP grants would have involved excessively large grants of Share Rights to provide appropriately valued long-term incentive awards. Also in 2009, the Board revised the terms of the 2008 Performance Share Rights to permit, at the discretion of the Board, a fourth "retesting" year in measuring cumulative EPS performance achievement. The revision applies to the 2008 Performance Share Rights and will only be exercised if the Company has not achieved its cumulative EPS performance threshold for the 2008 awards after the initial three year measurement period.

The tranches of Rights granted under the LTIP and the vesting conditions attaching to each are as follows:

Tranche	**Percentage of Grant**	**Vesting Condition**	**Partial Vesting**
Performance Share Rights or Performance Cash Rights	50% for CEO and executives who report directly to the CEO	Achievement of the cumulative earnings per share ("EPS") targets set by the Board at a level the Board considers demanding. The targets include a "threshold" EPS target and a "stretch" EPS target for each financial year during the three-year performance period. Vesting will be determined by the Company's performance against cumulative EPS targets for the performance period. plus Continuation of employment during the performance period and until the third anniversary of the grant date.	Yes. Vesting occurs on a pro-rata basis if the cumulative three-year minimum EPS threshold is surpassed. At the minimum cumulative EPS threshold, 50% of Performance Share and/or Performance Cash Rights will vest. Full vesting occurs only if the Company's cumulative EPS meets or exceeds the cumulative "stretch" EPS target for the performance period.
Retention Share Rights or Retention Cash Rights	50% for CEO and executives who report directly to the CEO	Continuous employment from the grant date and until the third anniversary of the grant date.	No, except in certain special circumstances such as death, redundancy, retirement, change of control or other circumstances considered by the Board in its absolute discretion to be extraordinary. In such circumstances, the Board will determine whether all or some portion of the outstanding rights will vest.

The following table shows the threshold and target performance requirements as well as the actual performance achieved for the EPS performance metric associated with the LTIP performance share rights.

	Threshold EPS Performance	Target EPS Performance	Actual EPS [1] Performance
2008	3.68 cents	4.27 cents	3.60 cents
2009	0.00 cents	0.68 cents	0.003 cents

(1) Earnings adjusted to exclude impact of restructuring, recapitalisation and related charges, as well as gains/losses related to the sale of businesses.

The above targets and thresholds have been realigned from those originally set to reflect the new number of outstanding shares in issue.

Stock Options

In 2009, the Board approved the Boart Longyear Limited 2009 Option Plan ("2009 Plan") to bolster executive retention. The 2009 Plan authorised the grant of no more than 5,000,000 options as was intended as a one-time benefit.

Under the 2009 Plan, the company awarded non-qualified share options to the CEO and granted non-qualified share options to senior executives, including the KMPs. The options were granted on 18 June 2009 at an original exercise price of A$0.30 per option. The exercise price was set at a premium of 22.5% to the prevailing market price for the Company's shares on the date of the grant. The options will vest in full and become exercisable on 18 June 2012 if the executive remains continuously employed with the Company until that date. Unexercised options will expire on 18 June 2014 and no longer be exercisable. Details of individual option awards under the 2009 Plan can be found on page 26.

Subsequent to the original grant date and in accordance with the ASX listing rules, the Company's Board of Directors modified the share option exercise price to reflect the dilution impact resulting from the Company's 2009 capital raising program and the related issuance of additional shares subsequent to the original grant date. Refer to page 27.

Employee and Director Trading in Company Securities

The Company has adopted a Securities Trading Policy for its directors and employees. The policy prohibits trading in the Company's stock at any time if a person is in possession of material, non-public information. In addition, it prohibits short-term trading and dealing in derivative securities and establishes "black-out" periods from 1 July and 1 January of each year until such time as the Company's half-year and full-year results are made public. The policy prohibits any director or employee from entering into transactions that limit the economic risk of participating in unvested entitlements under the Company's equity-based remuneration schemes and it also requires directors to immediately disclose any Company shares purchased on margin if a director were likely to sell Company shares in response to the financier's demand for repayment.

Further, when trades are allowed under the policy, non-executive directors and the Chief Executive Officer may only trade in the Company's shares with the consent of the Chairman, and executive officers and other designated employees must obtain the consent of the Company's General Counsel prior to any trade. The Chairman must obtain the consent of the Chairman of the Audit, Risk & Compliance Committee to trade in the Company's shares.

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Remuneration Summary

2009	Cash-based compensation									Non-cash-based compensation			
	Short Term Benefits			Post-employment benefits			Other			Share-based compensation [8]			
	Salary & Fees $	Annual Bonus $	Other [1, 2] $	Super annuation [3] $	Other $	Long-term benefits $	Long-term retention [4] $	Long-term performance [4] $	Termination benefits $	Shares $	Options & Rights $	Share-based %	Total $
Non-Executive Directors *													
Graham Bradley	252,294	-	-	25,329	-	-	-	-	-	250,636 [5]	-	47.4%	528,259
Bruce Brook	109,327	-	-	10,734	-	-	-	-	-	23,411 [5]	-	16.3%	143,472
David Grzelak	110,000	-	-	-	-	-	-	-	-	-	-	0.0%	110,000
David McLemore	119,167	-	-	-	-	-	-	-	-	-	-	0.0%	119,167
Peter St. George	109,327	-	-	10,734	-	-	-	-	-	37,182 [5]	-	23.6%	157,243
Total	700,115	-	-	46,797	-	-	-	-	-	311,229	-		1,058,141
Executive Management **													
Craig Kipp	856,254	1,000,000	22,068	5,292	6,900	-	70,506	61,693	-	-	858,161	29.8%	2,880,874
Joseph Ragan III	366,668	280,000	338,146 [7]	7,350	5,342	-	35,253	30,847	-	-	60,399	5.4%	1,124,005
Fabrizio Rasetti	297,918	146,250	309,674 [7]	7,350	6,900	-	28,844	25,238	-	-	115,526	12.3%	937,700
Scott Alexander [6]	273,822	126,512	14,580	7,350	6,900	-	-	-	324,487	-	(36,273)	-5.1%	717,378
Michael Birch	367,756	200,000	14,580	7,350	6,900	-	28,844	25,238	-	-	141,028	17.8%	791,696
Brad Baker	262,563	142,500	33,429	7,350	6,900	-	28,844	25,238	-	-	99,762	16.4%	606,586
Total	**2,424,981**	**1,895,262**	**732,477**	**42,042**	**39,842**	**-**	**192,291**	**168,254**	**324,487**	**-**	**1,238,603**		**7,058,239**
TOTAL	**3,125,096**	**1,895,262**	**732,477**	**88,839**	**39,842**	**-**	**192,291**	**168,254**	**324,487**	**311,229**	**1,238,603**		**8,116,380**

* Employed by Boart Longyear Limited.
** Employed by Longyear Holdings, Inc. (“LHI”), an unlisted Delaware-registered United States corporation, or another unlisted United States affiliate thereof.

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1. The KMP were insured against liabilities incurred in the performance of their duties under directors' and officers' liability insurance. The Company is prevented by its insurance contract from disclosing premiums paid for such coverage.
2. Includes automotive allowances, sign-on bonuses and other short-term cash compensation.
3. Includes superannuation payments for Australian directors or 401(k) plan contributions made by the employing entity in the United States.
4. In 2009, the Company awarded cash-based incentives under its existing long term incentive plans. The awards in 2009 included a performance as well as a service element.
5. Shares were awarded to the non-executive directors in respect of work performed prior to and during the lead up to the Company's listing in April 2007. The amount in this table is the expense for the year that is recognised over the service condition. As disclosed in the Company's prospectus, these shares have a service condition of three years and have a holding lock of up to ten years. There were no new shares issued during the current year.
6. Mr. Alexander's employment ended 31 December 2009. Mr. Alexander will receive termination benefits of $324,487 related to salary continuation, and health care benefits, as provided under his employment agreement.
7. Mr. Ragan and Mr. Rasetti each received a one-time cash bonus of $291,758 in recognition of their extraordinary efforts executing the Company's 2009 capital raising program.
8. The values indicated under "share-based compensation" represent the accounting expense using the historic value at the date of the grant(s). These values are not actual compensation received by the executives and are not reflective of the current value of the awards.

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2008	Cash-based compensation								Non-cash-based compensation			
	Short Term Benefits				Post-employment benefits			Other	Share-based compensation			
	Salary & Fees $	Annual Bonus $	Adjustment to 2007 Bonus [12] $	Other [2, 3] $	Super annua-tion [4] $	Other $	Long-term benefits $	Termi-nation benefits $	Shares $	Options & Rights $	Share-based %	Total $
Non-Executive Directors *												
Graham Bradley	300,878 [1]	-	-	-	27,078 [1]	-	-	-	240,247 [5]	-	42.3%	568,203
Bruce Brook	130,380 [1]	-	-	-	11,734 [1]	-	-	-	22,441 [5]	-	13.6%	164,555
David McLemore	136,846	-	-	-	-	-	-	-	-	-	0.0%	136,846
Peter St. George	130,380 [1]	-	-	34,264	11,734 [1]	-	-	-	35,641 [5]	-	16.8%	212,019
David Grzelak [13]	14,270	-	-	-	-	-	-	-	-	-	0.0%	14,270
Geoff Handley [11]	119,515 [1]	-	-	-	10,756 [1]	-	-	-	36,150 [5]	-	21.7%	166,421
Total	832,269	-	-	34,264	61,303	-	-	-	334,479	-		1,262,315
Executive Management **												
Paul Brunner [6]	918,136	725,603	(159,775)	22,068	6,438	6,750	153,000	-	-	-	0.0%	1,672,220
Craig Kipp	775,790	504,693	-	22,068	5,713	6,750	-	-	-	585,888	30.8%	1,900,902
Joseph Ragan III [7]	103,077	72,154 [14]	-	80,517 [15]	-	-	-	-	-	7,562	2.9%	263,310
Scott Alexander	296,977	123,542	(12,600)	14,580	6,900	6,750	-	-	-	36,273	7.7%	472,422
Michael Birch	351,470	151,659	43,272	14,580	6,900	6,750	-	-	-	81,831	12.5%	656,462
Terrance Dolan [8]	223,429	-	(3,474)	55,451 [15]	6,900	2,275	-	45,000	-	(38,000)	(9.1%)	291,581
Patrick Johnson [9]	148,025	-	-	7,465	6,900	6,750	-	-	-	-	0.0%	169,140
Fabrizio Rasetti	324,025	145,001	-	17,916	6,900	6,750	-	-	-	76,173	13.2%	576,765
Brad Baker [10]	166,250	74,148	-	85,451 [15]	4,275	-	-	-	-	64,011	16.2%	394,135
Total	**3,307,179**	**1,796,800**	**(132,577)**	**320,096**	**50,926**	**42,775**	**153,000**	**45,000**	**-**	**813,738**		**6,396,937**
TOTAL	**4,139,448**	**1,796,800**	**(132,577)**	**354,360**	**112,229**	**42,775**	**153,000**	**45,000**	**334,479**	**813,738**		**7,659,252**

* Employed by Boart Longyear Limited.
** Employed by Longyear Holdings, Inc. (“LHI”), an unlisted Delaware-registered United States corporation, or another unlisted United States affiliate thereof.

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1. Based on an average exchange rate of A$1=US$0.83577 for the year ended 31 December 2008.
2. The KMP were insured against liabilities incurred in the performance of their duties under directors' and officers' liability insurance. The Company is prevented by its insurance contract from disclosing premiums paid for such coverage.
3. Includes automotive allowances, sign-on bonuses and other short-term cash compensation. Peter St George was paid US$34,264 for consulting services provided to the Company related to a potential acquisition.
4. Includes superannuation payments for Australian directors or 401(k) plan contributions made by the employing entity in the United States.
5. Shares were awarded to the non-executive directors in respect of work performed prior to and during the lead up to the Company's listing in April 2007. The amount in this table is the expense for the year that is recognised over the service condition. As disclosed in the Company's prospectus, these shares have a service condition of three years and have a holding lock of up to ten years. The service condition on Mr. Handley's shares was waived and the shares became fully vested upon his resignation. There were no new shares issued during the current year.
6. Mr. Brunner's retirement was effective on 31 December 2008.
7. Mr. Ragan's employment commenced on 29 September 2008.
8. Mr. Dolan's employment ended on 31 October 2008.
9. Mr. Johnson's employment ended on 6 June 2008.
10. Mr. Baker's employment commenced on 2 June 2008.
11. Mr. Handley resigned 15 November 2008.
12. Bonus amounts for 2007 were accrued at 85% of target bonus. The amount included in this column represents the increase or decrease from the actual bonus paid over/under the bonus accrued in 2007.
13. Mr. Grzelak was appointed on 13 November 2008.
14. Mr. Ragan received a specified target bonus for 2008 per his employment agreement.
15. Mr. Ragan and Mr. Baker received sign-on bonuses of $75,000 and Mr. Dolan received a sign-on bonus of $45,000.

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Analysis of Annual Bonuses Included in Remuneration

2009	Included as Remuneration US$	% Vested in Year	% Forfeited in Year	Target STI % for Financial Year
Craig Kipp	1,000,000	100.0	-	100.0
Joseph Ragan III	280,000	100.0	-	70.0
Fabrizio Rasetti	146,250	90.0	10.0	50.0
Scott Alexander	126,512	85.0	15.0	50.0
Michael Birch	200,000	100.0	-	50.0
Brad Baker	142,500	100.0	-	50.0

The Board elected to award to a limited number of employees, including Mr. Ragan and Mr. Rasetti, a one-time cash award in 2009 in recognition of their extraordinary efforts in executing the Company's 2009 capital raising program. These employees were deemed to be instrumental in the successful capital raising efforts. Details of these awards are included in the 2009 Remuneration Summary on page 20.

2008	Included as Remuneration US$	% Vested in Year	% Forfeited in Year	Target STI % for Financial Year
Paul Brunner	725,603	79.0	21.0	100
Craig Kipp	504,693	79.0	21.0	75/85
Joseph Ragan III [1]	72,154	100.0	-	70
Scott Alexander	123,542	83.2	16.8	50
Michael Birch	151,659	86.3	13.7	50
Terrance Dolan	-	-	100.0	50
Patrick Johnson	-	-	100.0	50
Fabrizio Rasetti	145,001	89.5	10.5	50
Brad Baker [1]	74,148	83.2	16.8	50

(1) The accrued bonuses for Messrs. Ragan and Baker have been calculated on a pro-rata basis since these executives were not employed by the Company for the full calendar year.

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Rights, Options and Shares Granted as Compensation to Key Management Personnel

Share Rights and Shares

Details of the rights under the LTIP and restricted shares that were granted as compensation to the KMP during the reporting period, and details of those that were exercised, vested, or lapsed during the financial year, are as follows:

Name	Held at the beginning of the Financial Year No.	Granted as Remun-eration No. [1]	Vested during the year No.	Forfeited during the year No.	Held at the end of the Financial Year No.	Vested and Exercisable as at 31 December 2009 No.
Graham Bradley	491,891	-	-	-	491,891	-
Bruce Brook	45,945	-	-	-	45,945	-
David Grzelak	-	-	-	-	-	-
David McLemore	-	-	-	-	-	-
Peter St George	72,972	-	-	-	72,972	-
Craig Kipp	494,710	1,800,000	-	-	2,294,710	-
Joseph Ragan III	300,000	750,000	-	-	1,050,000	-
Fabrizio Rasetti	178,500	550,000	-	-	728,500	-
Scott Alexander	85,000	550,000	-	(635,000)	-	-
Michael Birch	200,000	550,000	-	-	750,000	-
Brad Baker	150,000	550,000	-	-	700,000	-

(1) The fair value of the rights at the grant date is the closing price on the 25 March 2009 date of grant (US$0.07), the rights vest over a three-year period from the grant date, with 50% subject to certain performance conditions.

The rights under the LTIP and the restricted shares were provided at no cost to the recipient.

Cash Rights

Details of the cash rights that were granted to the KMP during the reporting period, and details of those that were exercised, vested or forfeited during the financial year, are as follows:

Name	Held at the beginning of the Financial Year US$	Granted as Remun-eration US$ [1]	Vested during the year US$	Forfeited during the year US$	Held at the end of the Financial Year US$	Vested and Exercisable as at 31 December 2009 US$
Craig Kipp	-	550,000	-	-	550,000	-
Joseph Ragan III	-	275,000	-	-	275,000	-
Fabrizio Rasetti	-	225,000	-	-	225,000	-
Scott Alexander	-	225,000	-	(225,000)	-	-
Michael Birch	-	225,000	-	-	225,000	-
Brad Baker	-	225,000	-	-	225,000	-

(1) The cash rights vest over a three-year period from the grant date, with 50% subject to certain performance conditions.

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Options

Details of the options that were granted as compensation to the KMP during the reporting period, and details of those that were exercised, vested, or lapsed during the financial year, are as follows:

Name	Held at the beginning of the Financial Year No.	Granted as Remun-eration No.	Vested during the year No.	Forfeited during the year No.	Held at the end of the Financial Year No.	Vested and Exercisable as at 31 December 2009 No.
Craig Kipp	2,500,000	900,000	-	-	3,400,000	-
Joseph Ragan III	-	375,000	-	-	375,000	-
Fabrizio Rasetti	-	275,000	-	-	275,000	-
Scott Alexander	-	275,000	-	(275,000)	-	-
Michael Birch	-	275,000	-	-	275,000	-
Brad Baker	-	275,000	-	-	275,000	-

On 18 June 2009, the Board awarded Mr. Kipp 900,000 options under the 2009 Plan subject to shareholder approval. In addition to the options granted to Mr. Kipp, on 18 June 2009, the Board granted a total 1,475,000 stock options to other KMPs. All options granted on 18 June 2009 will vest in full and become exercisable on 18 June 2012 if the executive remains continuously employed with the Company until that date. At the date of grant, the options had an exercise price of A$0.30 per option and a fair market value of US$0.143 per option. On 15 December 2009, in accordance with the ASX listing rules, the Board adjusted the exercise price from A$0.30 per option to A$0.245 per option to reflect the impact of the Company's 2009 capital raising program and the related issuance of additional shares subsequent thereunder.

In regards to the 900,000 stock options awarded to Mr. Kipp on 18 June 2009, should shareholder approval not be received, the Company is legally committed to provide other compensation of equal value to Mr. Kipp.

Except as described above, no options or other rights over shares in the Company have been granted to KMP during or since the end of the financial year.

During the reporting period, no shares were issued on the exercise of options or rights previously granted as compensation.

Analysis of Movements in Rights, Options and Shares

The movement during the reporting period, by value of the relevant rights, options and shares in the Company held by KMP is detailed below:

	Value granted in year			Value forfeited in year		
Name	Entitlement to share rights US$	Entitlement to cash rights US$	Share options US$	Entitlement to share rights US$	Entitlement to cash rights US$	Share options US$
Craig Kipp	132,911	550,000	128,675	-	-	-
Joseph Ragan III	55,380	275,000	53,615	-	-	-
Fabrizio Rasetti	40,612	225,000	39,317	-	-	-
Scott Alexander	40,612	225,000	39,317	227,335	225,000	39,317
Michael Birch	40,612	225,000	39,317	-	-	-
Brad Baker	40,612	225,000	39,317	-	-	-

The value (based upon historic valuations) of outstanding rights, options and shares in the company held by KMP as at 31 December 2009 is detailed below:

Name	Share rights value US$	Cash rights value US$	Options value US$	Total rights and option value US$
Craig Kipp	1,008,548	550,000	2,990,983	4,549,531
Joseph Ragan III	175,380	275,000	53,615	503,994
Fabrizio Rasetti	356,557	225,000	39,317	620,874
Scott Alexander	-	-	-	-
Michael Birch	424,147	225,000	39,317	688,464
Brad Baker	306,112	225,000	39,317	570,429

The following table shows the share-based payment arrangements in which KMP's participate that were in existence at 31 December 2009:

Series	Grant Date	Vesting Date	Expiry Date	Fair Value at Grant Date
(1) Issued 12 April 2007	12-Apr-07	12-Apr-10	N/A	1.53
(2) Issued 17 September 2007	17-Sep-07	1-Jul-10	1-Jul-10	1.81
(3) Issued 11 April 2008	11-Apr-08	11-Apr-11	11-Apr-11	1.77
(4) Issued 28 April 2008 *	28-Apr-08	1-Jan-13	31-Dec-15	0.69
(5) Issued 28 April 2008 *	28-Apr-08	1-Jan-14	31-Dec-15	1.45
(6) Issued 26 June 2008	26-Jun-08	11-Apr-11	11-Apr-11	2.10
(7) Issued 23 July 2008	23-Jul-08	23-Jul-11	23-Jul-11	2.05
(8) Issued 23 October 2008	23-Oct-08	23-Oct-11	23-Oct-11	0.40
(9) Issued 25 March 2009	25-Mar-09	25-Mar-12	25-Mar-12	0.07
(10) Issued 18 June 2009 *	18-Jun-09	18-Jun-12	18-Jun-14	0.14
(11) Issued 18 June 2009 *	18-Jun-09	18-Jun-12	18-Jun-14	0.14

* Subsequent to the original grant date, the Company's Board of Directors modified the share options exercise price to reflect the dilution impact resulting from the Company's 2009 capital raising program and the related issuance of additional shares subsequent to the original grant date as follows:

	Original Exercise Price	Modified Exercise Price
Series 4	A$1.95	A$1.895
Series 5	A$0.21	A$0.155
Series 10	A$0.30	A$0.245
Series 11	A$0.30	A$0.245

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Service Agreements and Summary of Key Contract Terms

Summary of specific terms of the contracts between the Company and Key Management Personnel are set out below.

Name and position held at the end of Financial Year	Duration of contract	Notice Period by Company	Notice Period by Executive	Termination payments (where these are in addition to statutory entitlements)

Craig Kipp
Chief Executive Officer
President
	None Specified	None Specified	180 Days	• For termination with cause, statutory entitlements only
				• For termination without cause
				  • 12 months' salary
				  • Pro-rata bonus to termination date
				  • Waiver of medical insurance premiums for 12 months or until 31 December 2010, whichever is later
				  • Up to $100,000 relocation expense reimbursement
				  • Tax gross-up payment should any termination or other contractual payment be deemed subject to an excise tax under the US tax code

Scott Alexander [1]
Vice President, Global Drilling Services
	None Specified	None Specified	90 days	• For termination with cause, statutory entitlements only
				• For termination without cause
				  • 12 months' salary
				  • Pro-rata bonus to termination date
				  • Waiver of medical insurance premiums for 12 months

Brad Baker
Senior Vice President, Human Resources
	None Specified	None Specified	90 days	• For termination with cause, statutory entitlements only
				• For termination without cause
				  • 12 months' salary
				  • Pro-rata bonus to termination date
				  • Waiver of medical insurance premiums for 12 months

Michael Birch [1]
Vice President, Global Products
	None Specified	None Specified	90 days	• For termination with cause, statutory entitlements only
				• For termination without cause
				  • 12 months' salary
				  • Pro-rata bonus to termination date
				  • Waiver of medical insurance premiums for 12 months

(1) Effective 31 December 2009, Mr. Alexander resigned his position as Vice President, Global Drilling Services. Effective 1 January 2010, Michael Birch assumed the role of Vice President, Global Drilling Services.

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Name and position held at the end of Financial Year	Duration of contract	Notice Period by Company	Notice Period by Executive	Termination payments (where these are in addition to statutory entitlements)

Fabrizio Rasetti
Senior Vice President, General Counsel and Secretary
	None Specified	None Specified	90 days	• For termination with cause, statutory entitlements only
				• For termination without cause
				  • 12 months' salary
				  • Pro-rata bonus to termination date
				  • Waiver of medical insurance premiums for 12 months

Joseph Ragan, III
Chief Financial Officer
	None Specified	None Specified	90 days	• For termination with cause, statutory entitlements only
				• For termination without cause
				  • 12 months' salary
				  • Pro-rata bonus to termination date
				  • Waiver of medical insurance premiums for 12 months

NON-AUDIT SERVICES

Details of amounts paid or payable for non-audit services provided during the year by the auditor are outlined in Note 35 to the financial statements.

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services, as disclosed in Note 35 to the financial statements, do not compromise the external auditor's independence, based on advice received from the Audit, Compliance & Risk Committee, for the following reasons:

- all non-audit services have been reviewed and approved by the Audit, Compliance & Risk Committee to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as an advocate for the company or jointly sharing economic risks and rewards.

INDEMNIFICATION OF DIRECTORS AND OFFICERS AND AUDITORS

The directors and officers of the Company are indemnified by the Company to the maximum extent permitted by law against liabilities incurred in their respective capacities as directors or officers. In addition, during the financial year the Company paid premiums in respect of contracts insuring directors and officers of the Company and any related body corporate against liabilities incurred by them to the extent permitted by the Corporations Act 2001. The insurance contracts prohibit disclosure of the nature of the liability and the amount of the premium.

The Company has not paid any premiums in respect of any contract insuring Deloitte Touche Tohmatsu, against a liability incurred in the role as an auditor of the Company.

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AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 31 of the annual financial report.

ROUNDING OF AMOUNTS

Boart Longyear Limited is a company of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and the financial report are presented in US dollars and have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Signed in accordance with a resolution of the directors.

On behalf of the Directors

Graham Bradley
Chairman

Sydney, 19 February 2010

Craig Kipp
Chief Executive Officer

Sydney, 19 February 2010

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Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

The Directors
Boart Longyear Limited
919-929 Marion Road
Mitchell Park SA 5043
Australia

19 February 2010

Dear Directors

Boart Longyear Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Boart Longyear Limited.

As lead audit partner for the audit of the financial statements of Boart Longyear Limited for the financial year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Andrew Griffiths

A V Griffiths
Partner
Chartered Accountants

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Member of
Deloitte Touche Tohmatsu

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Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

Independent Auditor's Report

to the members of Boart Longyear Limited

Report on the Financial Report

We have audited the accompanying financial report of Boart Longyear Limited, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income (loss), the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 34 to 112.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 3, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, 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 and fair presentation of the financial report 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Member of
Deloitte Touche Tohmatsu

Deloitte.

Auditor's Independence Declaration

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 Boart Longyear Limited is in accordance with the *Corporations Act 2001*, including:
  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2009 and of their performance for the year ended on that date; and
  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 3.

Report on Remuneration Report

We have audited the Remuneration Report included on pages 14 to 29 of the directors' report for the year ended 31 December 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Boart Longyear Limited for the year ended 31 December 2009, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Andrew Griffiths

A V Griffiths
Partner
Chartered Accountants
Sydney, 19 February 2010

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DIRECTORS' DECLARATION

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and

(c) the directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to section 295(5) of the Corporations Act 2001.

Graham Bradley
Chairman

Sydney, 19 February 2010

Craig Kipp
Chief Executive Officer

Sydney, 19 February 2010

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Consolidated Statement of Comprehensive Income (Loss)

For the financial year ended 31 December 2009 **BOART LONGYEAR LIMITED**

	Note	Consolidated 2009 US$'000	Consolidated 2008 US$'000	Parent 2009 US$'000	Parent 2008 US$'000
Revenue	5	978,177	1,838,538	-	-
Cost of goods sold		(744,670)	(1,260,620)	-	-
Gross margin		233,507	577,918	-	-
Other revenue	5	-	-	-	55,110
Other income	7	4,365	18,427	-	-
General and administrative expenses		(117,260)	(181,695)	(2,560)	(1,753)
Selling and marketing expenses		(70,549)	(118,295)	-	-
Restructuring expenses and related impairments	9	(12,643)	(20,328)	-	-
Other expenses		(14,890)	(6,697)	(109)	(2,118)
Operating profit (loss)		22,530	269,330	(2,669)	51,239
Interest income	5	1,616	1,637	12,545	603
Finance costs	6	(46,752)	(39,688)	-	-
Profit (loss) before taxation		(22,606)	231,279	9,876	51,842
Income tax (expense) benefit	8	7,723	(74,555)	(3,023)	(1,751)
Profit (loss) for the year attributable to equity holders of the parent		(14,883)	156,724	6,853	50,091
Earnings (loss) per share:					
Basic and diluted earnings (loss) per share	25	(0.6) cents	10.4 cents		

Other comprehensive income (loss)	Consolidated 2009 US$'000	Consolidated 2008 US$'000	Parent 2009 US$'000	Parent 2008 US$'000
Profit (loss) for the year attributable to equity holders of the parent	(14,883)	156,724	6,853	50,091
Losses on cash flow hedges recorded in equity	(2,007)	(20,359)	-	-
Transfer to profit or loss on cash flow hedges	12,976	6,147	-	-
Interest rate swap expense - ineffective hedge	15,242	-	-	-
	26,211	(14,212)	-	-
Exchange differences on translation of foreign operations	121,179	(133,764)	-	-
Actuarial losses related to defined benefit plans	(3,113)	(31,680)	-	-
Income tax on income and expense recognised directly through equity	(9,805)	12,162	-	-
Other comprehensive income (loss) for the year (net of tax)	134,472	(167,494)	-	-
Total comprehensive income (loss) for the year attributed to equity holders of the parent	119,589	(10,770)	6,853	50,091

See accompanying notes to the financial statements.

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Consolidated Statement of Financial Position

As at 31 December 2009

BOART LONGYEAR LIMITED

		Consolidated		Parent	
		2009	2008	2009	2008
	Note	US$'000	US$'000	US$'000	US$'000
Current assets					
Cash and cash equivalents	31a	87,557	50,603	148	108
Trade and other receivables	10	198,598	234,578	650,702	28,323
Inventories	11	144,990	177,296	-	-
Other financial assets	12	1,818	306	-	-
Current tax receivable	8	21,215	10,161	11,018	6,583
Prepaid expenses		28,045	26,166	-	-
Total current assets		482,223	499,110	661,868	35,014
Non-current assets					
Property, plant and equipment	13	380,515	403,693	-	-
Goodwill	14	276,956	234,571	-	-
Other intangible assets	15	84,287	73,456	-	-
Deferred tax assets	8	122,100	68,537	17,661	11,614
Other financial assets	12	-	-	2,226,378	2,186,106
Other assets		1,799	1,609	-	-
Defined benefit plan asset	19	17,958	13,031	-	-
Total non-current assets		883,615	794,897	2,244,039	2,197,720
Total assets		1,365,838	1,294,007	2,905,907	2,232,734
Current liabilities					
Trade and other payables	16	170,118	195,597	1,041	1,511
Provisions	18	13,973	23,109	-	-
Other financial liabilities	12	11,835	-	-	-
Current tax payable	8	41,221	32,378	-	-
Loans and borrowings	17	3,133	1,148	-	-
Total current liabilities		240,280	252,232	1,041	1,511
Non-current liabilities					
Trade and other payables	16	-	1,293	-	-
Loans and borrowings	17	132,486	813,770	-	-
Other financial liabilities	12	4,822	27,197	-	-
Deferred tax liabilities	8	5,323	2,130	-	-
Provisions	18	44,890	45,037	690	-
Total non-current liabilities		187,521	889,427	690	-
Total liabilities		427,801	1,141,659	1,731	1,511
Net assets		938,037	152,348	2,904,176	2,231,223
Equity					
Issued capital	20	1,136,347	478,036	2,890,807	2,228,139
Reserves	21	23,038	(118,319)	6,024	2,592
Other equity	22	(137,182)	(141,539)	-	-
Retained earnings (accumulated losses)	23	(84,166)	(65,830)	7,345	492
Total equity		938,037	152,348	2,904,176	2,231,223

See accompanying notes to the financial statements.

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Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2009

BOART LONGYEAR LIMITED

Consolidated

	Issued Capital US$'000	Foreign Currency Translation Reserve US$'000	Equity Settled Compensation Reserve US$'000	Hedging Reserve US$'000	Other Equity US$'000	Accumulated Losses US$'000	Total Attributible to Owners of the Parent US$'000
Balance at 1 January 2008	479,673	30,215	368	(8,050)	(141,539)	(141,028)	219,639
Profit for the period	-	-	-	-	-	156,724	156,724
Other comprehensive income for the period	-	(133,764)	-	(9,312)	-	(24,418)	(167,494)
Payment of dividends	-	-	-	-	-	(57,108)	(57,108)
Purchase of shares for LTIP	(1,637)	-	-	-	-	-	(1,637)
Share-based compensation expense	-	-	2,224	-	-	-	2,224
Balance at 31 December 2008	478,036	(103,549)	2,592	(17,362)	(141,539)	(65,830)	152,348
Balance at 1 January 2009	478,036	(103,549)	2,592	(17,362)	(141,539)	(65,830)	152,348
Loss for the period	-	-	-	-	-	(14,883)	(14,883)
Other comprehensive income for the period	-	121,179	-	16,746	-	(3,453)	134,472
Issued under Capital Raising Program	662,297	-	-	-	-	-	662,297
Purchase of shares for LTIP	(3,986)	-	-	-	-	-	(3,986)
Share-based compensation expense	-	-	3,432	-	-	-	3,432
Capitalised transaction costs - GST refund *	-	-	-	-	4,357	-	4,357
Balance at 31 December 2009	1,136,347	17,630	6,024	(616)	(137,182)	(84,166)	938,037

* During the period, a GST refund was received relating to the IPO transaction costs that were capitalised in 2007.

PARENT

	Issued Capital US$'000	Equity Settled Compensation Reserve US$'000	Retained Earnings US$'000	Total Attributible to Owners of the Parent US$'000
Balance at 1 January 2008	2,229,776	368	7,509	2,237,653
Profit for the period	-	-	50,091	50,091
Payment of dividends	-	-	(57,108)	(57,108)
Purchase of shares for LTIP	(1,637)	-	-	(1,637)
Share-based compensation expense	-	2,224	-	2,224
Balance at 31 December 2008	2,228,139	2,592	492	2,231,223
Balance at 1 January 2009	2,228,139	2,592	492	2,231,223
Profit for the period	-	-	6,853	6,853
Issued under Capital Raising Program	662,297			662,297
Purchase of shares for LTIP	(3,986)	-	-	(3,986)
GST refund on capitalized IPO costs	4,357			4,357
Share-based compensation expense	-	3,432	-	3,432
Balance at 31 December 2009	2,890,807	6,024	7,345	2,904,176

See accompanying notes to the financial statements.

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2009 **BOART LONGYEAR LIMITED**

		Consolidated		Parent	
		2009	2008	2009	2008
	Note	US$'000	US$'000	US$'000	US$'000
Cash flows from operating activities					
Profit (loss) for the year		(14,883)	156,724	6,853	50,091
Adjustments provided by operating activities:					
Income tax expense (benefit) recognised in profit		(7,723)	74,555	3,023	1,751
Finance costs recognised in profit	6	46,752	39,688	-	-
Depreciation and amortisation	7	88,507	86,347	-	-
Investment revenue recognised in profit	5	(1,616)	(1,637)	(12,545)	(603)
Loss on sale or disposal of non-current assets	7	49	1,018	-	-
(Gain) loss on disposal of businesses	7	4,130	(9,131)	-	-
Impairment of current and non-current assets		1,318	6,577	-	-
Foreign exchange gain (loss)		(1,712)	6,462	-	-
Share-based compensation	21	3,432	2,224	311	-
Long term compensation - cash rights		690	-	-	-
Non-operating expenses		-	(536)	-	-
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:					
(Increase) decrease in assets:					
Trade and other receivables		58,163	(16,213)	(621,304)	28,516
Inventories		56,114	(48,559)	-	-
Other assets		608	(2,222)	6,396	4,385
Increase (decrease) in liabilities:					
Trade and other payables		(35,882)	(29,505)	(3,492)	(16,051)
Provisions		(16,233)	5,058	-	-
Cash generated from operations		181,714	270,850	(620,758)	68,089
Interest paid		(28,396)	(38,023)	-	-
Interest received	5	1,616	1,637	12,545	603
Income taxes paid		(37,781)	(91,593)	-	-
Net cash flows from operating activities		117,153	142,871	(608,213)	68,692

See accompanying notes to the financial statements.

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		Consolidated		Parent	
		2009	2008	2009	2008
	Note	US$'000	US$'000	US$'000	US$'000
Cash flows from investing activities					
Purchase of property, plant and equipment		(30,850)	(137,668)	-	-
Purchase of rods and casings		(5,979)	(8,242)	-	-
Proceeds from sale of property, plant and equipment		6,350	3,484	-	-
Development costs paid		(5,064)	(5,081)	-	-
Software costs paid		(10,294)	(15,890)	-	-
Payments for acquisitions of businesses	31b	(403)	(138,426)	-	-
Proceeds on disposal of subsidiary,					
net of cash disposed	31c	5,126	19,624	-	-
Payments for investments		-	-	(40,271)	(10,926)
Net cash flows used in investing activities		(41,114)	(282,199)	(40,271)	(10,926)
Cash flows from financing activities					
Proceeds from issuance of shares		697,702	-	697,702	-
Payments for share issuance costs		(49,549)	-	(49,549)	-
Payments for share buy-back for LTIP		(3,986)	(1,637)	(3,986)	(1,637)
Payments for debt issuance costs		(503)	(523)	-	-
Proceeds from borrowings		29,229	287,079	-	-
Repayment of borrowings		(710,861)	(133,128)	-	-
Dividends paid	24	-	(57,108)	-	(57,108)
GST refund on capitalized IPO costs		4,357	-	4,357	-
Net cash flows (used in) from financing activities		(33,611)	94,683	648,524	(58,745)
Net increase (decrease) in cash and cash equivalents		42,428	(44,645)	40	(979)
Cash and cash equivalents at the beginning of the year		50,603	87,548	108	1,087
Effects of exchange rate changes on the balance					
of cash held in foreign currencies		(5,474)	7,700	-	-
Cash and cash equivalents at the end of the year	31a	87,557	50,603	148	108

See accompanying notes to the financial statements.

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1. GENERAL INFORMATION

Boart Longyear Limited (the "Parent" or the "Company") is a public company listed on the Australian Securities Exchange Limited ("ASX") and is incorporated in Australia. Boart Longyear Limited and subsidiaries (collectively referred to as the "Boart Longyear Group" or the "Group") operate in five geographic regions, which are defined as North America, Latin America, Europe, Asia Pacific, and Africa.

Boart Longyear Limited's registered office and its principal place of business are as follows:

Registered office
919-929 Marion Road
Mitchell Park South Australia 5043
Australia
Tel: +61 (8) 8375 8375

Principal place of business
Riverpark Corporate Center #14 Suite 600
10808 South River Front Parkway
South Jordan , Utah 84095
United States of America
Tel: +1 (801) 972 6430

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. Details of the impact of these new accounting standards are set out in the individual accounting policy notes set out below. These Standards and Interpretations include:

Presentation of Financial Statements
AASB 101 'Presentation of Financial Statements (revised September 2007)', AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101'. The adoption of these standards requires the disclosure of "total comprehensive income", changes the titles on some of the financial statements, requires a statement of financial position at the beginning of the earliest comparative period when comparatives are "restated" or retrospective adjustments are made, and requires disclosure of income tax relating to each component of other comprehensive income. Other than changing the presentation of certain disclosures, the adoption of this standard did not have a significant impact on the Group's financial results or statement of financial position.

Borrowing Costs
AASB 123 'Borrowing Costs' (revised), AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123' makes a number of amendments to other accounting standards as a result of the revised AASB 123 and must be adopted at the same time. This revised version requires an entity to capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The adoption of this standard did not have a significant impact on the Group's financial results or statement of financial position.

Share-based Payments
AASB 2008-1 'Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations' amends AASB 2 'Share-based Payment' to introduce equivalent amendments made to IFRS 2 'Share-based Payment' to:

- clarify that vesting conditions are those conditions that determine whether the entity receives the services that result in the counterparty's entitlement
- restrict the definition of vesting conditions to include only service conditions and performance conditions
- amend the definition of performance conditions to require the completion of a service period in addition to specified performance targets
- specify that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

The adoption of this standard did not have a significant impact on the Group's financial results or statement of financial position.

Business Combinations
AASB 3 'Business Combinations (2008)', AASB 127 'Consolidated and Separate Financial Statements' and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127' alter the manner in which business combinations and changes in ownership interests in subsidiaries are accounted for. There are also consequential amendments to other standards affected through AASB 2008-2, most notably AASB 128 'Investments in Associates' and AASB 131 'Interests in Joint Ventures'. The adoption of this standard did not have a significant impact on the Group's financial results or statement of financial position.

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2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS (CONTINUED)

Financial Instruments Disclosure
AASB 2009-2 'Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments' amends AASB 7 'Financial Instruments: Disclosures' to require enhanced disclosures about fair value measurements and liquidity risk. Among other things the amendments:

- clarify that the existing AASB 7 fair value disclosures must be made separately for each class of financial instrument
- add disclosure of any change in the method of determining fair value and the reasons for the change
- establish a three-level hierarchy for making fair value measurements used in the disclosures
- clarify that the current maturity analysis for non-derivative financial instruments should include issued financial guarantee contracts and disclosure of a maturity analysis for derivative financial liabilities.

Comparative information is not required to be provided in the first year the amendments are applied. The adoption of this standard did not have a significant impact on the Group's financial results or statement of financial position.

Standards and Interpretations issued not yet effective

The accounting standards and AASB Interpretations that will be applicable to the Group in future reporting periods are detailed below. Apart from these standards and interpretations, management has considered other accounting standards that will be applicable in future periods, however they have been considered insignificant to the Group.

Amendments to Australian Accounting Standards
AASB 2009-4 'Amendments to Australian Accounting Standards arising from the Annual Improvement Process' is effective for annual reporting periods beginning on or after 1 July 2009. The standard introduces amendments into Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are technical changes to other pronouncements as the result of AASB 3 'Business Combinations' (2008), to align the scope of the pronouncements or to implement other consequential amendments. Management has not yet assessed the impact of adopting this standard.

Further Amendments to Australian Accounting Standards
AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process' is effective for annual reporting periods beginning on or after 1 January 2010. The standard introduces amendments into Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are largely technical, clarifying particular items, or eliminating unintended consequences. Other changes are more substantial, such as the current/non-current classification of convertible instruments, the classification of expenditures on unrecognised assets in the statement of cash flows and the classification of leases of land and buildings. Management has not yet assessed the impact of adopting this standard.

Group cash-settled share-based payments
AASB 2009-8 'Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions' amends AASB2 'Share-based Payment' to clarify the accounting for group cash-settled share-based payment transactions. An entity receiving goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. Management has not yet assessed the impact of adopting this standard.

Related party disclosures
AASB 2009-12 'Amendments to Australian Accounting Standards – Related Party Disclosures" amends the requirements of the previous version of AASB 124 ' Related Party Disclosures' to clarify the definition of a related party and includes an explicit requirement to disclose commitment involving related parties. Management has not yet assessed the impact of adoption of this standard.

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2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS (CONTINUED)

Classification of Rights Issues
AASB 2009-10 'Amendments to Australian Accounting Standards – Classification of Rights Issues' is effective for annual reporting periods beginning on or after 1 February 2010. The standard amends AASB 132 'Financial Instruments: Presentation' to require a financial instrument that gives the holder the right to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as an equity instrument if, and only if, the entity offers the financial instrument pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. Prior to this amendment, rights issues (rights, options, or warrants) denominated in a currency other than the functional currency of the issuer were accounted for as derivative instruments. Management has not yet assessed the impact of adoption of this standard.

Financial instruments
AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9 'Financial Instruments' introduces new requirement s for classifying and measuring financial assets, as follows:

- Debt instruments meeting both a 'business model' test and a 'cash flow characteristics' test are measured at amortised cost (the use of fair value is optional in some limited circumstances)
- Investments in equity instruments can be designated as 'fair value through other comprehensive income' with only dividends being recognised in profit or loss
- All other instruments (including all derivatives) are measured at fair value with changes recognised in the profit or loss
- The concept of 'embedded derivatives' does not apply to financial assets within the scope of the Standard and the entire instrument must be classified and measured in accordance with the above guidelines.

Management has not yet assessed the impact of adoption of this standard.

Prepayments of a Minimum Funding Requirement
AASB 2009-14 'Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement' is effective for annual reporting periods beginning on or after 1 January 2001. The standard makes limited-application amendments to Interpretation 14 'AASB 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'. The amendments apply when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements, permitting the benefit of such an early payment to be recognised as an asset. Management has not yet assessed the impact of adoption of this standard.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

This financial report is a general purpose financial report which has been prepared in accordance with the requirements of applicable Accounting Standards including Australian Interpretations and the Corporations Act 2001. The financial report includes the separate financial statements of the Parent and the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ("A-IFRS"). Compliance with A-IFRS ensures that the financial statements and notes of the Parent and the Group comply with IFRS.

The financial report is presented in United States dollars which is Boart Longyear Limited's functional and presentation currency. The financial statements were authorised for issue by the directors on 19 February 2010.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation

The financial report has been prepared on a historical cost basis, except for the revaluation of certain financial instruments that are stated at fair value. Cost is based on fair values of the consideration given in exchange for assets.

In applying A-IFRS, management is required to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. These accounting policies have been consistently applied by each entity in the Group.

The consolidated financial statements are prepared by combining the financial statements of all of the entities that comprise the consolidated entity, Boart Longyear Limited and subsidiaries as defined in AASB 127 ‘Consolidated and Separate Financial Statements’. Consistent accounting policies are applied by each entity and in the preparation and presentation of the consolidated financial statements.

Subsidiaries are all entities for which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group until such time as the Group ceases to control such entity. Where necessary, adjustments are made to the financial statements of subsidiaries to make their accounting policies consistent with the Group accounting policies.

In preparing the consolidated financial statements, all inter-company balances and transactions, and unrealised income and expenses arising from inter-company transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

The accounting policies and methods of computation are the same as those in the prior annual financial report. Comparative figures have been adjusted to conform to the changes in presentation in the current reporting period, where necessary.

The significant accounting policies set out below have been applied in the preparation and presentation of the financial report for the year ended 31 December 2009 and the comparative information.

(a) Presentation currency

Results of the major operating businesses are recorded in their functional currencies, which are generally their local currency. The Group’s US dollar denominated revenue represents the most predominant currency. Accordingly, under A-IFRS, management believes that US dollar reporting represents the best indicator of the results of the Group and therefore the consolidated financial information is presented in US dollars.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits repayable on demand with a financial institution. Cash balances and overdrafts in the balance sheet are stated at gross amounts within current assets and current liabilities, unless there is a legal right of offset at the bank. The cash and cash equivalents balance primarily consists of demand deposits, money market funds and bank term deposits with original maturity at time of purchase of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Trade and other receivables

Trade receivables are recorded at amortised cost. The Group reviews collectability of trade receivables on an ongoing basis and makes judgments as to its ability to collect outstanding receivables and provides an allowance for credit losses when there is objective evidence that the Group will not be able to collect the debt. The amount of the loss is recognised in the income statement within operating expenses. When a trade receivable is determined to be uncollectible, it is written off against the allowance account for doubtful debts. Subsequent recoveries of amounts previously written off are recorded in other income in the income statement.

(d) Inventories

Products

Inventories are measured at the lower of cost or net realisable value. The cost of inventories is based on a standard cost method, which approximates actual cost on a first-in first-out basis, and includes expenditures incurred in acquiring the inventories and 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 (including depreciation) 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.

Drilling Services

The Group maintains an inventory of core drilling rods and casings and certain consumables for use in the rendering of services. Such inventories are measured at the lower of cost or net realisable value. Core drilling rods and casings are initially recognised at cost and are expensed as utilised.

A regular and ongoing review is undertaken to establish whether any items are obsolete or damaged, and if so their carrying amount is written down to its net realisable value. Allowances are recorded for inventory considered to be excess or obsolete.

(e) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset, including the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the present value at acquisition of the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate assets.

Subsequent costs are recognised in the carrying amount of an item of property, plant and equipment, as appropriate, only when it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs, including repairs and maintenance, are recognised in the income statement as an expense as incurred.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term or their useful lives. Land and properties in the course of construction are not depreciated.

The following useful lives are used in the calculation of depreciation:

Buildings	20-40	years
Plant and machinery	5-10	years
Drilling rigs	5-12	years
Other drilling equipment	1-5	years
Office equipment	5-10	years
Computer equipment:		
Hardware	3-5	years
Software	1-7	years

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Goodwill and other intangible assets

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Trademarks and trade names

Trademarks and trade names recognised by the Group that are considered to have indefinite useful lives are not amortised. Each period, the useful life of each of these assets is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Trademarks and trade names that are considered to have a finite useful life are carried at cost less accumulated amortisation and accumulated impairment losses and have an average useful life of 3 years. Such assets are tested for impairment at least annually or more frequently if events or circumstances indicate that the asset might be impaired.

Contractual customer relationships

Contractual customer relationships acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. Contractual customer relationships have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses.

Contractual customer relationships are amortised over 10 – 15 year periods on a straight line basis. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes being recognised as a change in accounting estimate.

Patents

Patents are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight line basis over their estimated useful lives of 10 - 20 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes being recognised as a change in accounting estimate.

Research and development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss when incurred.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Goodwill and other intangible assets (continued)

Development activities involve a plan or design for the production of new or substantially improved products and processes. 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 when incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight line basis over the estimated useful lives, which on average is 15 years.

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss when incurred.

(g) Assets classified as held for sale

Non-current assets (and disposal groups) classified as held for sale and liabilities directly associated are measured at the lower of carrying amount or fair value less costs to sell.

The Group classifies non-current assets and disposal groups as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for such a sale and the sale is highly probable. The sale of the asset (or disposal group) must be expected to be completed within one year from the date of classification, except in the circumstances where sale is delayed by events or circumstances outside the Group's control but it remains committed to a sale.

The Group discloses the results of these disposal groups as discontinued operations on the face of the income statement only if they meet the following requirements:

- represent a separate major line of business or geographical area of operations;
- are part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- are a subsidiary acquired exclusively with a view to resale.

(h) Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Finance lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Refer to Note 3(o). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Finance leased assets are amortised on a straight-line basis over the shorter of the lease term or the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leased assets (continued)

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis over the term of the lease, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(i) Current and deferred taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity or where it arises as part of a business combination, in which case it is recognised in goodwill.

Current tax is the expected tax payable on the taxable income 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 using the balance sheet method, in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Temporary differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted. 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.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

Tax consolidation

The Group includes tax consolidated groups for the entities incorporated in Australia and the United States. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of each tax-consolidated group are recognised in the separate financial statements of the members of that tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity. Tax values arising from the unused tax losses and relevant tax credits of each members of the tax-consolidated group are recognised by the head entity in that tax-consolidated group.

Entities within the various tax-consolidated groups will enter into tax funding arrangements and tax-sharing agreements with the head entities. Under the terms of the tax funding arrangements, the relevant head entity and each of the entities in that tax-consolidated group will agree to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), or hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than 12 months.

Derivatives not designated into an effective hedge relationship are classified as a current asset or a current liability regardless of their remaining maturities.

Hedge accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions.

Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other expenses or other income, or interest expense if appropriate.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash flow hedge (continued)

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

(k) Impairment

Non-financial assets

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, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, a recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit or group of units on a pro rata basis.

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

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

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss is not recognised directly for trade receivables because the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recorded in other income in the income statement. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Trade and other payables

Trade payables and other payables are carried at amortised cost. They represent unsecured liabilities for goods and services provided to the Group prior to the end of the financial period that are unpaid and arise when the Group becomes obligated to make future payments.

(m) 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. 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.

Warranties

The Group maintains warranty reserves for products manufactured by its various companies. A provision is recognised when the following conditions are met: 1) the Company has an obligation as a result of an implied or contractual warranty; 2) it is probable that an outflow of resources will be required to settle the warranty claim; and 3) the amount of the claim can be reliably estimated.

Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the Group starts to implement the restructuring plan or announces the main features of the restructuring plan to those affected by the plan in a sufficiently specific manner to raise a valid expectation of those affected that the restructuring will be carried out. The Group's restructuring accruals include only the direct expenditures arising from the restructuring, which are those that are both necessarily incurred by the restructuring and not associated with the ongoing activities.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(n) Employee benefits

Liabilities for employee benefits for wages, salaries, annual leave, long service leave, and sick leave represent present obligations resulting from employees' services provided to the reporting date and are calculated at discounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax, when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

A provision 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Employee benefits (continued)

Defined contribution pension plans and post-retirement benefits

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The amount recognised as an expense in the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Defined benefit pension plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any fund assets is deducted.

The discount rate is the yield at the balance sheet date on high quality corporate bonds that have maturity dates approximating to the terms of the Group's defined benefit obligations. Where there is no deep market in such bonds, the market yields at the reporting date on government bonds are used. The calculation is performed by a qualified actuary using the projected unit credit method. Actuarial gains and losses arising from experience adjustments and related changes in actuarial assumptions are charged or credited to retained earnings.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

Where the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. Past service cost is the increase in the present value of the defined benefit obligation for employee services in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service costs may either be positive (increase the benefit obligation where benefits are introduced or improved) or negative (decrease the benefit obligation where existing benefits are reduced).

Share-based payment transactions

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a Black-Scholes-Merton model, which requires the input of highly subjective assumptions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

When determining expense related to long-term incentive plans, the Company considers the probability of shares vesting due to achievement of performance metrics established by the Board of Directors related to long-term incentives that include a performance vesting condition. The Company also estimates the portion of share and cash rights that will ultimately be forfeited. A forfeiture rate over the vesting period has been estimated, based upon extrapolation of historic forfeiture rates.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Employee benefits (continued)

Earn-out and bonus agreements

In certain circumstances, previous owners of acquired businesses may become employees of the Group. A business combination agreement may include earn-out or bonus clauses which provide for an adjustment to the cost of the combination contingent upon future events. If contingent consideration is, in substance, compensation for services or profit sharing (e.g., clauses requiring that the individual remain employed by the Group), those payments are recognised as an expense over the period of services provided.

(o) Loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. Debt issuance costs are amortised using the effective interest rate method over the life of the borrowing. For refinancing or restructuring of liabilities which are not considered a substantial modification, all costs incurred related to the refinancing or restructuring are amortised to profit and loss over the remaining period of the borrowings. For refinancing or restructuring of liabilities which are considered a substantial modification, a gain (loss) is recognised and the initial issue costs are written off, while any issuance costs related to the refinancing are recorded against the liabilities.

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

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(p) Financial instruments

Debt and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of the amount recognised as a provision and the amount initially recognised less cumulative amortisation in accordance with the revenue recognition policies described in Note 3(r).

Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Group financial statements. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the Group financial statements.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial instruments (continued)

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Non-current loans and receivables are measured at amortised cost using the effective interest rate method less impairment. Interest is recognised by applying the effective interest rate. Current trade receivables are recorded at the invoiced amount and do not bear interest.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in Note 12.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(q) Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

(r) Revenue recognition

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts, volume rebates and sales taxes. 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, and there is no continuing management involvement with the goods.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale and with local statute, but are generally when title and insurance risk has passed to the customer and the goods have been delivered to a contractually agreed location.

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 of the contract is determined as follows:

- revenue from drilling services contracts is recognised on the basis of actual meters drilled for each contract; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Investment income is accrued over time, by reference to the principal outstanding and at the effective applicable interest rate.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Foreign currency transactions

The financial statements of the Group and its international subsidiaries have been translated into US dollars using the exchange rate at each balance sheet date for assets and liabilities of foreign operations and at an average exchange rate for revenues and expenses throughout the period. The effects of exchange rate fluctuations on the translation of assets and liabilities are recorded as movements in the foreign currency translation reserve ("FCTR").

The Group's presentation currency is the US dollar. The Group determines the functional currency of its subsidiaries based on the currency used in their primary economic environment, and, as such, foreign currency translation adjustments are recorded in the FCTR for those subsidiaries with a functional currency different from the US dollar.

Transaction gains and losses, and unrealised translation gains and losses on short-term inter-company and operating receivables and payables denominated in a currency other than the functional currency, are included in other income in the consolidated income statement.

(t) Contingencies

The recognition of accruals for legal disputes is subject to a significant degree of estimation. Accruals are made for loss contingencies when it is deemed probable that an adverse outcome will occur and the amount of the loss can be reasonably estimated. Accruals are recognised when (a) the Group has a present legal or constructive obligation as a result of past events, (b) it is more likely than not that an outflow of resources will be required to settle the obligation, and (c) the amount of that outflow has been reliably estimated.

(u) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are recognised in the profit or loss as incurred. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3(2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income Taxes and AASB 119 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with AASB 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Business combinations (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

(v) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

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

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

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4. SEGMENT REPORTING

The Group has adopted AASB 8 'Operating Segments' and AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8' with effect from 1 January 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (AASB 114 'Segment Reporting') required an entity to identify two sets of segments (business and geographical), using a risk and rewards approach, with the entity's 'system of internal reporting to key management personnel' serving only as the starting point for the identification of such segments. The adoption of AASB 8, has not changed the identification of the Group's reportable segments.

Segment information reported externally continues to be analysed on the basis of the Group's two general operating activities – Global Drilling Services and Global Products – which provides services and products to mining companies, energy companies (coal, oil, gas and geothermal), water utilities, environmental and geotechnical engineering firms, government agencies and other mining services companies. This information is reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of performance.

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies.

The following is an analysis of the Group's revenue and results by reportable operating segment for the periods under review:

Segment revenues and results

	Segment revenue		Segment profit	
	31 Dec 2009 US$'000	31 Dec 2008 US$'000	31 Dec 2009 US$'000	31 Dec 2008 US$'000
Global Drilling Services	737,180	1,240,559	72,383	230,614
Global Products	240,997	597,979	16,232	115,284
	978,177	1,838,538	88,615	345,898
Unallocated *			(66,085)	(76,568)
Finance costs			(46,752)	(39,688)
Interest income			1,616	1,637
Profit (loss) before taxation			(22,606)	231,279

* Unallocated costs include corporate general and administrative costs as well as other expense items such as restructuring costs and foreign exchange gains or losses.

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4. SEGMENT REPORTING (CONTINUED)

Segment assets

	Segment assets	
	31 Dec 2009 US$'000	31 Dec 2008 US$'000
Global Drilling Services	781,115	751,497
Global Products	225,947	290,895
Total of all segments	1,007,062	1,042,392
Unallocated *	358,776	251,615
Total	1,365,838	1,294,007

* Unallocated assets are those assets that are not specifically associated with either of the segments and include: cash, deferred tax assets, post-employment assets, and other general corporate assets.

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision marker monitors the segment assets as disclosed above.

Other segment information

	Depreciation and amortization of segment assets		Additions to non-current assets*	
	31 Dec 2009 US$'000	31 Dec 2008 US$'000	31 Dec 2009 US$'000	31 Dec 2008 US$'000
Global Drilling Services	69,450	68,562	38,145	255,245
Global Products	10,204	12,999	10,031	24,043
Total of all segments	79,654	81,561	48,176	279,288
Unallocated **	8,853	4,786	7,922	24,620
Total	88,507	86,347	56,098	303,908

* Non-current assets excluding deferred tax assets, post-employment assets and other financial assets.
** Unallocated additions to non-current assets relates to the acquisition of general corporate assets which includes intangible software.

The Group has no single external customer that provided more than 10% of the Group's revenues.

Geographic Information

The Group's two business segments operate in five principal geographic areas – Africa, Europe, North America, Latin America, and Asia Pacific. The Group's revenue from external customers and information about its segment assets by geographical locations is detailed below:

	Revenue from external customers		Non-current assets*	
	31 Dec 2009 US$'000	31 Dec 2008 US$'000	31 Dec 2009 US$'000	31 Dec 2008 US$'000
North America	463,085	790,581	311,259	332,786
Asia Pacific	275,856	507,739	307,577	275,094
Latin America	112,080	230,498	74,028	69,857
Africa	82,156	203,171	39,677	23,089
Europe	45,000	106,549	11,016	12,503
Total	978,177	1,838,538	743,557	713,329

* Non-current assets excluding deferred tax assets, post-employment assets and other financial assets.

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5. REVENUE

An analysis of the Group's revenue for the year is as follows:

	Consolidated 2009 US$'000	Consolidated 2008 US$'000	Parent 2009 US$'000	Parent 2008 US$'000
Revenue from the rendering of services	737,180	1,240,559	-	-
Revenue from the sale of goods	240,997	597,979	-	-
	978,177	1,838,538	-	-
Interest income:				
Bank deposits	1,314	1,470	2	574
Other loans and receivables	113	75	12,543	29
Other	189	92	-	-
	1,616	1,637	12,545	603
Dividends from subsidiaries	-	-	-	55,110
	979,793	1,840,175	12,545	55,713

6. FINANCE COSTS

	Consolidated 2009 US$'000	Consolidated 2008 US$'000
Interest on loans and bank overdrafts	11,752	31,210
Interest rate swap expense	15,556	6,147
Amortisation of debt issuance costs	2,352	1,651
Interest on obligations under finance leases	430	680
	30,090	39,688
Finance costs due to debt repayment		
Interest rate swap expense - ineffective hedge	15,242	-
Bank refinancing fee	1,050	-
Write-off of debt issuance costs	370	-
	16,662	-
Loss arising on derivatives in a designated fair value hedge accounting relationship	694	14,760
Gain arising on adjustment to hedged item in a designated fair value hedge accounting relationship	(694)	(14,760)
	-	-
Total finance costs	46,752	39,688

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7. PROFIT FOR THE YEAR

(a) Gains and losses

Profit for the year has been arrived at after crediting (charging) the following gains and (losses):

	Consolidated		Parent	
	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000
Loss on disposal of property, plant and equipment	(49)	(1,018)	-	-
Gain (loss) on disposal of businesses	(4,130)	9,131	-	-
Net foreign exchange gains (losses)	(2,512)	7,054	(109)	(1,786)
Change in fair value of financial assets carried at fair value through profit or loss	1,389	-	-	-
Other income	2,976	2,242	-	-

(b) Income and expenses relating to financial instruments

Profit for the year includes the following income and expenses arising from movements in the carrying amounts of financial instruments (other than derivative instruments in an effective hedge relationship).

	Consolidated		Parent	
	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000
Loans and receivables:				
Interest income	1,427	1,545	12,545	603
Impairment of loans and receivables	91	(5,428)	-	-
	1,518	(3,883)	12,545	603
Financial liabilities at amortised cost				
Interest expense	(11,752)	(31,210)	-	-
Interest rate swap expense	(15,556)	(6,147)	-	-
Amortisation expense	(2,352)	(1,651)		
Finance costs due to debt repayment	(16,662)	-	-	-
Exchange loss	(74)	(219)	-	-
Interest on obligations under finance leases	(430)	(680)	-	-
	(46,826)	(39,907)	-	-

7. PROFIT FOR THE YEAR (CONTINUED)

(c) Employee benefit expenses:

	Consolidated		Parent	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Post employment benefits:				
Defined contribution plans	(12,025)	(13,229)	(47)	(61)
Defined benefit plans	(632)	758	-	-
Long-term incentive plans:				
Equity-settled share-based payments	(3,432)	(2,224)	(311)	(334)
Cash rights compensation	(690)	-	-	-
Termination benefits (non-restructuring)	(416)	(845)	-	-
Termination benefits (restructuring)	(8,234)	(9,312)	-	-
Other employee benefits [1]	(52,666)	(108,234)	-	-
	(78,095)	(133,086)	(358)	(395)

(1) Other employee benefits include such items as medical benefits, worker's compensation, other fringe benefits, state taxes, etc.

(d) Other:

	Consolidated		Parent	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Depreciation of non-current assets	(79,865)	(80,307)	-	-
Amortisation of non-current assets	(8,642)	(6,040)	-	-
Operating lease rental expense	(34,440)	(27,619)	-	-
Impairment of inventory	(563)	(7,220)	-	-
Recovery of inventory previously imparied	1,706	-		
Impairment of property, plant and equipment (restructuring)	(1,318)	(1,398)	-	-

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8. INCOME TAXES

Income tax expense (benefit) is as follows:

	Consolidated		Parent	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Income tax expense (benefit):				
Current tax expense (benefit)	35,264	105,655	(3,369)	(2,633)
Adjustments recognised in the current year in relation to the current tax of prior years	1,762	(218)	-	-
Deferred tax expense (benefit)	(44,749)	(30,882)	6,392	4,384
	(7,723)	74,555	3,023	1,751

(a) The prima facie income tax expense (benefit) on pre-tax accounting profit reconciles to the income tax expense (benefit) in the financial statements as follows:

	Consolidated 2009 US$'000	Consolidated 2008 US$'000	Parent 2009 US$'000	Parent 2008 US$'000
Profit (loss) before taxation	(22,606)	231,279	9,876	51,842
Income tax (benefit) expense calculated at Australian rate of 30%	(6,782)	69,384	2,963	15,553
Impact of higher rate tax countries	(7,796)	6,183	-	-
Impact of lower rate tax countries	(1,487)	(2,552)	-	-
Net nondeductible/nonassessable items	(6,560)	(2,756)	60	-
Unrecognised tax losses	1,148	73	-	-
Income subject to double taxation in the U.S.	2,607	7,693	-	-
Unutilised foreign tax credits	4,978	8,337	-	2,322
Recognition of deferred tax assets arising in prior years	(638)	(2,506)	-	-
Deduction of foreign taxes	(1,304)	(4,963)	-	-
Dividends exempt from tax	-	-	-	(16,533)
Other	6,349	(4,120)	-	409
	(9,485)	74,773	3,023	1,751
(Over) under provision	1,762	(218)	-	-
	(7,723)	74,555	3,023	1,751

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8. INCOME TAXES (CONTINUED)

(b) Income tax recognised directly in equity during the period

The following current and deferred amounts were charged (credited) directly to equity during the period:

	Consolidated		Parent	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Deferred tax:				
Actuarial movements on defined benefit plans	(340)	7,262	-	-
Share issue costs	12,437	-	12,437	-
Cash flow hedges	(9,465)	4,900	-	-
	2,632	12,162	12,437	-
(c) Current tax assets and liabilities				
Current tax assets:				
Income tax receivable attributable to:				
Parent	19,060	17,878	19,060	17,878
Other entities in the tax consolidated group	(8,042)	(11,295)	(8,042)	(11,295)
Other entities	10,197	3,578	-	-
	21,215	10,161	11,018	6,583
Current tax liabilities:				
Income tax payable attributable to:				
Parent	-	-	-	-
Other entities in the tax consolidated group	-	-	-	-
Other entities	41,221	32,378	-	-
	41,221	32,378	-	-
(d) Deferred tax balances				
Deferred tax comprises:				
Temporary differences	72,147	66,407	17,661	11,614
Tax losses	44,630	-	-	-
	116,777	66,407	17,661	11,614

8. INCOME TAXES (CONTINUED)

	Consolidated						
2009	**Opening balance US$'000**	**Credited to income US$'000**	**FX Differences US$'000**	**Acquired/ disposed US$'000**	**Adj. to PY acquisitions US$'000**	**Credited to equity US$'000**	**Closing balance US$'000**
Deferred tax assets (liabilities)							
Property, plant and equipment	(21,165)	7,067	31	-	-	-	(14,067)
Provisions	5,891	(1,794)	452	-	-	-	4,549
Doubtful debts	577	9	44	-	-	-	630
Intangibles	(7,429)	(1,303)	(570)	-	-	-	(9,302)
Acquisitions and restructuring costs	8,092	(1,250)	621	-	-	-	7,463
Share-issue expenses	11,737	(6,496)	-	-	-	12,437	17,678
Accrued liabilities	9,716	(991)	745	-	-	-	9,470
Pension	6,839	(1,878)	525	-	-	(340)	5,146
Debt and interest	2,764	5,870	182	-	-	-	8,816
Hedge loss	9,834	5,954	-	-	-	(9,465)	6,323
Unearned revenues	-	23,488	-	-	-	-	23,488
Inventory	7,415	(1,202)	569	-	-	-	6,782
Investments in subsidiaries	(597)	-	-	-	-	-	(597)
Foreign tax credit carryforward	6,723	-	-	-	-	-	6,723
Unrealised foreign exchange	20,960	(24,479)	-	-	-	-	(3,519)
Other	5,050	(2,876)	390	-	-	-	2,564
	66,407	119	2,989	-	-	2,632	72,147
Unused tax losses and credits:							
Tax losses	-	44,630	-	-	-	-	44,630
	66,407	44,749	2,989	-	-	2,632	116,777

Presented in the balance sheet as follows:	
Deferred tax liability	(5,323)
Deferred tax asset	122,100
	116,777

	Parent				
2009 **Deferred tax assets (liabilities)**	**Opening Balance US$'000**	**Charged to income US$'000**	**Other US$'000**	**Charged to Equity US$'000**	**Closing Balance US$'000**
Share issue costs	11,614	(6,496)	-	12,437	17,555
Accrued Liabilities	-	106	-		106
	11,614	(6,390)	-	12,437	17,661

Presented in the balance sheet as follows:	
Deferred tax liability	-
Deferred tax asset	17,661
	17,661

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8. INCOME TAXES (CONTINUED)

	Consolidated						
2008	**Opening balance US$'000**	**Credited to income US$'000**	**FX Differences US$'000**	**Acquired/ disposed US$'000**	**Adj. to PY acquisitions US$'000**	**Credited to equity US$'000**	**Closing balance US$'000**
Deferred tax assets (liabilities)							
Property, plant and equipment	(23,753)	2,752	(242)	78	-	-	(21,165)
Provisions	4,138	1,381	372	-	-	-	5,891
Doubtful debts	125	441	11	-	-	-	577
Intangibles	(7,822)	3,765	(703)	(2,052)	(617)	-	(7,429)
Acquisitions and restructuring costs	11,080	(3,983)	995	-	-	-	8,092
Share-issue expenses	16,122	(4,385)	-	-	-	-	11,737
Accrued liabilities	9,231	(344)	829	-	-	-	9,716
Pension	923	(1,429)	83	-	-	7,262	6,839
Debt and interest	4,688	(2,345)	421	-	-	-	2,764
Hedge loss	4,935	-	-	-	-	4,899	9,834
Unearned revenues	(1,169)	1,274	(105)	-	-	-	-
Inventory	2,976	4,172	267	-	-	-	7,415
Investments in subsidiaries	(597)	54	(54)	-	-	-	(597)
Foreign tax credit carryforward	-	6,723	-	-	-	-	6,723
Unrealised foreign exchange	-	20,960	-	-	-	-	20,960
Other	(705)	6,099	(61)	(281)	-	-	5,052
	20,170	35,135	1,813	(2,255)	(617)	12,161	66,407
Unused tax losses and credits:							
Tax losses	3,902	(4,253)	351	-	-	-	-
	24,072	30,882	2,164	(2,255)	(617)	12,161	66,407

Presented in the balance sheet as follows:	
Deferred tax liability	(2,130)
Deferred tax asset	68,537
	66,407

	Parent				
2008 **Deferred tax assets (liabilities)**	**Opening Balance US$'000**	**Charged to income US$'000**	**Other US$'000**	**Credited to Equity US$'000**	**Closing Balance US$'000**
Share issue costs	15,999	(4,385)	-	-	11,614
Presented in the balance sheet as follows:					
Deferred tax liability					-
Deferred tax asset					11,614
					11,614

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8. INCOME TAXES (CONTINUED)

Unrecognised deferred tax assets	Consolidated 2009 US$'000	2008 US$'000
Tax losses - revenue	2,789	2,197
Unused tax credits	48,951	52,696
	51,740	54,893

The Parent and its wholly-owned Australian resident entities became part of the same tax-consolidated group with effect from 12 April 2007 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Boart Longyear Limited. Companies within the US group also form a tax-consolidated group within the United States. Certain companies within the Dutch group have also formed a tax-consolidated group within the Netherlands.

Entities within the tax-consolidated groups have entered into tax-funding arrangements with the head entities. Under the terms of the tax-funding arrangements, the tax-consolidated groups and each of the entities within those tax-consolidated groups agree to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable or payable to other entities in the tax-consolidated groups.

9. GROUP RESTRUCTURING

The Company initiated a restructuring and cost reduction plan beginning in November of 2008. Activities related to the restructuring and cost reduction plan continued during 2009. The restructuring and cost reduction plan activities include:

- reduction of drilling services and manufacturing operating and administrative staff levels;
- reduction of sales, general and administrative staff levels;
- consolidation of drilling services, manufacturing and administrative facilities;
- relocation of certain manufacturing activities to lower cost facilities;
- outsourcing certain operational and administrative activities;
- discontinuing certain businesses and product lines; and
- the sale of non-core businesses (see Note 30).

The Group incurred costs related to executing the restructuring and cost reduction plan, including costs associated with employee separations, leased facilities, and impairments of inventory and capital equipment related to discontinued businesses and product lines. Expenses related to executing the restructuring and cost reduction plan were as follows:

	Consolidated 2009 US$'000	2008 US$'000
Employee separation costs	8,234	9,312
Occupancy	3,436	2,002
Impairment of property, plant and equipment	1,318	1,398
Impairment of inventory	563	7,220
Recovery of inventory previously impaired	(1,706)	-
Other	798	396
	12,643	20,328

9. GROUP RESTRUCTURING (CONTINUED)

Restructuring expenses relate to the following expense categories:

	Consolidated	
	2009	2008
	US$'000	US$'000
Cost of goods sold	3,541	12,345
General and administrative expenses	5,162	3,971
Selling and marketing expenses	3,940	4,012
	12,643	20,328

10. TRADE AND OTHER RECEIVABLES

	Consolidated		Parent	
	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000
Trade receivables	177,442	217,239	-	-
Allowance for doubtful accounts	(5,940)	(8,100)	-	-
Goods and services tax receivable	14,901	13,965	1,707	-
Other receivables	12,195	11,474	-	106
Intercompany receivable	-	-	648,995	28,217
	198,598	234,578	650,702	28,323

The aging of trade receivables is detailed below:

	Consolidated	
	2009	2008
	US$'000	US$'000
Current	128,700	166,870
Past due 0 - 30 days	32,235	28,055
Past due 31 - 60 days	6,771	9,204
Past due 61-90 days	3,086	6,542
Past due 90 days	6,650	6,568
	177,442	217,239

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10. TRADE AND OTHER RECEIVABLES (CONTINUED)

The movement in the allowance for doubtful accounts in respect of trade receivables is detailed below:

	Consolidated	
	2009 US$'000	2008 US$'000
Opening Balance	8,100	3,425
Additional provisions	4,989	6,453
Amounts used	(2,664)	(125)
Amounts reversed	(5,080)	(1,025)
Foreign currency exchange differences	595	(628)
Closing balance	5,940	8,100

The average credit period on sales of goods is 60 days (2008: 65 days). No interest is presently charged on trade receivables.

The Group's policy requires customers to pay the Group in accordance with agreed payment terms. The Group's settlement terms are generally 30 to 60 days from date of invoice. All credit and recovery risk associated with trade receivables has been provided for in the balance sheet. Trade receivables have been aged according to their original due date in the above aging analysis. The Group holds security for a number of trade receivables in the form of letters of credit, deposits, and advanced payments.

The Group has used the following basis to assess the allowance loss for trade receivables and as a result is unable to specifically allocate the allowance to the aging categories shown above:

- the general economic conditions in specific geographical regions;
- an individual account by account specific risk assessment based on past credit history; and
- any prior knowledge of debtor insolvency or other credit risk.

11. INVENTORIES

	Consolidated	
	2009 US$'000	2008 US$'000
Raw materials	16,327	32,724
Work in progress	5,194	5,788
Finished products	123,469	138,784
	144,990	177,296

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12. FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 17, cash and cash equivalents and equity attributable to equity holders of the Parent, comprising issued capital, reserves, other equity and retained earnings (accumulated losses) as disclosed in Notes 20, 21, 22 and 23 respectively.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

Categories of financial instruments

	Consolidated		Parent	
	2009	2008	2009	2008
Financial Assets	US$'000	US$'000	US$'000	US$'000
Current				
Loans and Receivables:				
Cash and cash equivalents	87,557	50,603	148	108
Trade and other receivables	198,598	234,578	650,702	28,323
Other financial assets	1,818	306	-	-
	287,973	285,487	650,850	28,431
Non-current				
Investments carried at cost:				
Investments in subsidiaries	-	-	2,226,378	2,186,106

	Consolidated		Parent	
	2009	2008	2009	2008
Financial Liabilities	US$'000	US$'000	US$'000	US$'000
Current				
Amortised cost:				
Trade and other payables	170,118	195,597	1,041	1,511
Restructuring Provisions	2,256	8,730		
Loans and borrowings	3,133	1,148	-	-
	175,507	205,475	1,041	1,511
Other financial liabilities - Derivative instruments	11,835	-	-	-
Non-current				
Amortised cost:				
Trade and other payables	-	1,293	-	-
Loans and borrowings	132,486	813,770	-	-
	132,486	815,063	-	-
Other financial liabilities - Derivative instruments	4,822	27,197	-	-

At the reporting date there are no significant concentrations of credit risk. The carrying amount reflected above represents the Group's and the Parent's maximum exposure to credit risk for such loans and receivables.

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12. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives

The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks, where deemed appropriate, by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk and interest rate risk. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates (Note 3(j)). The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- foreign exchange forward contracts to hedge the exchange rate risk arising from transactions not recorded in an entity's functional currency;
- interest rate swaps to mitigate the risk of rising interest rates.

Foreign currency risk management

The Group subsidiaries undertake certain transactions denominated in currencies other than their functional currency, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities, including intercompany balances, at the reporting date is as follows:

	Assets		Liabilities	
	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000
Australian Dollar	429,090	308,821	77,391	56,458
Canadian Dollar	79,700	24,062	42,631	37,211
Euro	35,944	40,948	118,378	113,280
US Dollar	346,502	201,245	368,349	158,592

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12. FINANCIAL INSTRUMENTS (CONTINUED)

Foreign currency sensitivity

The Group is mainly exposed to Australian Dollars (AUD), Canadian Dollars (CAD), the Euro (EUR) and United States Dollar (USD). The Group is also exposed to translation differences as the Group's presentation currency is different to the functional currencies of various operating entities. However this represents a translation risk rather than a financial risk and consequently is not included in the following sensitivity analysis.

The following tables detail the Group's sensitivity to a 10% change in each of the Group's subsidiaries functional currency against the relevant foreign currencies. The percentages disclosed below are the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a given percentage change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in net profit and net assets where the subsidiaries functional currency strengthens against the respective currency. For a weakening of the subsidiaries functional currency against the respective currency there would be an equal and opposite impact on the profit and net assets.

	AUD Impact		CAD Impact	
	Consolidated		Consolidated	
	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000
Net profit	(24)	(428)	6,165	980
Net assets	(31,973)	(22,498)	(3,370)	191
Change in currency 1	10%	10%	10%	10%

	EUR Impact		USD Impact	
	Consolidated		Consolidated	
	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000
Net profit	97	(982)	15,737	(5,550)
Net assets	7,494	7,506	1,986	1,231
Change in currency 1	10%	10%	10%	10%

(1) This has been based on the historical changes in the Group's subsidiaries functional currencies against the related foreign currencies in the financial year ended 31 December 2009 and 31 December 2008.

The Parent has no significant exposure to foreign currencies at the reporting date. The Group's sensitivity to certain foreign currency denominated loans has decreased during the current period mainly due to the retirement of these instruments and due to current hedging activity.

In management's opinion, the sensitivity analysis is not fully representative of the inherent foreign exchange risk as the year end exposure does not necessarily reflect the exposure during the course of the year.

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12. FINANCIAL INSTRUMENTS (CONTINUED)

Forward foreign exchange contracts

There were no open forward foreign currency contracts as of 31 December 2009. At 31 December 2008 the Group had the following open forward foreign currency contract:

Outstanding contracts	Average exchange rate 2008 rate	Foreign currency 2008 FC'000	Contract value 2008 US$'000	Fair value 2008 US$'000
Consolidated				
Sell - CAD				
Less than 3 months	1.2216	30,540	25,000	-

During the years ended 31 December 2009, and 2008, the Group entered into contracts to hedge the foreign currency exposure it has on United States dollar denominated loans in Canada. The Group periodically enters into forward foreign exchange contracts (for terms not exceeding 9 months) to hedge the exchange rate risk arising from these anticipated future transactions, which are designated as fair value hedges.

Interest rate risk management

The Parent and the Group are exposed to interest rate risk as entities within the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings and by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite. The Parent's and the Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

At the reporting date, if interest rates had been 100 basis points higher or lower and all other variables were held constant, the Group's:

- profit before tax would increase/decrease by $2,774,000 (2008: decrease/increase by $3,295,000). $1,157,000 of the increase/decrease is attributable to the Group's exposure to interest rates on its variable rate borrowings. An offsetting $3,931,000 is attributable to the fair value change in the ineffective portion of the Group's interest rate swap contract.
- other equity reserves would increase/decrease by $247,000 (2008: increase/decrease by $7,196,000) mainly as a result of the Group's exposure to interest rates on its interest rate swap contracts that are in a cash flow hedge relationship.

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the LIBOR curve at reporting date and the credit risk inherent in the contract, and are disclosed below. The average interest rate is based on the outstanding balances at the start of the financial year.

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12. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate swap contracts (continued)

The following tables detail the notional principal amounts and the remaining terms of interest rate swap contracts outstanding as at reporting date.

	Average contracted fixed interest rate		Notional principal amount		Fair value	
Outstanding floating for fixed contracts	**2009 %**	**2008 %**	**2009 US$'000**	**2008 US$'000**	**2009 US$'000**	**2008 US$'000**
Consolidated						
1 to 2 years	5.1825%	3.1890%	275,000	100,000	(16,657)	(1,497)
2 to 5 years	-	5.1825%	-	325,000	-	(25,700)
			275,000	425,000	(16,657)	(27,197)

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is 90-day USD LIBOR. The Group settles the difference between the fixed and floating interest rate on a net basis.

The effective portion of the interest rate swap contracts that exchange floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount deferred in equity is recognised in profit or loss over the period of the loan.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Except as detailed in the following table, the carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

	Maximum credit risk	
Financial assets and other credit exposures	**2009 US$'000**	**2008 US$'000**
Consolidated		
Performance guarantees provided including letter of credits	28,557	40,619

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Treasurer and board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

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12. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk management (continued)

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 17 is a listing of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

Liquidity and interest risk tables

The following tables detail the Parent's and the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been presented based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group may be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the balance sheet.

Consolidated

	Weighted average effective interest rate %	Less than 1 month US$'000	1 to 3 months US$'000	3 months to 1 year US$'000	1 - 5 years US$'000	5+ years US$'000	Adjust-ment US$'000	Total US$'000
2009								
Non-interest bearing payables	-	109,326	60,792	-	-	-	-	170,118
Restructuring provision	-	188	376	1,692	-	-	-	2,256
Finance lease liability	8.4%	274	548	2,464	570	-	(381)	3,475
Variable interest rate instruments	1.3%	146	293	1,317	134,240	-	(3,996)	132,000
Fixed interest rate instruments	3.1%	1,000	-	-	-	-	-	1,000
		110,934	62,009	5,473	134,810	-	(4,377)	308,849
2008								
Non-interest bearing payables	-	136,463	59,134	-	1,293	-	-	196,890
Restructuring provision	-	728	1,455	6,547	-	-	-	8,730
Finance lease liability	8.1%	32	65	2,433	3,285	-	(1,032)	4,783
Variable interest rate instruments	3.9%	2,657	5,313	23,909	832,621	-	(52,500)	812,000
Fixed interest rate instruments	12.0%	1,173	-	-	-	-	-	1,173
		141,053	65,967	32,889	837,199	-	(53,532)	1,023,576

12. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity and interest risk tables (continued)

Parent

	Weighted average effective interest rate %	Less than 1 month US$'000	1 to 3 months US$'000	3 months to 1 year US$'000	1 - 5 years US$'000	5+ years US$'000	Adjust-ment US$'000	Total US$'000
2009								
Non-interest bearing payables	-	844	197	-	-	-	-	1,041
		844	197	-	-	-	-	1,041
2008								
Non-interest bearing payables	-	1,054	457	-	-	-	-	1,511
		1,054	457	-	-	-	-	1,511

The following table details the Parent's and the Group's expected maturity for its non-derivative financial assets. The tables below have been presented based on the undiscounted contractual maturities of the financial assets.

Consolidated

	Less than 1 month US$'000	1 to 3 months US$'000	3 months to 1 year US$'000	1 - 5 years US$'000	5+ years US$'000	Adjust-ment US$'000	Total US$'000
2009							
Non-interest bearing receivables	86,348	86,348	25,902	-	-	-	198,598
Cash	87,557	-	-	-	-	-	87,557
	173,905	86,348	25,902	-	-	-	286,155
2008							
Non-interest bearing receivables	108,267	126,311	-	-	-	-	234,578
Cash	50,603	-	-	-	-	-	50,603
	158,870	126,311	-	-	-	-	285,181

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12. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity and interest risk tables (continued)

Parent

	Less than 1 month US$'000	1 to 3 months US$'000	3 months to 1 year US$'000	1 - 5 years US$'000	5+ years US$'000	Adjust-ment US$'000	Total US$'000
2009							
Non-interest bearing receivables	325,351	325,351	-	-	-	-	650,702
Cash	148	-	-	-	-	-	148
	325,499	325,351	-	-	-	-	650,850
2008							
Non-interest bearing receivables	13,072	15,251	-	-	-	-	28,323
Cash	108	-	-	-	-	-	108
	13,180	15,251	-	-	-	-	28,431

The liquidity and interest risk tables have been prepared based on the Group's intent to collect the assets or settle the liabilities in accordance with their contractual terms. If the group were to collect or settle the balances early, the liquidity disclosure would be different than what is reported.

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows (outflows) on the derivative instrument that settle on a net basis and the undiscounted net inflows (outflows) on those derivatives. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

Consolidated

	Less than 1 month US$'000	1 to 3 months US$'000	3 months to 1 year US$'000	1 - 5 years US$'000	5+ years US$'000	Adjust-ment US$'000	Total US$'000
2009							
Interest rate swaps	-	(3,418)	(8,417)	(4,822)	-	-	(16,657)
2008							
Interest rate swaps	-	(3,416)	(10,366)	(13,476)	-	61	(27,197)

The Parent had no derivative financial instruments for the reporting periods disclosed.

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12. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions
- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
2009				
Financial assets at FVTPL				
Held for trading	1,494	-	-	1,494
Financial liabilities at FVTPL				
Derivative instruments	-	16,657	-	16,657
2008				
Financial liabilities at FVTPL				
Derivative instruments	-	27,197	-	27,197

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13. PROPERTY, PLANT AND EQUIPMENT

	Consolidated		
	Land and Buildings US$'000	Plant and Equipment US$'000	Total US$'000
Balance at 1 January 2008	44,829	452,950	497,779
Additions	4,011	134,026	138,037
Acquisitions through business combinations	4,329	33,270	37,599
Adjustments to business combinations accounted for on a provisional basis in 2007	-	2,540	2,540
Disposal of assets	(539)	(20,221)	(20,760)
Currency movements	(5,538)	(100,407)	(105,945)
Balance at 1 January 2009	47,092	502,158	549,250
Additions	12	34,243	34,255
Adjustments to business combinations accounted for on a provisional basis in 2008	-	(6,554)	(6,554)
Disposal of assets	(9,363)	(19,093)	(28,456)
Transfer from intangible assets	-	655	655
Currency movements	3,431	80,709	84,140
Balance at 31 December 2009	41,172	592,118	633,290
Accumulated depreciation and impairment:			
Balance at 1 January 2008	(4,121)	(135,298)	(139,419)
Depreciation for the year	(3,223)	(77,084)	(80,307)
Impairment of non-current assets	-	(1,398)	(1,398)
Disposal of assets	157	14,156	14,313
Currency movements	2,631	58,623	61,254
Balance at 1 January 2009	(4,556)	(141,001)	(145,557)
Depreciation for the year	(1,622)	(78,243)	(79,865)
Impairment of non-current assets	-	(1,318)	(1,318)
Disposal of assets	1,377	15,226	16,603
Currency movements	(1,803)	(40,835)	(42,638)
Balance at 31 December 2009	(6,604)	(246,171)	(252,775)
Net book value at 31 December 2008	**42,536**	**361,157**	**403,693**
Net book value at 31 December 2009	**34,568**	**345,947**	**380,515**

Tangible property, plant and equipment includes machinery equipment, office equipment, furniture and fixtures, and vehicles, which are substantially freehold. The net book value of property, plant and equipment at 31 December 2009 and 2008 includes an amount of $3,424,000 and $3,430,000 respectively, related to assets held under finance leases.

During 2009, the Group sold its Sub Saharan manufacturing operations. This sale included net book value of property, plant and equipment of $5,487,000.

During 2008, the Group sold the mining capital equipment and diamond wire businesses in South Africa and the residential water business in the United States of America. These sales included net book value of property, plant and equipment of $425,000, $257,000 and $1,768,000, respectively.

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14. GOODWILL

	Consolidated Goodwill US$'000
Gross carrying amount:	
Balance at 1 January 2008	206,186
Additions through business combinations	65,577
Adjustments to business combinations accounted for on a provisional basis in 2007	2,775
Currency movements	(39,967)
Balance at 31 December 2008	234,571
Balance at 1 January 2009	234,571
Adjustments to business combinations accounted for on a provisional basis in 2008	7,947
Currency movements	34,438
Balance at 31 December 2009	276,956

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to individual cash generating units. The carrying amount of goodwill by geographic segment allocated to cash-generating units that are significant individually or in aggregate is as follows:

	Consolidated 2009 US$'000	Consolidated 2008 US$'000
Asia Pacific	136,943	105,661
Latin America	33,884	33,108
North America	106,129	95,802
	276,956	234,571

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14. GOODWILL (CONTINUED)

The carrying amount of goodwill is tested for impairment annually at 31 October and whenever there is an indicator that the asset may be impaired. Due to the current economic environment and the impact on trading performance, the Group believes that there is an indication of impairment and therefore tested for impairment at 30 June 2009 as well as at 31 October 2009. If an asset is impaired, it is written down to its recoverable amount.

In its impairment assessment, the Group assumes the recoverable amount based on a value in use calculation using cash flow projections based on the Group's three year strategic plan and financial forecasts over a 9-year period, which approximates the length of a typical business cycle based on historical industry experience, with a terminal value. Key assumptions used for impairment testing include:

- a global discount rate of 11.5% adjusted on a case by case basis for regional variations in the required equity rate of return based on independent data (the adjusted rates ranged from 9.2% to 25.3%)
- expected future profits and future annual growth rates consistent with internal forecasts and expected performance of the specific business line being tested for impairment over the cycle. The growth rates do not exceed forecasts for the long term industry averages.

Sensitivity analyses were performed to determine whether the carrying value is supported by different assumptions. The key variables of the sensitivity analysis included:

- applicable discount rates;
- terminal growth rates; and
- inflation assumptions.

Based on the impairment testing performed, the recoverable amount from each cash generating unit exceeded the goodwill carrying amount. Consequently, no impairments were recorded in 2009.

15. OTHER INTANGIBLE ASSETS

	Consolidated					
	Trademarks US$'000	Patents US$'000	Customer relationships US$'000	Software US$'000	Development assets US$'000	Total US$'000
Gross carrying amount:						
Balance at 1 January 2008	1,988	1,090	24,544	-	5,474	33,096
Additions through business combinations	1,270	-	33,376	-	-	34,646
Adjustments to business combinations accounted for on a provisional basis in 2007	-	-	1,763	-	-	1,763
Additions	-	-	-	15,890	5,081	20,971
Currency movements	-	-	(7,710)	-	(846)	(8,556)
Balance at 31 December 2008	3,258	1,090	51,973	15,890	9,709	81,920
Balance at 1 January 2009	3,258	1,090	51,973	15,890	9,709	81,920
Adjustments to business combinations accounted for on a provisional basis in 2008	-	-	(990)	-	-	(990)
Additions	505	607	-	7,065	5,719	13,896
Disposals	-	-	-	-	(363)	(363)
Transfer to PP&E	-	-	-	-	(655)	(655)
Currency movements	-	-	6,745	-	2,459	9,204
Balance at 31 December 2009	3,763	1,697	57,728	22,955	16,869	103,012
Accumulated amortisation:						
Balance at 1 January 2008	(41)	(297)	(2,693)	-	(587)	(3,618)
Amortisation for the period	(123)	(160)	(4,058)	(1,340)	(359)	(6,040)
Currency movements	-	-	1,145	-	49	1,194
Balance at 31 December 2008	(164)	(457)	(5,606)	(1,340)	(897)	(8,464)
Balance at 1 January 2009	(164)	(457)	(5,606)	(1,340)	(897)	(8,464)
Amortisation for the period	(423)	(190)	(5,398)	(2,187)	(444)	(8,642)
Currency movements	-	-	(1,559)	-	(60)	(1,619)
Balance at 31 December 2009	(587)	(647)	(12,563)	(3,527)	(1,401)	(18,725)
Net book value at 31 December 2008	3,094	633	46,367	14,550	8,812	73,456
Net book value at 31 December 2009	3,176	1,050	45,165	19,428	15,468	84,287

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16. TRADE AND OTHER PAYABLES

	Consolidated		Parent	
	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000
Current				
Trade payables	86,391	105,671	-	-
Accrued payroll and benefits	40,226	34,833	-	-
Goods and services tax payable	19,530	24,795	-	-
Professional fees	3,992	4,127	766	618
Other sundry payables and accruals	19,979	26,171	275	893
	170,118	195,597	1,041	1,511
Non-current				
Trade and other payables	-	1,293	-	-
	-	1,293	-	-

The average credit period on purchases of certain goods is 37 days (2008: 43 days). No interest is charged on the trade payables for this period. Thereafter, various percentages of interest may be charged on the outstanding balance based on the terms of the specific contracts. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

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17. BORROWINGS

	Consolidated	
	2009	2008
Unsecured - at amortised cost	US$'000	US$'000
Current		
Term bank loans	1,000	1,173
Debt issuance costs	(381)	(2,166)
Non-current		
Term bank loans	65,000	650,000
Revolver bank loans	67,000	162,000
Debt issuance costs	(475)	(873)
Secured - at amortised cost		
Current - finance lease liabilities	2,514	2,141
Non-current - finance lease liabilities	961	2,643
	135,619	814,918
Disclosed in the financial statements as:		
Current borrowings	3,133	1,148
Non-current borrowings	132,486	813,770
	135,619	814,918
A summary of the maturity of the Group's borrowings is as follows:		
Less than 1 year	3,133	1,148
Between 1 and 2 years	458	585,241
Between 2 and 3 years	132,028	1,737
Between 3 and 4 years	-	226,341
More than 4 years	-	451
	135,619	814,918

Term Bank Loans

During the year ended 31 December 2009, the Group repaid $585,000,000 of its bank term loans. The loans had an original, scheduled maturity date of 10 April 2010. The bank term loans were repaid with proceeds from the 2009 capital raising program (see Note 20).

At 31 December 2009, outstanding bank term loans primarily consist of a variable rate loan with a scheduled maturity date of 13 April 2012. The interest rates on the loans are based on a base rate plus applicable margin. The base rate is generally based upon USD LIBOR rates, while the margin is determined based upon leverage according to a pricing grid. At 31 December 2009, the rates were based upon USD LIBOR + 1.05%, which totaled 1.36%. At 31 December 2008, the rates ranged from USD LIBOR + 0.65% to USD LIBOR + 0.75%, which amounted to rates ranging from 2.05% to 2.15%.

The Group hedges its exposure to floating rates under the loans via interest rate swaps, exchanging variable rate interest payments for fixed rate interest payments. The interest swap contracts were largely entered into in 2006 and reflect notional amounts and maturities assuming (a) a portion of the variable interest loans would be hedged and (b) that bank term loans would be repaid largely according to original, scheduled maturity dates. As of 31 December 2009, the notional amount of interest rate swap contracts was $275,000,000, which exceeded outstanding bank term loans. As of 31 December 2009, interest rate swap contracts with notional value up to $16,250,000 are deemed effective and are accounted for as cash flow hedges, while $258,750,000 of the interest rate swap contract are deemed ineffective as cash flow hedges upon repayment of the $585,000,000 bank term loan in late 2009. As of 31 December 2008, the entire $425,000,000 of outstanding interest rate swap contracts were deemed to be effective cash flow hedges and were accounted for accordingly.

As of 31 December 2009, the $275,000,000 of interest rate swap contracts outstanding swapped variable rates (as noted above) to fixed at a base rate 5.18%. As of 31 December 2008, $425,000,000 notional amount of floating rate interest rates were swapped to fixed at a base rate ranging from 3.16% to 5.18%.

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17. BORROWINGS (CONTINUED)

Revolver Bank Loans

Bank facilities include a revolver of $200,000,000. As of 31 December 2009, $67,000,000 is drawn with interest rates of 1.30%. As of 31 December 2008, $162,000,000 was drawn with interest rates ranging from 1.15% to 2.59%. Outstanding letters of credit of $11,405,000 and $11,550,000 as of 31 December 2009 and 2008, respectively, reduce the amount available to draw under the revolver.

Loan Covenants - Term and Revolver Bank Loans

The Group's borrowings contain covenants and restrictions requiring the Group to meet certain financial ratios and reporting requirements, as well as minimum levels of subsidiaries that are guarantors of the borrowings. These covenants include maintaining a Debt to EBITDA ratio of not more than 3.75:1 and an EBITDA to Interest ratio of not less than 3.0:1. The agreement also requires that borrowers and guarantors represent at least 75% of the EBITDA and total tangible assets of the Group (see Note 27 for a listing of subsidiary guarantors). Testing of covenant compliance takes place twice-yearly for the trailing 12 month periods to 30 June and 31 December. Noncompliance with one or more of the covenants and restrictions could result in the full or partial principal balance of the associated debt becoming immediately due and payable. The Group is in compliance with the debt covenants as of 31 December 2009 and 2008.

Finance Leases

The finance lease liabilities were assumed largely as part of acquiring certain businesses prior to 2008. The leases are secured by the assets leased. The borrowings have interest rates ranging from 6.77% to 13.08%, with repayment periods not exceeding 3 years.

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18. PROVISIONS

	Consolidated 2009 US$'000	Consolidated 2008 US$'000
Current		
Employee benefits	11,103	9,013
Restructuring and termination costs (i)	2,256	8,730
Warranty (ii)	614	5,366
	13,973	23,109
Non-current		
Employee benefits	1,942	1,909
Pension and post-retirement benefits (Note 19)	42,948	43,128
	44,890	45,037
	58,863	68,146

The changes in the provisions for the year ended 31 December 2009 are as follows:

	Consolidated Restructuring and termination costs (i) US$'000	Consolidated Warranty (ii) US$'000
Balance at 1 January 2009	8,730	5,366
Additional provisions recognised	11,267	2,609
Reductions arising from payments/other sacrifices of future economic benefits	(15,796)	(5,880)
Reductions resulting from remeasurement or settlement without cost	(2,548)	(1,710)
Foreign exchange	603	229
Balance at 31 December 2009	2,256	614

(i) The provision for restructuring and termination costs represents the present value of management's best estimate of the costs directly and necessarily caused by the restructuring that are not associated with the ongoing activities of the entity, including termination benefits and onerous leases.

(ii) The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Group's warranty program.

The Parent has a provision for $690,000 at 31 December 2009 for cash rights compensation.

19. PENSION AND POSTRETIREMENT BENEFITS

The Parent has no employees and therefore does not support any pension or postretirement plans. Accordingly, the disclosures detailed below relate to the Group.

Pension and Postretirement Medical Commitments

The Group operates defined contribution and defined benefit pension plans for the majority of its employees. It also operates postretirement medical arrangements in Southern Africa and North America. The policy for accounting for pensions and postretirement benefits is included in Note 3(n).

The assets of the defined contribution plans are held separately in independently administered funds. The charge in respect of these plans is calculated on the basis of contributions payable by the Group during the fiscal year.

The majority of the defined benefit pension plans are funded in accordance with minimum funding requirements by local regulators. The assets of these plans are held separately from those of the Group, in independently administered funds, in accordance with statutory requirements or local practice throughout the world.

The postretirement medical arrangements provide health benefits to retired employees and certain dependants. Eligibility for coverage is dependent upon certain criteria. The majority of these plans are unfunded and have been provided for by the Group.

Defined Contribution Plans

Pension costs represent actual contributions paid or payable by the Group to the various plans. At 31 December 2009, and 2008, there were no significant outstanding/prepaid contributions. Group contributions to these plans were $12,025,000 and $13,229,000 for the years ended 31 December 2009, and 2008, respectively.

The Group's operations in the Netherlands participate in an industry-wide pension scheme for the mechanical and electrical engineering industries, known as the PME Fund. Although it is a defined benefit pension plan, the participating employers have no obligation other than to pay set contributions based on benefits accrued by the employees every period. The employers are not obligated to make additional payments to fund deficits, nor have they any right to repayments in the event of surpluses. The Group treats the PME scheme as a defined contribution plan.

Defined Benefit Pension Plans

Full actuarial valuations of the defined benefit pension plans were performed as of various dates and updated to 31 December 2009 by qualified independent actuaries. The estimated market value of the assets of the funded pension plans was $178,854,000 and $150,626,000 at 31 December 2009, and 2008, respectively. The market value of assets was used to determine the funding level of the plans. The market value of the assets of the funded plans was sufficient to cover 93% and 88% in 2009 and 2008, respectively, of the benefits that had accrued to participants after allowing for expected increases in future earnings and pensions. Entities within the Group are paying contributions as required in accordance with local actuarial advice.

As the majority of the defined benefit pension plans are closed to new participants, it is expected that under the projected unit credit method, service cost will increase as the participants age.

Group contributions to these plans were $5,310,000 for both the years ended 31 December 2009 and 2008. Contributions in 2010 are expected to be $7,058,000.

During the year ended 31 December 2009 the pension plan in the United States of America was frozen with respect to all beneficiaries. This resulted in a curtailment and resulted in a gain of $2,510,000, which was recognised in profit and loss in 2009.

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19. PENSION AND POST-RETIREMENT BENEFITS (CONTINUED)

The principal assumptions used to determine the actuarial present value of benefit obligations and pension costs are detailed below (shown in weighted averages):

	2009			2008		
	Southern Africa	The Americas	Europe	Southern Africa	The Americas	Europe
Discount rates	9.5%	5.9%	5.5%	7.5%	6.5%	6.3%
Expected average rate of increase in salaries	6.8%	4.0%	4.0%	5.0%	4.3%	3.5%
Expected average rate of increase of pensions in payment	5.8%	-	1.5%	4.0%	-	1.5%
Expected average long term rate of return on plan assets	7.5%	7.4%	6.4%	6.8%	8.0%	6.4%
Expected average increase in healthcare costs (initial)	7.8%	7.5%	-	6.0%	8.0%	-
Expected average increase in healthcare costs (ultimate)	7.8%	5.0%	-	6.0%	5.0%	-

Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:

	2009			2008		
	Pension Plan US$'000	Post-retirement medical Plan US$'000	Total US$'000	Pension plan US$'000	Post-retirement Medical Plan US$'000	Total US$'000
Current service cost	2,126	509	2,635	3,070	453	3,523
Interest cost on plan liabilities	11,145	636	11,781	13,315	735	14,050
Past service cost	122	-	122	4,069	(4,126)	(57)
Expected return on plan assets	(11,396)	-	(11,396)	(17,555)	-	(17,555)
Effects of settlement and curtailment gains	(2,510)	-	(2,510)	142	(861)	(719)
Total charge (credit) to profit and loss account	(513)	1,145	632	3,041	(3,799)	(758)

For the financial years ended 31 December 2009 and 2008 a loss (gain) of $412,000 and $(564,000), respectively, has been included in cost of goods sold and the remainder in general and administrative or sales and marketing expenses.

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19. PENSION AND POST-RETIREMENT BENEFITS (CONTINUED)

The following amounts have been recognised in the statement of comprehensive income.

	2009			2008		
	Pension Plan US$'000	Post-retirement Medical Plan US$'000	Total US$'000	Pension Plan US$'000	Post-retirement Medical Plan US$'000	Total US$'000
Actuarial losses during the year, net of taxes	(2,786)	(667)	(3,453)	(22,779)	(1,639)	(24,418)

In 2001, legislation in South Africa was passed which restricts pension surpluses where they are not expected to give rise to future contribution reductions or refunds because of local restrictions over their use. During 2007, the South African Regulators approved the subsidiary's proposal in respect of the apportionment of the surplus from the plans. The majority of the members elected to transfer to the Alexander Forbes Retirement Fund effective 28 February 2008, leaving only one member in the fund. The liability with respect to the transfer was settled on 19 December 2008. The net asset recorded has certain restrictions on how the surplus can be used.

The amount included in the balance sheet arising from the Group's obligations in respect of defined benefit plans is as follows:

	2009			2008		
	Pension Plan US$'000	Post-retirement Medical Plan US$'000	Total US$'000	Pension Plan US$'000	Post-retirement Medical Plan US$'000	Total US$'000
Present value of funded defined benefit obligations	188,455	-	188,455	165,891	-	165,891
Fair value of plan assets	(178,854)	-	(178,854)	(150,626)	-	(150,626)
	9,601	-	9,601	15,265	-	15,265
Present value of unfunded defined benefit obligations	4,901	10,488	15,389	5,421	9,411	14,832
Deficit	14,502	10,488	24,990	20,686	9,411	30,097
Net liability arising from defined benefit obligations	14,502	10,488	24,990	20,686	9,411	30,097

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19. PENSION AND POST-RETIREMENT BENEFITS (CONTINUED)

Movements in the present value of the defined benefit obligations were as follows:

	2009			2008		
	Pension Plan US$'000	Post-retirement Medical Plan US$'000	Total US$'000	Pension Plan US$'000	Post-retirement Medical Plan US$'000	Total US$'000
Opening defined benefit obligation	171,312	9,411	180,723	246,668	11,481	258,149
Current service cost	2,126	509	2,635	3,070	453	3,523
Interest cost	11,145	636	11,781	13,315	735	14,050
Contributions from plan participants	2	299	301	65	290	355
Actuarial losses (gains)	15,857	601	16,458	(20,689)	2,655	(18,034)
Past service cost	122	-	122	4,069	(4,126)	(57)
Losses (gains) on curtailments	(2,510)	-	(2,510)	194	-	194
Liabilities extinguished on settlements	(1,185)	(266)	(1,451)	(18,766)	(861)	(19,627)
Exchange differences on foreign plans	12,167	103	12,270	(26,761)	(585)	(27,346)
Benefits paid	(15,681)	(863)	(16,544)	(29,853)	(631)	(30,484)
Federal subsidy on benefits paid	-	58	58	-	-	-
Closing defined benefit obligation	193,355	10,488	203,843	171,312	9,411	180,723

Changes in the fair value of plan assets were as follows:

	2009			2008		
	Pension Plan US$'000	Post-retirement Medical Plan US$'000	Total US$'000	Pension Plan US$'000	Post-retirement Medical Plan US$'000	Total US$'000
Opening fair value plan of assets	150,626	-	150,626	257,362	-	257,362
Expected return on plan assets	11,396	-	11,396	17,555	-	17,555
Actuarial gains (losses)	13,345	-	13,345	(49,714)	-	(49,714)
Assets distributed on settlements	(1,185)	(266)	(1,451)	(18,717)	-	(18,717)
Exchange differences on foreign plans	15,041	-	15,041	(31,382)	-	(31,382)
Contributions from the employer	5,310	830	6,140	5,310	341	5,651
Contributions from plan participants	2	299	301	65	290	355
Benefits paid	(15,681)	(863)	(16,544)	(29,853)	(631)	(30,484)
Closing fair value of plan assets	178,854	-	178,854	150,626	-	150,626

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19. PENSION AND POST-RETIREMENT BENEFITS (CONTINUED)

The analysis of the plan assets and the expected rate of return at the balance sheet date are as follows:

	2009						
	Southern Africa		The Americas		Europe		
	Rate of Return %	Fair Value US$'000	Rate of Return %	Fair Value US$'000	Rate of Return %	Fair Value US$'000	Total Fair Value US$'000
At 31 December 2009							
Equity	-	-	9.3%	57,752	7.8%	24,654	82,406
Bonds	9.5%	9,876	4.6%	53,039	3.8%	12,933	75,849
Property	-	-	-	-	6.3%	2,425	2,425
Cash	7.5%	10,700	3.7%	4,714	2.0%	404	15,818
Other	-	-	3.7%	2,357	-	-	2,357
Total market value	7.5%	20,576	7.4%	117,862	6.4%	40,416	178,854

	2008						
	Southern Africa		The Americas		Europe		
	Rate of Return %	Fair Value US$'000	Rate of Return %	Fair Value US$'000	Rate of Return %	Fair Value US$'000	Total Fair Value US$'000
At 31 December 2008							
Equity	10.5%	6,968	10.0%	41,682	8.0%	19,476	68,126
Bonds	7.5%	6,757	5.0%	43,576	4.0%	12,520	62,853
Property	-	-	-	-	6.5%	2,783	2,783
Cash	5.5%	7,391	4.0%	6,631	-	-	14,022
Other	-	-	4.0%	2,842	-	-	2,842
Total market value	6.8%	21,116	7.9%	94,731	6.8%	34,779	150,626

The pension and post-retirement (surplus) deficit by geographic region are as follows:

	Consolidated							
	31 December 2009				31 December 2008			
	Southern Africa	The Americas	Europe	Total	Southern Africa	The Americas	Europe	Total
Postretirement medical plan deficit	-	10,488	-	10,488	218	9,193	-	9,411
Pension plan (surplus) deficit	(17,958)	14,275	18,185	14,502	(13,249)	18,435	15,500	20,686
Total (surplus) deficit	(17,958)	24,763	18,185	24,990	(13,031)	27,628	15,500	30,097

On 8 December 2003, the Medicare Prescription Drug Improvement and Modernisation Act of 2003 was signed into law in the U.S. The Act introduced a prescription drug benefit beginning 2006 under Medicare ("Medicare Part D") as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. Based on an actuarial analysis of the levels of benefits provided under the Group's Postretirement Welfare Plan, the plan's actuary has concluded that beneficiaries receive drug coverage at least actuarially equivalent to Medicare Part D. The federal subsidy was reflected in costs, reducing the accumulated postretirement benefit obligation by approximately $905,000 and $468,000 at 31 December 2009 and 2008, respectively. The expense was reduced by approximately $29,000 and $87,000 at 31 December 2009 and 2008, respectively.

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19. PENSION AND POST-RETIREMENT BENEFITS (CONTINUED)

	2009			2008		
	Pension Plan US$'000	Post-retirement Medical Plan US$'000	Total US$'000	Pension Plan US$'000	Post-retirement Medical Plan US$'000	Total US$'000
Fair value of plan assets	178,854	-	178,854	150,626	-	150,626
Present value of defined benefit obligation	(193,355)	(10,488)	(203,843)	(171,312)	(9,411)	(180,723)
Deficit	(14,502)	(10,488)	(24,990)	(20,686)	(9,411)	(30,097)
Experience adjustments on plan liabilities	(570)	(166)	(736)	(635)	63	(572)
Experience adjustments on plan assets	13,345	-	13,345	(49,714)	-	(49,714)

Assumed healthcare cost trend rates have a significant effect on the amounts recognised in profit or loss. A one percentage point change in assumed healthcare cost trend rates would have the following effects:

	2009 US$'000	2008 US$'000
One percentage point increase		
Effect on the aggregate of the service cost and interest cost	168	126
Effect on accumulated post-employment benefit obligation	1,362	1,256
One percentage point decrease		
Effect on the aggregate of the service cost and interest cost	(142)	(107)
Effect on accumulated post-employment benefit obligation	(1,160)	(1,067)

20. ISSUED CAPITAL

	Consolidated	
	2009 US$'000	**2008 US$'000**
Share Capital		
Ordinary shares, fully paid	1,136,347	478,036
Movements in ordinary shares		
Balance at beginning of year	478,036	479,673
Issued under capital raising program	697,702	-
Share issuance costs	(49,549)	-
GST receivable on share issuance costs	1,707	-
Deferred tax on share issuance costs	12,437	-
Purchase of shares for LTIP	(3,986)	(1,637)
Balance at end of the year	1,136,347	478,036

	Parent			
	2009 US$'000	**2009 Number of shares (000's)**	**2008 US$'000**	**2008 Number of shares (000's)**
Share Capital				
Ordinary shares, fully paid	2,890,807	4,585,942	2,228,139	1,497,624
Movements in ordinary shares				
Balance at beginning of year	2,228,139	1,497,624	2,229,776	1,502,846
Issued under capital raising program	697,702	3,108,730	-	-
Share issuance costs	(49,549)	-	-	-
GST receivable on share issuance costs	1,707			
Deferred tax on share issuance costs	12,437	-	-	-
GST refund on capitalized IPO costs	4,357	-	-	-
Purchase of shares for LTIP	(3,986)	(20,412)	(1,637)	(5,222)
Balance at end of the year	2,890,807	4,585,942	2,228,139	1,497,624

During the financial year, the Group executed a capital raising program which raised $697,702,000. Proceeds from the capital raising were used to repay $585,000,000 of the Group's Term Loan A facility, to repay approximately $62,000,000 of amounts previously drawn on its existing revolver facility, and to pay $49,549,000 of costs directly related to the capital raising.

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21. RESERVES

	Consolidated		Parent	
	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000
Foreign currency translation	17,630	(103,549)	-	-
Equity-settled employee benefits	6,024	2,592	6,024	2,592
Unrealised losses related to hedging instruments	(616)	(17,362)	-	-
	23,038	(118,319)	6,024	2,592

During the years ended 31 December 2009 and 2008 the changes in each of the respective reserve accounts were as follows:

	Consolidated	
	2009	2008
Foreign currency translation	US$'000	US$'000
Balance at beginning of year	(103,549)	30,215
Exchange differences arising on translation of foreign operations	121,179	(133,764)
Balance at end of the year	17,630	(103,549)

Exchange differences relating to the translation from the functional currencies of the Group's foreign controlled entities into United States dollars are brought to account by entries made directly to the foreign currency translation reserve.

	Consolidated		Parent	
	2009	2008	2009	2008
Equity-settled employee benefits	US$'000	US$'000	US$'000	US$'000
Balance at beginning of year	2,592	368	2,592	368
Share-based compensation expense	3,432	2,224	3,432	2,224
Balance at end of the year	6,024	2,592	6,024	2,592

The equity-settled employee benefits reserve arises on the grant of restricted shares, LTIP rights and share options. Amounts are transferred out of the reserve and into issued capital when the share is issued.

	Consolidated	
	2009	2008
Unrealised losses related to hedging instruments	US$'000	US$'000
Balance at beginning of year	(17,362)	(8,050)
Unrealised loss on cash flow hedges	(2,007)	(20,359)
Transfer to profit or loss on cash flow hedges	12,976	6,147
Interest rate swap expense - ineffective hedge	15,242	-
Related income tax	(9,465)	4,900
Balance at end of the year	(616)	(17,362)

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy. During the financial year, the Group executed a capital raising program which raised approximately $697,702,000. Proceeds from the capital raising were used to repay loans that were being hedged thus making a portion of the hedge ineffective. As a result, the mark to market balance of $15,242,000 associated with the ineffective portion of the hedge was transferred to profit or loss.

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22. OTHER EQUITY

During the years ended 31 December 2009 and 2008, the changes in other equity consisted of:

	Consolidated	
	2009 US$'000	2008 US$'000
Balance at beginning of year	(141,539)	(141,539)
Capitalised transaction costs - GST refund related to 2007 IPO	4,357	-
Balance at end of the year	(137,182)	(141,539)

23. RETAINED EARNINGS (ACCUMULATED LOSSES)

During the years ended 31 December 2009 and 2008, the changes in accumulated losses consisted of:

	Consolidated		Parent	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Balance at beginning of year	(65,830)	(141,028)	492	7,509
Profit (loss) for the period attributable to equity holders of the parent	(14,883)	156,724	6,853	50,091
Dividends paid	-	(57,108)	-	(57,108)
Actuarial losses on defined benefit plans (net of tax)	(3,453)	(24,418)	-	-
Balance at end of the year	(84,166)	(65,830)	7,345	492

24. DIVIDENDS

There were no dividends declared or paid for the year ended 31 December 2009. Dividends declared and paid during the year ended 31 December 2008 are as follows:

	2008	
	US Cents per share	Total US$'000
Fully paid ordinary shares		
Final dividend 35% franked	1.5	22,543
Interim dividend 35% franked	2.3	34,565
	3.8	57,108

Below is the combined amount of franking credits available for the next year:

	2009 US$'000	2008 US$'000
Adjusted combined franking balance	7,995	12,471

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25. EARNINGS (LOSS) PER SHARE

	Consolidated	
	2009 Cents per share	2008 Cents per share
Basic earnings (loss) per share	(0.6)	10.4
Diluted earnings (loss) per share	(0.6)	10.4

Basic earnings (loss) per share

The earnings (loss) and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2009 US$'000	2008 US$'000
Earnings (loss) used in the calculation of basic EPS	(14,883)	156,724

	2009 '000	2008 '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	2,436,800	1,502,011

Diluted earnings per share

The earnings (loss) used in the calculation of diluted earnings per share is as follows:

	2009 US$'000	2008 US$'000
Earnings used in the calculation of diluted EPS	(14,883)	156,724

	2009 '000	2008 '000
Weighted average number of ordinary shares used in the calculation of basic EPS	2,436,800	1,502,011
Shares deemed to be issued for no consideration in respect of:		
Non-executive director restricted shares	-	335
LTIP share rights	7,257	635
Weighted average number of ordinary shares used in the calculation of diluted EPS	2,444,057	1,502,981

Instruments which have not been included in the calculation of diluted earnings per share because they are not dilutive include non-executive restricted shares, LTIP share rights and share options.

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26. COMMITMENTS FOR EXPENDITURE

Commitments

The Group has a number of continuing operational and financial commitments in the normal course of business.

	2009 US$'000	2008 US$'000
Capital Commitments		
Purchase commitments for capital expenditures	3,930	732

Operating leases

Non-cancellable future operating lease commitments as at 31 December 2009 and 2008, consist of the following:

	Consolidated			
	31 December 2009		31 December 2008	
	Land and Buildings US$'000	Plant and Equipment US$'000	Land and Buildings US$'000	Plant and Equipment US$'000
Payments due within:				
One year	8,876	20,402	7,774	16,060
Two to five years	19,922	43,618	16,610	39,123
After five years	9,462	2,655	8,367	4,476
	38,260	66,675	32,751	59,659

Description of operating leases

The Group has operating leases for land, buildings, plant and equipment with the following lease terms:

- 1 – 30 years for land and buildings with an average lease term of 7 years
- 1 – 5 years for machinery and equipment with an average lease term of 3 years
- 1 – 7 years for all other property with an average lease term of 3 years

The Group's property operating leases generally contain escalation clauses, which are fixed increases generally between 3% and 9%, or increase subject to a national index. The Group does not have any significant purchase options.

Contingent rental payments exist for certain pieces of equipment and are not significant compared with total rental payments. These are based on excess wear and tear and excess use.

The Group has no significant operating leases that are considered onerous other than the $1,933,000 included in the restructuring expenses provision.

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27. CONTINGENT LIABILITIES

Indemnifications

Anglo American plc has agreed to indemnify the Group for 50% of any losses in excess of $250,000 suffered due to unknown environmental matters (up to a maximum of $15,000,000) arising from Group properties formerly owned by Anglo American plc and which are identified within five years of the purchase date on 29 July 2005.

Letters of credit

Standby letters of credit primarily issued in support of commitments or other obligations as of 31 December 2009 are as follows.

- One of the Group's subsidiaries in Holland has a letter of credit in the amount of $2,500,000 for performance bonds which expires July 2010.
- Three of the Group's subsidiaries in the U.S. have letters of credit in the amounts of $405,000, $500,000 and $2,400,000 for various leases which expire January 2010 and February 2010.
- Two of the Group's subsidiaries in Argentina have letters of credit in the amounts of $2,200,000 and $1,400,000 to support loans, which expire February 2010.
- The Group's subsidiary in Zambia has a letter of credit in the amount of $2,000,000 to support products inventory which expires December 2010.

A summary of the maturity of issued letters of credit is as follows:

	Consolidated	
	2009 US$'000	2008 US$'000
Less than one year	11,405	11,550

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27. CONTINGENT LIABILITIES (CONTINUED)

Guarantees

The subsidiaries of the Group provide guarantees within the normal course of business which includes payment guarantees to cover import duties, taxes, performance and completion of contracts. In addition, the Group and certain subsidiaries are guarantors on the Group's loans and borrowings.

A summary of the Group's subsidiaries which are guarantors of the Group's long-term debt is as follows:

Country	**Entity**
Canada	Longyear Canada ULC
	Boart Longyear Alberta Limited
	Boart Longyear Canada
United States	Longyear Holdings, Inc.
	Longyear TM, Inc.
	Boart Longyear Company
	Boart Longyear Consolidated Holdings Inc
	Boart Longyear International Holdings Inc
	Longyear Global Holdings, Inc.
	Resources Services Holdco, Inc.
	Boart Longyear Global Holdco, Inc.
	Prosonic Corporation
	Boart Longyear Nevada
Australia	Boart Longyear Limited
	Boart Longyear Management Pty Limited
	Boart Longyear Investments Pty Limited
	Votraint No. 1609 Pty Limited
	North West Drilling Pty Limited
	Drillcorp Pty Limited
	Grimwood Davies Pty Limited
	Boart Longyear Australia Pty Limited
	Boart Longyear Australia Holdings Pty Limited
	A.C.N. 066 301 531 Pty Limited
	Aqua Drilling & Grouting Pty Ltd.
New Zealand	Boart Longyear (NZ) Limited
Europe	Coopertief Longyear Holdings
	Longyear Calulo Holdings BV
	Boart Longyear International BV
	Boart Longyear BV
South Africa	Longyear South Africa (Pty) Limited
Chile	Boart Longyear S.A.
	Connors SA

Legal Contingencies

The Group is subject to certain routine legal proceedings that arise in the normal course of its business. The Group believes that the ultimate amount of liability, if any, for any pending claims of any type (either alone or combined), including the legal proceedings described above, will not materially affect the Group's operations, liquidity, or financial position taken as a whole. However, the ultimate outcome of any litigation is uncertain, and unfavorable outcomes could have a material adverse impact.

27. CONTINGENT LIABILITIES (CONTINUED)

Other Contingencies

Other contingent liabilities as at 31 December 2009 and 2008 consist of the following:

	Consolidated	
	2009	2008
	US$'000	US$'000
Contingent Liabilities		
Guarantees or counter-guarantees issued to outside parties	17,152	29,069

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28. COMPANY SUBSIDIARIES

The principal subsidiaries' ownership percentage consist of the following:

Subsidiaries	Country of Incorporation	Business	31 Dec 2009	31 Dec 2008
A.C.N. 066 301 531 Pty Ltd	Australia	Tools and Equipment	100	100
Aqua Drilling & Grouting Pty Ltd.	Australia	Drilling Services	100	100
BLI Zambia Ltd.	Zambia	Drilling Services	100	100
BLY Ghana Limited	Ghana	Drilling Services	100	100
BLY Mali S.A.	Mali	Drilling Services	100	100
BLY Mexico Servicios S.A. de C.V.	Mexico	Drilling Services	100	100
Boart Longyear (Cambodia) Ltd.	Cambodia	Drilling Services	100	100
Boart Longyear (D.R.C.) SPRL	Dem. Rep. of Con	Drilling Products & Services	100	100
Boart Longyear (Germany) GmbH	Germany	Tools and Equipment	100	100
Boart Longyear (Holdings) Ltd.	United Kingdom	Holding Company	100	100
Boart Longyear (Hong Kong) Limited	Hong Kong	Drilling Services	100	100
Boart Longyear (Investments) Ltd.	United Kingdom	Dormant	100	100
Boart Longyear (NZ) Limited	New Zealand	Drilling Services	100	100
Boart Longyear (Pty) Ltd	Botswana	Drilling Products	100	100
Boart Longyear (Vic) No. 1 Pty Ltd (Australia)	Australia	Holding Company	100	-
Boart Longyear (Vic) No. 2 Pty Ltd (Australia)	Australia	Holding Company	100	-
Boart Longyear Alberta Limited	Canada	Holding Company	100	100
Boart Longyear Argentina S.A. (i)	Argentina	Drilling Services	100	100
Boart Longyear Australia Holdings Pty Limited	Australia	Holding Company	100	100
Boart Longyear Australia Pty Ltd	Australia	Drilling Services	100	100
Boart Longyear Bermuda Limited	Bermuda	Holding Company	100	100
Boart Longyear Burkina Faso Sarl	Burkina Faso	Drilling Services	100	100
Boart Longyear BV	Netherlands	Drilling Products	100	100
Boart Longyear Canada	Canada	Drilling Products & Services	100	100
Boart Longyear Company	USA	Tools, Equipment and Drilling	100	100
Boart Longyear Consolidated Holdings, Inc.	USA	Holding Company	100	100
Boart Longyear Drilling Products Co.(Wuxi) Ltd.	China	Drilling Products and Services	100	100
Boart Longyear Drilling Services KZ LLP	Kazakhstan	Drilling Services	100	-
Boart Longyear EMEA Cooperatief U.A.	Netherlands	Holding Company	100	-
Boart Longyear Global Holdco, Inc	USA	Holding Company	100	100
Boart Longyear GmbH & Co Kg	Germany	Drilling Products and Services	100	100
Boart Longyear Holdings (Thailand) Co., Ltd.	Thailand	Drilling Services	100	100
Boart Longyear India Private Ltd	India	Tools and Equipment	100	100
Boart Longyear International BV	Netherlands	Holding Company	100	100
Boart Longyear International Holdings, Inc.	USA	Holding Company	100	100
Boart Longyear Investments Pty Ltd	Australia	Holding Company	100	100
Boart Longyear Limitada	Brazil	Drilling Products	100	100
Boart Longyear Limited	Ireland	Drilling Products	100	100
Boart Longyear Limited	Laos	Drilling Services	100	100
Boart Longyear Limited	Thailand	Drilling Services	100	100
Boart Longyear LLC	Russia Federation	Drilling Services	100	100
Boart Longyear Ltd	Ghana	Dormant	100	100
Boart Longyear Management Pty Ltd	Australia	Holding Company	100	100

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28. COMPANY SUBSIDIARIES (CONTINUED)

Subsidiaries	Country of Incorporation	Business	31 Dec 2009	31 Dec 2008
Boart Longyear Netherlands BV	Norway	Holding Company	100	100
Boart Longyear Nevada	USA	Drilling Services	100	100
Boart Longyear Poland Spolka Z.o.o.	Poland	Drilling Products and Services	100	100
Boart Longyear Products KZ LLP	Kazakhstan	Drillings Products	100	-
Boart Longyear RUS	Russia Federation	Drilling Services	100	100
Boart Longyear S.A.	Chile	Tools, Equipment and Drilling Svs	100	100
Boart Longyear S.a.r.l.	France	Holding Company	100	100
Boart Longyear SAC	Peru	Drilling Products and Services	100	100
Boart Longyear Vermogensverwaltung GmbH	Germany	Dormant	100	100
Boart Longyear Zambia Ltd.	Zambia	Drilling Services	100	100
Britton Hermanos Perforaciones de Mexico, S.A. C.V.	Mexico	Drilling Services	100	100
Connors SA	Chile	Drilling Services	100	100
Cooperatief Longyear Holdings UA	Netherlands	Holding Company	100	100
Drillcorp Pty Ltd	Australia	Drilling Services	100	100
Geoserv Pesquisas Geologicas S.A.	Brazil	Drilling Services	100	100
Grimwood Davies Pty Ltd	Australia	Drilling Services	100	100
Inavel S.A.	Uruguay	Drilling Services	100	100
J&T Servicios, S.C.	Mexico	Drilling Services	100	100
Longyear Calulo Holdings BV	Netherlands	Drilling Services	100	100
Longyear Canada, ULC	Canada	Tools and Equipment Services	100	100
Longyear Global Holdings, Inc.	USA	Holding Company	100	100
Longyear Holdings New Zealand, Ltd.	New Zealand	Holding Company	100	100
Longyear Holdings, Inc.	USA	Holding Company	100	100
Longyear South Africa (Pty) Ltd	South Africa	Drilling Products and Services	100	100
Longyear TM, Inc.	USA	Holding Company	100	100
North West Drilling Pty Limited	Australia	Drilling Services	100	100
P.T. Boart Longyear	Indonesia	Drilling Services	100	100
Patagonia Drill Inversiones Mineras S.A.	Chile	Drilling Services	100	100
Patagonia Drill Mining Services S.A.	Argentina	Drilling Services	100	100
Portezuelo S.A.	Paraguay	Drilling Services	100	100
Professional Sonic Drillers (Pty) Ltd T/A Prosonic Africa (ii)	South Africa	Drilling Services	100	100
Prosonic Corporation	USA	Drilling Services	100	100
Prosonic Deutschland GmbH	Germany	Drilling Services	100	100
Prosonic International, Inc.	USA	Drilling Services	100	100
Rentas de Exploracion I Limitada	Chile	Holding Company	100	100
Rentas de Exploracion II Limitada	Chile	Holding Company	100	100
Rentas de Exploracion III Limitada	Chile	Holding Company	100	100
Resources Services Holdco, Inc	USA	Holding Company	100	100
Votraint No. 1609 Pty Ltd	Australia	Drilling Services	100	100
Votraint Switzerland SARL	Switzerland	Holding Company	100	-

(i) This entity changed its name from Connors Argentina SA

(ii) As at 31 December 2009 this entity is in the process of being liquidated.

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29. ACQUISITION OF OPERATIONS

There were no entities acquired by the Group during the year ended 31 December 2009.

During 2009, goodwill related to 2008 acquisitions was increased by $7,947,000. The goodwill adjustment related to the Eklund Drilling Company, Inc. (Eklund) and Westrod Engeneering acquisitions, which were accounted for provisionally at 31 December 2008. The 2009 adjustments to goodwill reflect primarily fair value adjustments of $7,544,000 related to Eklund property plant and equipment and intangible assets. In addition, cash of $403,000 was paid in 2009 for a purchase price adjustment and stamp tax payment for Westrod Engeneering.

During the financial year ended 31 December 2008 the Group acquired the following entities:

On 25 February 2008, the Group acquired 100% of the issued share capital of Britton Brothers Diamond Drilling (Britton Brothers). Britton Brothers is a provider of uranium and minerals exploration drilling services located in Canada and Mexico. Accounting for this acquisition was determined provisionally at 31 December 2008 as market valuations and other calculations had not been finalised. The goodwill arising on the acquisition of Britton Brothers is attributable to the position it occupies as a leading exploratory driller in Canada and Mexico, which provides the Group the opportunity to expand both its mineral and energy footprints in Canada and Mexico and neighbouring countries through leveraging Boart Longyear's global infrastructure and resources.

On 5 May 2008, the Group acquired 100% of the issued share capital of Aqua Drilling & Grouting Pty Limited ("Aqua"). Aqua is a Melbourne-based drilling services company specialising in environmental drilling, geotechnical drilling, water drilling and related services. Accounting for this acquisition was determined provisionally at 31 December 2008 as market valuations and other calculations had not been finalised. The goodwill arising on the acquisition of Aqua is attributable to its position as one of the leading environmental and infrastructure drilling companies in Eastern Australia and its experienced management and operational teams.

On 1 July 2008, the Group acquired the business of Westrod Engineering. Westrod Engineering is a Western Australia-based manufacturer of reverse circulation ("RC") consumables including rods, subs and swivels for minerals drilling. Accounting for this acquisition was determined provisionally at 31 December 2008 as market valuations and other calculations had not been finalised. The goodwill arising on the acquisition of Westrod Engineering is attributable to the ability to expand into the RC drilling market. The introduction of the RC product range into the Group will be an excellent complement to our growing RC drilling services business. Combined with recent RC-related acquisitions such as KWL and Grimwood Davies, this acquisition expands our RC offering by making Boart Longyear the only company that manufactures and distributes RC products and also does RC contract drilling, all on a global scale.

On 16 September 2008, the Group acquired certain assets of Eklund Drilling Company, Inc. (Eklund). Eklund is located in the United States with headquarters in Elko, Nevada. Eklund specialises in reverse circulation drilling. Accounting for this acquisition was determined provisionally at 31 December 2008 as market valuations and other calculations had not been finalised. The goodwill arising on the acquisition of Eklund is attributable to its position in global reverse circulation drilling which provides the Group the opportunity to expand its reach into a key reverse circulation market and the opportunity to expand its global footprint.

Patagonia Drilling, which was purchased on 31 December 2007, was accounted for provisionally at 31 December 2007 and was finalised during the financial year ended 31 December 2008. This resulted in adjustments to the initial book values that decreased the net assets purchased by $7,290,000 million, primarily as the result of the recognition of provisions for taxes payable, other contingencies and debt balances. In addition, this was offset by fair value adjustments amounting to $3,332,000 which had not been determined at 31 December 2007.

All of these acquisitions were accounted for as purchase transactions and the consolidated profit and loss amounts includes the operations of the acquisitions from the date of acquisition through 31 December 2008.

The net profit contributed by these acquisitions in the period between the dates of acquisition and the reporting date were approximately $5,325,000. Had the acquisitions been completed on 1 January 2008, total consolidated revenue for the period would have been $1,892,250,000 and consolidated profit for the period would have been $168,180,000.

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29. ACQUISITION OF OPERATIONS (CONTINUED)

The net assets acquired during 2008 for all other business combinations, and the goodwill arising, are as follows:

	Acquiree's carrying amount before business combination US$'000	Fair value adjustments US$'000	Fair value US$'000
Net assets acquired			
Cash and cash equivalents	2,811	-	2,811
Trade and other receivables	9,748	-	9,748
Inventories	974	-	974
Prepaid expenses	333	-	333
Intangible assets	-	33,656	33,656
Property, plant and equipment	18,057	12,988	31,045
Trade and other payables	(6,855)	-	(6,855)
Deferred tax liabilities	34	(2,052)	(2,018)
	25,102	44,592	69,694
Goodwill arising on the acquisition			**73,524**
Total consideration			143,218
Net cash outflow arising on acquisition:			
Total Consideration			(143,218)
Cash and cash equivalents acquired			2,811
			(140,407)

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30. DISPOSAL OF OPERATIONS

On 30 June 2009, the Group announced the sale of its Sub Saharan manufacturing operations and the exclusive right to sell certain of the Group's percussive rock drills and hard rock tools in Sub Saharan Africa for $7,803,000. The disposal is consistent with the Group's on-going strategy to divest select non-core assets. The assets that were sold were not considered a core business and earned lower returns than the core business lines.

The net assets disposed of are as follows:

Book value of net assets sold	**US$'000**
Assets	7,017
Liabilities	(444)
Foreign currency translation reserve	2,683
Net assets disposed	9,256
Working capital adjustment	1,388
Disposal costs	1,069
Loss on disposal	(3,910)
Total proceeds	7,803
Cash paid - closing costs and working capital adjustment	(2,457)
Net cash inflow from disposal of subsidiaries	5,346

During the year ended 31 December 2009 the Group also paid $220,000 related to the settlement of the disposal of its diamond wire business in South Africa, which was sold on 2 September 2008.

MCE South Africa

On 17 March 2008, the Group announced the sale of its mining capital equipment ("MCE") business in South Africa for total proceeds of $16,972,000. The disposal is consistent with the Group's long-term policy to focus its activities on higher return, core business opportunities. The MCE South Africa business was not considered a core business and earned lower returns than the core business lines.

The MCE South Africa net assets disposed of are as follows:

Book value of net assets sold	**US$'000**
Assets	13,060
Liabilities	(6,094)
Net assets disposed	6,966
Disposal costs	597
Gain on disposal	9,409
Total proceeds	16,972
Cash paid - closing costs	(597)
Net cash inflow from disposal of subsidiaries	16,375

Diamond Wire

On 2 September 2008, the Group sold its diamond wire business in South Africa for total proceeds of $2,536,000. The disposal is consistent with the Group's long-term policy to focus its activities on higher return, core business opportunities. The diamond wire business was not considered a core business and earned lower returns than the core business lines.

Residential Water

On 31 December 2008, the Group sold its residential water business in the United States of America for total proceeds of $831,000. The disposal is consistent with the Group's long-term policy to focus its activities on higher return, core business opportunities. The residential water business was not considered a core business and earned lower returns than the core business lines.

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31. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

	Consolidated		Parent	
	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000
Cash and cash equivalents	87,557	50,603	148	108

(b) Businesses acquired

During the financial year ended 31 December 2009 there were no acquisitions. The Group paid additional cash of $403,000 for the Eklund and Westrod acquisitions.

During the financial year ended 31 December 2008, the Group acquired four businesses. The net cash outflow for acquisitions was $140,004,000. Refer to Note 29 for further details. In addition, there was a working capital adjustment that resulted in a refund of $1,578,000 related to a 2007 acquisition.

(c) Businesses disposed

During the financial year ended 31 December 2009 the Group disposed of its Sub Saharan manufacturing operation. During the financial year ended 31 December 2008, the Group disposed of its MCE South Africa, Diamond Wire, and Residential Water businesses. Details of the disposal are as follows:

	Consolidated	
	2009	2008
	US$'000	US$'000
Book value of net assets sold		
Trade and other receivables	-	5,803
Inventories	539	8,276
Property, plant and equipment	5,487	2,450
Intangible assets	363	-
Prepaids and other assets	628	306
Trade and other payables	(444)	(6,342)
Foreign currency translation reserve	2,683	-
Net assets disposed	9,256	10,493
Working capital adjustment	1,388	-
Disposal costs	1,069	715
Gain (loss) on disposal	(3,910)	9,131
Total proceeds	7,803	20,339
Cash paid - closing costs and working capital adjustment	(2,457)	(715)
Net cash inflow on disposal	5,346	19,624

During the year ended 31 December 2009 the Group also paid $220,000 related to the settlement of the disposal of its diamond wire business in South Africa, which was sold on 2 September 2008.

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32. SHARE-BASED PAYMENTS

The Company has established a Long-term Incentive Plan ("LTIP") to assist in retaining key employees and encouraging a superior performance on a sustained basis. The incentive provided under the LTIP includes an annual grant of rights that will vest based on the satisfaction of either time-base conditions or both performance-based and time-based conditions. Vested rights will convert to ordinary fully paid shares on a one-for-one basis.

Under the terms of the LTIP, the performance share rights vest upon the achievement of the cumulative EPS targets set by the Board. The Board will set a minimum and maximum EPS target for each financial year during the three-year vesting period. Vesting will be determined by the Company's actual performance against cumulative EPS targets for the relevant three-year period. Partial vesting occurs on a pro-rata basis if the cumulative three-year minimum EPS target is surpassed. Full vesting occurs only if the Company's actual EPS performance meets or exceeds the maximum cumulative EPS target for the three-year period. Participants must also remain employed with the Company during the EPS period. The retention share rights vest upon continuous employment with the Company from the grant date until the third anniversary of the grant date. The Company may acquire shares underlying the grants which will be held in trust. The participant will receive dividends paid on those shares from the time of acquisition until vesting.

During the years ended 31 December 2009 and 2008, there were several grants of share rights made under the Long-Term Incentive Plan ("LTIP"). The total share-based expense associated with share rights for the years ended 31 December 2009 and 2008 was $2,460,000 and $1,555,000, respectively.

The Company grants share options to certain senior management in order to attract, retain and properly incentivise those individuals. During 2009, the Company granted 3,450,000 share options to employees. During 2008, the Company's prior CEO announced his retirement and his successor was granted 2,500,000 share options as part of his employment agreement. The share-based expense associated with share options for the years ended 31 December 2009 and 2008 was $661,000 and $354,000, respectively.

In addition, prior to the IPO, there were 643,240 restricted shares granted to Board members in consideration of services performed. The share-based expense recorded relating to the restricted shares during the years ended 31 December 2009 and 2008 was $311,000 and $334,000, respectively.

The following table shows the share-based payment arrangements that were in existence at 31 December 2009:

Series	Number	Grant Date	Vesting Date	Fair Value at Grant Date US$
(1) Issued 12 April 2007	610,808	12-Apr-07	12-Apr-10	1.53
(2) Issued 1 September 2007	432,000	17-Sep-07	1-Jul-10	1.81
(3) Issued 11 April 2008	3,112,801	11-Apr-08	11-Apr-11	1.77
(4) Issued 28 April 2008	1,000,000	28-Apr-08	1-Jan-13	0.69
(5) Issued 28 April 2008	1,500,000	28-Apr-08	1-Jan-14	1.45
(6) Issued 26 June 2008	411,901	26-Jun-08	11-Apr-11	2.10
(7) Issued 23 July 2008	124,000	23-Jul-08	23-Jul-11	2.05
(8) Issued 23 October 2008	487,500	23-Oct-08	23-Oct-11	0.40
(9) Issued 14 January 2009	32,500	14-Jan-09	14-Jan-12	0.18
(10) Issued 25 March 2009	13,625,000	25-Mar-09	25-Mar-12	0.07
(11) Issued 18 June 2009	2,275,000	18-Jun-09	18-Jun-12	0.14
(12) Issued 18 June 2009 *	900,000	18-Jun-09	18-Jun-12	0.14

* Mr. Kipp was awarded 900,000 options on 18 June 2009 by the Board, subject to shareholder approval. Should shareholder approval not be received, the Company is legally committed to provide other compensation of equal value to Mr. Kipp.

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32. SHARE-BASED PAYMENTS (CONTINUED)

The fair value of the rights was determined using the Black-Scholes option pricing model using the following inputs:

	Grant date share price US$	Expected volatility	Life of rights	Dividend yield	Risk-free interest rate
Series 1	1.53	35.95%	36 months	0.00%	6.42%
Series 2	1.81	35.95%	33.5 months	0.00%	6.16%
Series 3	1.77	49.62%	36 months	0.00%	5.43%
Series 4 *	1.63	49.86%	56 months	0.86%	5.58%
Series 5 *	1.63	49.86%	68 months	0.86%	5.58%
Series 6	2.10	50.34%	34 months	0.00%	5.67%
Series 7	2.05	50.62%	36 months	0.00%	5.81%
Series 8	0.40	56.68%	36 months	0.00%	6.11%
Series 9	0.18	73.10%	36 months	0.00%	4.84%
Series 10	0.07	86.74%	36 months	0.00%	5.55%
Series 11 *	0.19	97.29%	60 months	0.00%	5.59%
Series 12 *	0.19	97.29%	60 months	0.00%	5.59%

* Subsequent to the original grant date, the Company's Board of Directors modified the share option exercise price to reflect the dilution impact resulting from the Company's 2009 capital raising program and the related issuance of additional shares subsequent to the original grant date, as follows:

	Original exercise price	Modified exercise price
Series 4	A$1.95	A$1.895
Series 5	A$0.21	A$0.155
Series 11	A$0.30	A$0.245
Series 12	A$0.30	A$0.245

The following reconciles the outstanding restricted shares, LTIP rights and share options at the beginning and end of the financial year:

	Consolidated			
	2009		2008	
	Number of restricted shares, rights and options '000	Weighted average exercise price US$	Number of restricted shares, rights and options '000	Weighted average exercise price US$
Balance at beginning of financial year	8,294	0.25	1,249	0.00
Granted during the financial year	18,177	0.05	7,436	0.28
Forfeited during the financial year	(1,959)	(0.03)	(359)	0.00
Exercised during the financial year	-	-	(32)	0.00
Balance at end of the financial year	24,512	0.11	8,294	0.25
Exercisable at end of the financial year	-	-	-	-

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33. KEY MANAGEMENT PERSONNEL COMPENSATION

Details of key management personnel

The directors and other members of key management personnel of the Group during the year were:

- Graham Bradley - Chairman, non-executive director
- Bruce Brook - Non-executive director
- David McLemore - Non-executive director
- Peter St George - Non-executive director
- David Grzelak - Non-executive director
- Craig Kipp - Chief Executive Officer and Executive Director
- Joseph Ragan III - Chief Financial Officer
- Brad Baker - Senior Vice President, Human Resources
- Fabrizio Rasetti - Senior Vice President, General Counsel and Company Secretary
- Scott Alexander - Vice President of Global Drilling Services (employment ended 31 December 2009)
- Michael Birch - Vice President of Global Products

The aggregate compensation made to key management personnel of the Parent and Group is set out below.

	Consolidated		Parent	
	2009 US$	2008 US$	2009 US$	2008 US$
Short-term employee benefits	5,752,835	6,158,031	700,115	866,533
Post-employment benefits	128,681	155,004	46,797	61,303
Other long-term benefits	360,545	153,000	-	-
Termination benefits	324,487	45,000	-	-
Share-based payment	1,549,832	1,148,217	311,229	334,479
	8,116,380	7,659,252	1,058,141	1,262,315

34. RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

(i) Key management personnel compensation

Details of key management personnel compensation are disclosed in Note 33 to the financial statements.

(ii) Other transactions with key management personnel of the Group.

Details of other transactions with key management personnel are disclosed in Note 32 of the financial statements.

(iii) Key management personnel equity holdings

34. RELATED PARTY TRANSACTIONS (CONTINUED)

Details of key management personnel equity holdings are disclosed below.

	Balance 1 January No.	Net change during year No.	Balance 31 December No.	Balance held nominally No.
2009				
Graham Bradley	2,610,255	2,433,782	5,044,037	-
Bruce Brook	504,053	540,164	1,044,217	-
David McLemore	1,158,609	-	1,158,609	-
Peter St. George	519,188	555,299	1,074,487	-
David Grzelak	10,000	-	10,000	-
Scott Alexander	588,918	-	588,918	-
Michael Birch	664,596	-	664,596	-
Craig Kipp	5,214,626	-	5,214,626	-
Fabrizio Rasetti	1,066,121	-	1,066,121	-

	Balance 1 January No.	Net change during year No.	Balance 31 December No.	Balance held nominally No.
2008				
Graham Bradley	2,383,782	226,473	2,610,255	-
Bruce Brook	154,053	350,000	504,053	-
Geoff Handley	86,486	24,512	110,998	-
David McLemore	808,609	350,000	1,158,609	-
Peter St. George	289,188	230,000	519,188	-
David Grzelak	-	10,000	10,000	-
Paul Brunner	16,869,839	3,175,161	20,045,000	-
Scott Alexander	588,918	-	588,918	-
Michael Birch	664,596	-	664,596	-
Patrick Johnson	1,430,973	(1,430,973)	-	-
Craig Kipp	10,214,626	(5,000,000)	5,214,626	-
Fabrizio Rasetti	984,121	82,000	1,066,121	-

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34. RELATED PARTY TRANSACTIONS (CONTINUED)

Rights, Options and Shares Granted as Compensation to Key Management Personnel

Share Rights and Shares

Details of the rights under the LTIP and restricted shares that were granted as compensation to the KMP during the reporting period, and details of those that were exercised, vested, or lapsed during the financial year are as follows:

Name	Held at the beginning of the Financial Year No.	Granted as Remun-eration No. [1]	Vested during the year No.	Forfeited during the year No.	Held at the end of the Financial Year No.	Vested and Exercisable as at 31 December 2009 No.
Graham Bradley	491,891	-	-	-	491,891	-
Bruce Brook	45,945	-	-	-	45,945	-
David Grzelak	-	-	-	-	-	-
David McLemore	-	-	-	-	-	-
Peter St George	72,972	-	-	-	72,972	-
Craig Kipp	494,710	1,800,000	-	-	2,294,710	-
Joseph Ragan III	300,000	750,000	-	-	1,050,000	-
Fabrizio Rasetti	178,500	550,000	-	-	728,500	-
Scott Alexander	85,000	550,000	-	(635,000)	-	-
Michael Birch	200,000	550,000	-	-	750,000	-
Brad Baker	150,000	550,000	-	-	700,000	-

(1) The fair value of rights at the grant date is the closing price on the 25 March 2009 date of grant (US$0.07), the rights vest over a three-year period from the grant date, with 50% subject to certain performance conditions.

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34. RELATED PARTY TRANSACTIONS (CONTINUED)

Cash Rights

Details of the cash rights that were granted to the KMP during the reporting period, and details of those that were exercised, vested or forfeited during the financial year are as follows:

Name	Held at the beginning of the Financial Year US$	Granted as Remun-eration US$ [1]	Vested during the year US$	Forfeited during the year US$	Held at the end of the Financial Year US$	Vested and Exercisable as at 31 December 2009 US$
Craig Kipp	-	550,000	-	-	550,000	-
Joseph Ragan III	-	275,000	-	-	275,000	-
Fabrizio Rasetti	-	225,000	-	-	225,000	-
Scott Alexander	-	225,000	-	(225,000)	-	-
Michael Birch	-	225,000	-	-	225,000	-
Brad Baker	-	225,000	-	-	225,000	-

(1) The cash rights vest over a three-year period from the grant date, with 50% subject to certain performance conditions.

The rights under the LTIP and the restricted shares were provided at no cost to the recipient.

Options

Name	Held at the beginning of the Financial Year No.	Granted as Remun-eration No.	Vested during the year No.	Forfeited during the year No.	Held at the end of the Financial Year No.	Vested and Exercisable as at 31 December 2009 No.
Craig Kipp	2,500,000	900,000	-	-	3,400,000	-
Joseph Ragan III	-	375,000	-	-	375,000	-
Fabrizio Rasetti	-	275,000	-	-	275,000	-
Scott Alexander	-	275,000	-	(275,000)	-	-
Michael Birch	-	275,000	-	-	275,000	-
Brad Baker	-	275,000	-	-	275,000	-

During the year ended 31 December 2009, the Board awarded to Mr. Kipp 900,000 stock options, subject to shareholder approval. In addition to those options granted to Mr. Kipp, the Board granted a total of 1,475,000 stock options to other KMP. All the stock options granted in 2009 will vest in full and become exercisable on 18 June 2012 if the executive remains continuously employed with the Company until that date. At the date of grant, the options had an original exercise price of A$0.30 per option and a fair market value of US$0.143 per option. On 15 December 2009, in accordance with the ASX listing rules, the Board adjusted the exercise price from A$0.30 per option to A$0.245 per option to reflect the dilution impact resulting from the Company's 2009 capital raising program and the related issuance of additional shares subsequent to the original grant date.

In regards to the 900,000 stock options awarded to Mr. Kipp on 18 June 2009, should shareholder approval not be received, the Company is legally committed to provide other compensation of equal value to Mr. Kipp.

During the year ended 31 December 2008, the previous CEO announced his retirement and Mr. Kipp signed an employment agreement which allowed for the issuance of two tranches of share options. The first tranche of 1,000,000 options vests on 1 January 2013 and had an original exercise price of A$1.95 per option and a fair value on the grant date of US$0.69 per option. The second tranche of 1,500,000 options vests on 1 January 2014 and had an original exercise price of A$0.21 and a fair value on the grant date of US$1.45 per option.

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34. RELATED PARTY TRANSACTIONS (CONTINUED)

On 15 December 2009, in accordance with the ASX listing rules, the Board adjusted the exercise price for the first tranche from A$1.95 per option to A$1.85 per option, and for the second tranche from A$0.21 per option to A$0.155 per option. The changes in exercise price were made to reflect the dilution impact resulting from the Company's 2009 capital raising program and the related issuance of additional shares subsequent to the original grant date. Vesting for both tranches of options is conditioned on Mr. Kipp's employment with the Company on the relevant vesting date, although vesting may accelerate upon certain events such as a change in control. Both tranches of options expire on 31 December 2015.

Except as described above, no options or other rights over shares in the Company have been granted to KMP during or since the end of the financial year.

During the reporting period, no shares were issued on the exercise of options or rights previously granted as compensation.

Analysis of Movements in Rights, Options and Shares

The movement during the reporting period, by value of the relevant rights, options and shares in the Company held by KMP is detailed below:

	Value granted in year			Value forfeited in year		
Name	Entitlement to share rights US$	Entitlement to cash rights US$	Share options US$	Entitlement to share rights US$	Entitlement to cash rights US$	Share options US$
Craig Kipp	132,911	550,000	128,675	-	-	-
Joseph Ragan III	55,380	275,000	53,615	-	-	-
Fabrizio Rasetti	40,612	225,000	39,317	-	-	-
Scott Alexander	40,612	225,000	39,317	227,335	225,000	39,317
Michael Birch	40,612	225,000	39,317	-	-	-
Brad Baker	40,612	225,000	39,317	-	-	-

The value (based upon historic valuations) of outstanding rights, options and shares in the Company held by KMP as at 31 December 2009 is detailed below:

Name	Share rights value as of period end US$	Cash rights value as of period end US$	Options value as of period end US$	Total rights and option value as of period end US$
Craig Kipp	1,008,548	550,000	2,990,983	4,549,531
Joseph Ragan III	175,380	275,000	53,615	503,994
Fabrizio Rasetti	356,557	225,000	39,317	620,874
Scott Alexander	-	-	-	-
Michael Birch	424,147	225,000	39,317	688,464
Brad Baker	306,112	225,000	39,317	570,429

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34. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

Transactions with other related parties consist of the following:

	Consolidated	
	2009 US$	2008 US$
Consulting fees paid to a director	-	34,264

The Company's Chairman, Mr. Bradley, is also the chairman of the unlisted local, Australian subsidiary of HSBC plc, a lender to the Group under its term and revolver bank loans (see Note 17). Terms under the bank loans are at arms length.

35. REMUNERATION OF AUDITORS

	Consolidated		Parent	
	2009 US$	2008 US$	2009 US$	2008 US$
Audit or review of the financial report				
Auditor of the parent entity	1,139,000	1,459,000	20,000	20,000
Related practice of the parent entity auditor	1,254,000	2,199,000	-	-
	2,393,000	3,658,000	20,000	20,000
Non-audit services				
Tax services	826,000	746,000	-	-
Review of tax returns	415,000	590,000	80,000	130,000
Capital raising	420,000	-	420,000	-
Due diligence and other non-audit services	13,000	10,000	-	-
	1,674,000	1,346,000	500,000	130,000

The auditor of Boart Longyear Limited is Deloitte Touche Tohmatsu.

36. SUBSEQUENT EVENTS

The directors have not become aware of any matter or circumstance that has arisen since 31 December 2009 that has affected or may affect the operations of the consolidated entity, the results of those operations, or the state of the consolidated entity in subsequent years.

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