BOART LONGYEAR LIMITED

A.B.N. 49 123 052 728

HALF-YEAR FINANCIAL REPORT

AND

APPENDIX 4D

FOR THE PERIOD ENDED 30 JUNE 2011

CONTENTS

Name of entity:	**BOART LONGYEAR LIMITED**
ABN or equivalent company reference:	**49 123 052 728**
Half year ended ('current period'):	**30 June 2011**
Half year ended ('previous corresponding period'):	**30 June 2010**

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Half-year ended 30 June			
	2011 US$'000	2010 US$'000	$ change	% change
Revenue from ordinary activities	958,765	685,411	273,354	39.9%
Net profit from ordinary activities after tax attributable to members	74,083	32,711	41,372	126.5%
Net profit after tax attributable to members	74,083	32,711	41,372	126.5%

Brief explanation of any figures reported above:

Refer to the Directors' Report

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

	30 June 2011	30 June 2010
Interim dividend	4.8 cents	2.1 cents
Franked amount	1.68 cents	0.735 cents

An interim dividend of US 4.8 cents per share has been determined and is expected to be paid on 7 October 2011 to shareholders of record on 9 September 2011. The dividend will be 35% franked at the Australian corporate taxation rate of 30%. 45% of the unfranked portion of the dividend is conduit foreign income.

Net Tangible Assets per share:

Current period:	$1.57
Previous corresponding period:	$1.28

DIRECTORS' REPORT

The directors present their report together with the financial report of Boart Longyear Limited (the "Parent") and its controlled entities (collectively the "Company") for the half-year ended 30 June 2011.

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

DIRECTORS

The directors of the Company (the "Directors") in office during the half-year and until the date of this report are:

Bruce Brook	
Roger Brown	
Roy Franklin	
Tanya Fratto	Appointed effective 1 June 2011
David Grzelak	Resigned effective 1 June 2011
Craig Kipp	
David McLemore	
Peter St George	

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 Company 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.

REVIEW OF OPERATIONS

Financial performance

Total revenue for the half-year was $958,765,000, an increase of 39.9% when compared to the same period last year. The period-on-period increase is primarily attributable to the improvement of the worldwide economic outlook that has positively impacted our drilling services and products businesses.

The Global Drilling Services division generated revenue of $681,522,000, an increase of 33.5% when compared to the same period last year. The increase is primarily driven by improved rig utilisation.

The Global Products division generated revenue of $277,243,000, an increase of 58.5% when compared to the same period last year. The increase is primarily driven by improved sales volumes of consumables and capital equipment.

Net income after tax for the first half of the year was $74,083,000, an increase of 126.5% when compared to the same period last year.

Earnings per share for the half-year was 16.2 cents on a basic basis and diluted basis, compared to 7.1 cents on a basic and diluted basis for the same period last year.

Dividends

A dividend of US 3.4 cents per share (total of $15,679,556) was paid during the half-year ended 30 June 2011. The dividend, which was for the second half of 2010, was paid on 15 April 2011 and was 35% franked at the Australian corporate taxation rate of 30%. The entire unfranked portion of the dividend was conduit foreign income.

On 19 August 2011, the Directors determined to pay an interim dividend of US 4.8 cents per share (total of $22,135,844) for the half-year ended 30 June 2011. The dividend is expected to be paid on 7 October 2011 to shareholders of record on 9 September 2011. The dividend will be 35% franked at the Australian corporate taxation rate of 30%. 45% of the unfranked portion of the dividend is conduit foreign income. The dividend is not included as a liability in the 30 June 2011 financial statements.

Disposals

There have been no disposals of businesses during the half-year.

Enterprise Resource Planning System Implementation

The Company is in process of implementing 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 converted its North American operations to the ERP system in January 2011 and its Australian, Asian and Western European operations in July 2011. The Company plans to implement the ERP system at its remaining operations in 2012.

Future Developments

The Company 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 and cash generation. The Company may also elect to expand its product or service offerings through organic growth initiatives or strategic acquisitions.

Further information about potential developments in the operations of the Company in future years, expected results of those operations, and strategies of the Company and its prospects for future financial years has been omitted from this report because disclosure of the information would be speculative or prejudicial to the Company.

Events Subsequent to Reporting Date

On 29 July 2011, the Company executed an agreement for a $250,000,000 revolver bank loan facility. Interest rates on borrowings are based on a base rate plus applicable margin. The base rate is generally a USD LIBOR rate, while the margin is determined based on leverage according to a pricing grid. Initial borrowings were based on 30-day LIBOR (0.19%) plus a margin of 1.75%, for a total interest rate of 1.94%. The scheduled maturity date is 29 July 2016.

Concurrent with executing the new $250,000,000 revolver bank loan facility, the Company terminated its $85,000,000 revolver bank loan facility, which had a scheduled maturity date of 10 February 2012.

The initial draw on the $250,000,000 facility was used to repay the borrowings under the $200,000,000 revolver bank loan facility. The $200,000,000 facility, which had a scheduled maturity date of 10 April 2012, was terminated effective 5 August 2011.

The new $250,000,000 revolver bank loan facility contains modified covenants. These covenants include maintaining a gross debt to EBITDA ratio of not more than 3.5:1, and an EBITDA to interest ratio of not less than 3.0:1. The agreement also requires that borrowers and guarantors represent at least 60% of Company EBITDA and total tangible assets of the Company. The facility also includes covenants that restrict the Company’s ability to engage in certain activities, including incurring additional indebtedness and paying dividends, subject in each case to specified exceptions and qualifications.

In the opinion of the Directors, there has not arisen in the interval between the end of the half-year and the date of the report, any additional matter or circumstance that have significantly affected, or may significantly affect, the Company’s operations, results or state of affairs in future financial years.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's independence declaration is on page 7 of this report.

ROUNDING OF AMOUNTS

Boart Longyear Limited is a company of the kind referred to in Class Order 98/100, dated 10 July 1998, 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 half-year 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 made pursuant to section 306(3) of the Corporations Act 2001.

On behalf of the Directors

David R. McLemore

David McLemore
Chairman

19 August 2011

Deloitte Touché Tohmatsu
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The Directors
Boart Longyear Limited
919 – 929 Marion Road
Mitchell Park SA 5043
Australia

19 August 2011

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 review of the consolidated financial statements of Boart Longyear Limited for the half-year ended 30 June 2011, 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 review; and

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Andrew Griffiths

A V Griffiths
Partner
Chartered Accountants

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Independent Auditor's Review Report to the members of Boart Longyear Limited

We have reviewed the accompanying half-year financial report of Boart Longyear Limited, which comprises the condensed consolidated statement of financial position as at 30 June 2011, and the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 10 to 24.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Boart Longyear Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001.* We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Boart Longyear Limited would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the half-year ended on that date; and

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Andrew Griffiths

A V Griffiths
Partner
Chartered Accountants
Sydney, 19 August 2011

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; and

(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.

Signed in accordance with a resolution of the Directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the Directors

David R. McLemore

David McLemore
Chairman

19 August 2011

Condensed Consolidated Statement of Comprehensive Income

For the half-year ended 30 June 2011

	Note	Half-year ended 30 June 2011 US$'000	Half-year ended 30 June 2010 US$'000
Continuing operations			
Revenue		958,765	685,411
Cost of goods sold		(699,827)	(520,645)
Gross margin		258,938	164,766
Other income	**4**	3,111	1,498
General and administrative expenses		(115,763)	(84,956)
Selling and marketing expenses		(25,955)	(19,417)
Other expenses	**4**	(7,653)	(11,337)
Operating profit		112,678	50,554
Interest income		2,410	1,626
Finance costs	**5**	(9,375)	(4,416)
Profit before taxation		105,713	47,764
Income tax expense		(31,630)	(15,053)
Profit for the period attributable to equity holders of the parent		74,083	32,711
Earnings per share			
Basic earnings per share		16.2 cents	7.1 cents
Diluted earnings per share		16.2 cents	7.1 cents
Other comprehensive income (loss)			
Profit for the period attributable to equity holders of the parent		74,083	32,711
Exchange differences arising on translation of foreign operations		26,624	(22,985)
Gains on cash flow hedges recorded in equity		193	272
Transfer to profit or loss on cash flow hedges		137	-
Income tax on income and expense recognised directly through equity		(71)	(96)
Other comprehensive income (loss) for the period, net of tax		26,883	(22,809)
Total comprehensive income for the period attributable to equity holders of the parent		100,966	9,902

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 16 – 24

Condensed Consolidated Statement of Financial Position

As at 30 June 2011

	Note	30 June 2011 US$'000	31 December 2010 US$'000
Current assets			
Cash and cash equivalents		68,631	94,944
Trade and other receivables	**6**	399,367	276,836
Inventories		376,668	283,115
Current tax receivable		17,724	21,705
Prepaid expenses and other assets		25,600	17,965
Defined benefit plan asset	**7**	20,373	-
Total current assets		908,363	694,565
Non-current assets			
Property, plant and equipment		482,615	439,446
Goodwill	**8**	302,310	297,408
Other intangible assets	**8**	112,293	106,295
Deferred tax assets		149,886	147,322
Other assets		1,090	1,918
Defined benefit plan asset	**7**	-	20,335
Total non-current assets		1,048,194	1,012,724
Total assets		1,956,557	1,707,289
Current liabilities			
Trade and other payables		323,257	260,038
Provisions	**10**	22,264	18,398
Other financial liabilities	**11**	2,522	7,272
Current tax payable		60,648	46,338
Loans and borrowings	**9**	40,959	979
Total current liabilities		449,650	333,025
Non-current liabilities			
Loans and borrowings	**9**	294,483	247,490
Deferred tax liabilities		15,890	11,468
Provisions	**10**	56,380	55,337
Total non-current liabilities		366,753	314,295
Total liabilities		816,403	647,320
Net assets		**1,140,154**	**1,059,969**
Equity			
Issued capital		1,128,562	1,132,051
Reserves		109,848	84,577
Other equity		(137,182)	(137,182)
Accumulated profit (losses)		38,926	(19,477)
Total equity		**1,140,154**	**1,059,969**

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 16 – 24

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2011

	Issued Capital US$'000	Foreign Currency Translation Reserve US$'000	Equity Settled Compensation Reserve US$'000	Hedging Reserve US$'000	Other Equity US$'000	Accumulated (Losses) Profit US$'000	Total Attributible to Owners of the Parent US$'000
Balance at 1 January 2010	1,136,347	17,630	6,024	(616)	(137,182)	(84,166)	938,037
Profit for the period	-	-	-	-	-	32,711	32,711
Other comprehensive loss for the period	-	(22,985)	-	176	-	-	(22,809)
Purchase of shares for LTIP	(5,768)	-	-	-	-	-	(5,768)
Share-based compensation expense	-	-	2,001	-	-	-	2,001
Balance at 30 June 2010	**1,130,579**	**(5,355)**	**8,025**	**(440)**	**(137,182)**	**(51,455)**	**944,172**
Balance at 1 January 2011	1,132,051	76,421	8,415	(259)	(137,182)	(19,477)	1,059,969
Profit for the period	-	-	-	-	-	74,083	74,083
Other comprehensive income for the period	-	26,624	-	259	-	-	26,883
Payment of dividends	-	-	-	-	-	(15,680)	(15,680)
Vesting of LTIP rights	4,843	-	(4,843)	-	-	-	-
Purchase of shares for LTIP	(8,332)	-	-	-	-	-	(8,332)
Share-based compensation expense	-	-	3,231	-	-	-	3,231
Balance at 30 June 2011	**1,128,562**	**103,045**	**6,803**	**-**	**(137,182)**	**38,926**	**1,140,154**

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 16 – 24

Condensed Consolidated Statement of Cash Flows
For the half-year ended 30 June 2011

	Note	Half-year ended 30 June 2011 US$'000	Half-year ended 30 June 2010 US$'000
Cash flows from operating activities			
Profit for the year		74,083	32,711
Adjustments provided by operating activities:			
Income tax expense recognised in profit		31,630	15,053
Finance costs recognised in profit	**5**	9,375	4,416
Investment revenue recognised in profit		(2,410)	(1,626)
(Gain) Loss on disposal of non-current assets		(619)	700
Impairment of current and non-current assets		-	177
Depreciation and amortisation		52,219	47,198
Foreign exchange loss on intercompany balances		1,114	1,267
Share-based compensation		3,231	2,001
Long-term compensation - cash rights		1,330	619
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:			
Increase in assets:			
Trade and other receivables		(110,333)	(86,239)
Inventories		(81,502)	(49,039)
Other assets		(6,294)	(2,340)
Increase in liabilities:			
Trade and other payables		67,066	42,135
Provisions		1,145	178
Cash generated from operations		40,035	7,211
Interest paid		(12,867)	(8,553)
Interest received		2,410	1,626
Income taxes paid		(7,777)	(13,222)
Net cash flows provided by (used in) operating activities		**21,801**	**(12,938)**

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 16 – 24

Condensed Consolidated Statement of Cash Flows (continued)

For the half-year ended 30 June 2011

	Note	Half-year ended 30 June 2011 US$'000	Half-year ended 30 June 2010 US$'000
Cash flows from investing activities			
Purchase of property, plant and equipment		(83,820)	(36,775)
Purchase of rods and casings		(1,587)	(2,203)
Proceeds from sale of property, plant and equipment		1,731	450
Intangible and development costs paid		(15,987)	(11,229)
Net cash flows used in investing activities		**(99,663)**	**(49,757)**
Cash flows from financing activities			
Purchase shares for LTIP	**14**	(8,332)	(5,768)
Proceeds from borrowings		478,077	125,000
Repayment of borrowings		(387,405)	(55,078)
Payments for debt issuance costs		(6,098)	-
Dividends paid	**13**	(15,680)	-
Net cash flows provided by financing activities		**60,562**	**64,154**
Net (decrease) increase in cash and cash equivalents		**(17,300)**	**1,459**
Cash and cash equivalents at the beginning of the period		**94,944**	**87,557**
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(9,013)**	**3,063**
Cash and cash equivalents at the end of the period		**68,631**	**92,079**

See accompanying Notes to the Condensed Consolidated Financial Statements included on pages 16 – 24

Notes to the Condensed Consolidated Financial Statements

For the half-year ended 30 June 2011

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting' ("AASB 134"). Compliance with AASB 134 ensures compliance with International Accounting Standard 34 'Interim Financial Reporting.' The half-year financial report does not include notes of the type normally included in an annual financial report, but additional notes have been included where such notes are deemed relevant to the understanding of the half-year financial report. The half-year financial report should be read in conjunction with the most recent annual financial report.

General information and basis of preparation

The condensed consolidated financial statements have 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 the fair values of the consideration given in exchange for assets.

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Except where indicated otherwise, all amounts are presented in United States dollars.

2. SUMMARY OF ACCOUNTING POLICIES AND ADOPTION OF NEW STANDARDS

The accounting policies and methods of computation followed in the preparation of the half-year financial report are consistent with those followed and disclosed in the Company's 2010 Annual Financial Report for the financial year ended 31 December 2010, except for the impact of the standards, interpretations and amendments described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Adoption of new and revised Accounting Standards

The Company 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 reporting period. These Standards and Interpretations include:

<u>Related party disclosures</u>
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 commitments involving related parties. The adoption of this amendment did not have an impact on the Company's disclosures.

<u>Prepayments of a Minimum Funding Requirement</u>
AASB 2009-14 'Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement' 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. The adoption of this amendment did not have a significant impact on the Company's financial results or statement of financial position.

2. SUMMARY OF ACCOUNTING POLICIES AND ADOPTION OF NEW STANDARDS (continued)

Recently issued accounting standards to be applied in future reporting periods

The accounting standards and AASB interpretations that will be applicable to the Company in future reporting periods that were not included in the most recent annual financial report are detailed below.

Consolidated Financial Statements
In May 2011, the International Accounting Standards Board ("IASB") issued International Financial Reporting Standard ("IFRS") 10, Consolidated Financial Statements although an Australian equivalent standard has not yet been issued. This standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee. Management does not believe that the adoption of an Australian equivalent of this standard will have a significant impact on the Company's financial results or statement of financial position.

Fair Value Measurement
In May 2011, the IASB issued IFRS 13, Fair Value Measurement although an Australian equivalent standard has not yet been issued. This standard defines fair value and provides guidance on how to determine fair value and requires disclosures about fair value measurement. Management has not yet assessed the impact of the adoption of an Australian equivalent standard.

Employee Benefits
In June 2011, the IASB issued an amendment to International Accounting Standard 19, Employee Benefits although an Australian equivalent standard has not yet been issued. The amendments in this standard require changes in the calculation of the net defined benefit liability (asset) and pension expense and provides changes to certain financial statement disclosures. Management has not yet assessed the impact of the adoption of an Australian equivalent standard.

3. SEGMENT REPORTING

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance is aggregated based on the Company's two general operating activities – Global Drilling Services and Global Products. The Global Drilling Services segment provides a broad range of drilling services to mining companies, energy companies, water utilities, environmental and geotechnical engineering firms, government agencies and other mining services companies. The Global Products segment manufactures and sells capital equipment and consumables to customers in the drilling services and mining industries.

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

	Revenue [1]		Profit	
	Half-year ended		Half-year ended	
	30 June 2011 US$'000	30 June 2010 US$'000	30 June 2011 US$'000	30 June 2010 US$'000
Global Drilling Services	681,522	510,507	89,559	53,702
Global Products	277,243	174,904	61,531	32,172
	958,765	685,411	151,090	85,874
Unallocated [2]			(38,412)	(35,320)
Finance costs			(9,375)	(4,416)
Interest income			2,410	1,626
Profit before taxation			105,713	47,764

(1) Represents revenue generated from external customers.
(2) Unallocated costs include corporate general and administrative costs as well as other expense items such as restructuring costs and foreign exchange gains and losses.

4. OTHER INCOME AND EXPENSES

For the half-years ended 30 June, other income and expenses consist of the following:

	2011 US$'000	2010 US$'000
Other income		
Profit on foreign currency-denominated assets and liabilities	763	-
Profit on disposal of property, plant and equipment	619	-
Miscellaneous	1,729	1,498
	3,111	1,498
Other expenses		
Amortisation of intangible assets	7,487	4,290
Restructuring expenses	166	635
Loss on foreign currency-denominated assets and liabilities	-	4,778
Loss on disposal of property, plant and equipment	-	700
Loss on investments	-	934
	7,653	11,337

5. FINANCE COSTS

For the half-years ended 30 June, finance costs consist of the following:

	2011 US$'000	2010 US$'000
Interest on loans and bank overdrafts	7,940	1,626
Interest rate swap expense	346	2,467
Interest rate swap expense due to debt repayment	137	-
Amortisation of debt issuance costs	631	191
Write-off of debt issuance costs	196	-
Interest on obligations under finance leases	125	132
	9,375	4,416

6. TRADE AND OTHER RECEIVABLES

	30 June 2011 US$'000	31 December 2010 US$'000
Trade receivables	358,076	245,842
Allowance for doubtful accounts	(1,633)	(3,619)
Goods and services tax receivable	34,361	23,978
Other receivables	8,563	10,635
	399,367	276,836

The ageing of trade receivables is detailed below:

	30 June 2011 US$'000	31 December 2010 US$'000
Current	279,047	172,930
Past due 0 - 30 days	51,105	43,050
Past due 31 - 60 days	12,159	13,710
Past due 61-90 days	8,237	6,302
Past due 90 days	7,528	9,850
	358,076	245,842

The movement in the allowance for doubtful accounts is detailed below:

	30 June 2011 US$'000	31 December 2010 US$'000
Opening Balance	3,619	5,940
Additional provisions	326	2,651
Amounts used	(2,018)	(1,271)
Amounts reversed	(344)	(3,653)
Foreign currency exchange differences	50	(48)
Closing balance	1,633	3,619

The average credit period on sales of goods is 61 days as at 30 June 2011. No interest is charged on trade receivables.

The Company's policy requires customers to pay the Company in accordance with agreed payment terms. The Company'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 statement of financial position. Trade receivables have been aged according to their original due date in the above aging analysis. The Company holds security for a number of trade receivables in the form of letters of credit, deposits, and advanced payments.

The Company has used the following criteria 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.

7. DEFINED BENEFIT PLAN ASSET

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 Company expects to receive the $20,373,000 net pension asset, less liquidation charges and any additional claims, within the next 12 months.

8. GOODWILL AND OTHER INTANGIBLES

	30 June 2011 US$'000	31 December 2010 US$'000
Goodwill	302,310	297,408
Other Intangibles:		
Software	46,169	41,607
Customer relationships	39,234	41,771
Development assets	21,480	17,943
Patents	2,748	2,100
Trademarks	2,662	2,874
	112,293	106,295

Goodwill by cash-generating units

For purposes of impairment testing, goodwill is included in cash-generating units that are significant individually or in aggregate. The carrying amount of goodwill included in cash generating units, by geographic area, is as follows:

	30 June 2011 US$'000	31 December 2010 US$'000
Asia Pacific	160,623	155,731
North America	107,374	107,075
Latin America	34,313	34,602
	302,310	297,408

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. If goodwill is impaired, it is written down to its recoverable amount. The Company concluded that there were no indicators of impairment in the half-year ended 30 June 2011. The movement in goodwill for the half-year ended 30 June 2011 was due to currency exchange differences arising on translation of foreign operations.

9. LOANS AND BORROWINGS

	30 June 2011 US$'000	31 December 2010 US$'000
Unsecured - at amortised cost		
Current		
Revolver bank loans	41,000	-
Debt issuance costs	(705)	-
Non-current		
Senior notes	300,000	-
Term bank loans	-	65,000
Revolver bank loans	-	183,000
Debt issuance costs	(5,608)	(1,044)
Secured - at amortised cost		
Current - finance lease liabilities	664	979
Non-current - finance lease liabilities	91	534
	335,442	248,469
Disclosed in the financial statements as:		
Current borrowings	40,959	979
Non-current borrowings	294,483	247,490
	335,442	248,469
A summary of the maturity of the Company's borrowings is as follows:		
Less than 1 year	40,959	979
Between 1 and 2 years	91	247,289
Between 2 and 3 years	-	194
Between 3 and 4 years	-	7
More than 4 years	294,392	-
	335,442	248,469

Senior Notes

On 28 March 2011, the Company issued $300,000,000 of senior unsecured notes at an interest rate of 7% with a scheduled maturity date of 1 April 2021. The net proceeds were used to repay the Company's $65,000,000 term loan and $230,000,000 in borrowings under its revolving loan facilities. The Company may redeem all or a portion of the notes prior to maturity subject to certain conditions, including in certain cases the payment of premiums or make-whole amounts. Guarantors of the senior notes are the same as the $85,000,000 revolver bank loan facility described below.

The indenture governing the notes includes covenants that restrict the Company's ability to engage in certain activities, including incurring additional indebtedness and paying dividends, subject in each case to specified exceptions and qualifications.

Term Bank Loan

In March 2011, the Company repaid its $65,000,000 term bank loan, which had a scheduled maturity date of 10 April 2012.

9. LOANS AND BORROWINGS (continued)

Revolver Bank Loans

Bank facilities include two revolving loans. A $200,000,000 facility has $41,000,000 drawn as at 30 June 2011 with an interest rate margin of 0.65% over 30-day LIBOR, set at the time of the draws, (totaling 0.90% as at 30 June 2011) and a scheduled maturity date of 10 April 2012. $183,000,000 was drawn as at 31 December 2010 with an interest rate totaling 0.9625%. Outstanding letters of credit of $2,305,000 and $2,205,000 as at 30 June 2011 and 31 December 2010, respectively, reduce the amount available to draw under the revolver.

An $85,000,000 bank facility with a scheduled maturity date of 10 February 2012 and an interest rate margin of 1.75% over LIBOR, set at the time of the draws, is undrawn as at 30 June 2011 and 31 December 2010.

Loan Covenants - Revolver Bank Loans

The Company's revolver bank loans contain covenants and restrictions requiring the Company 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 (offset by cash) to EBITDA ratio of not more than 3.75:1 for the facility that comprises the $200,000,000 revolver and 3.50:1 for the $85,000,000 revolver facility. An EBITDA to interest ratio of not less than 3.0:1 is required for both facilities. The agreement for the $200,000,000 revolver also requires that borrowers and guarantors represent at least 75% of Company EBITDA and total tangible assets of the Company. The $85,000,000 revolver facility requires that borrowers and guarantors represent at least 70% of Company EBITDA and has no tangible asset covenant. 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 Company is in compliance with the debt covenants as at 30 June 2011 and 31 December 2010.

The bank facilities also include covenants that restrict the Company's ability to engage in certain activities, including incurring additional indebtedness and paying dividends, subject in each case to specified exceptions and qualifications.

Finance Leases

Finance lease liabilities are secured by the leased assets and have interest rates ranging from 6.77% to 13.08% and repayment periods not exceeding 3 years.

10. PROVISIONS

	30 June 2011 US$'000	31 December 2010 US$'000
Current		
Employee benefits	18,444	13,323
Restructuring and termination costs	3,450	4,462
Warranty	370	613
	22,264	18,398
Non-current		
Employee benefits	6,555	4,993
Pension and post-retirement benefits	49,825	50,344
	56,380	55,337
	78,644	73,735

Full actuarial valuations of the defined benefit pension and post-retirement benefit plans are performed annually by qualified independent actuaries for the Company's 31 December year-end closing. Management believes that movements in the defined benefit obligations and fair values of plan assets during the half-year ended 30 June 2011 have not been significant and, as a result, has not performed full actuarial valuations at 30 June 2011.

11. FINANCIAL INSTRUMENTS

Interest rate swap contracts

Under interest rate swap contracts, the Company agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Company 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 the reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the start of the financial year.

The following table details the notional principal amounts and the remaining terms of interest rate swap contracts outstanding as at reporting dates.

	Average contracted fixed interest rate		Notional principal amount		Fair value	
Outstanding floating for fixed contracts	30 June 2011 %	31 December 2010 %	30 June 2011 US$'000	31 December 2010 US$'000	30 June 2011 US$'000	31 December 2010 US$'000
Less than 1 year	5.1825%	5.1825%	200,000	200,000	(2,522)	(7,272)

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

Any effective portion of the interest rate swap contracts, exchanging floating rate interest amounts for fixed rate interest amounts, are designated as cash flow hedges in order to reduce the Company'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 respective loan. As at 30 June 2011, the interest rate swap contracts are not considered to be effective due to the repayment of the term loans (see Note 9).

12. CONTINGENCIES

Legal claims

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

13. DIVIDENDS

A dividend of US 3.4 cents per share (total of $15,679,556) was paid during the half-year ended 30 June 2011. The dividend, which was for the second half of 2010, was paid on 15 April 2011 and was 35% franked at the Australian corporate taxation rate of 30%. The entire unfranked portion of the dividend was conduit foreign income.

On 19 August 2011, the Directors determined to pay an interim dividend of US 4.8 cents per share (total of $22,135,844) per share for the half-year ended 30 June 2011. The dividend is expected to be paid on 7 October 2011 to shareholders of record on 9 September 2011. The dividend will be 35% franked at the Australian corporate taxation rate of 30%. 45% of the unfranked portion of the dividend is conduit foreign income. The dividend is not included as a liability in the 30 June 2011 financial statements.

There were no dividends declared or paid during the half-year ended 30 June 2010.

14. ISSUANCE OF SHARE RIGHTS AND PURCHASE OF SHARES

During the half-year ended 30 June 2011, the Company granted 2,118,435 share rights under its long-term incentive plan (LTIP) with a combined fair value of approximately $9,280,000 and vesting period of three years. The Company also purchased 1,702,069 shares of the Company's stock, at a cost of approximately $8,332,000.

15. SUBSEQUENT EVENT

On 29 July 2011, the Company executed an agreement for a $250,000,000 revolver bank loan facility. Interest rates on borrowings are based on a base rate plus applicable margin. The base rate is generally a USD LIBOR rate, while the margin is determined based on leverage according to a pricing grid. Initial borrowings were based on 30-day LIBOR (0.19%) plus a margin of 1.75%, for a total interest rate of 1.94%. The scheduled maturity date is 29 July 2016.

Concurrent with executing the new $250,000,000 revolver bank loan facility, the Company terminated its $85,000,000 revolver bank loan facility, which had a scheduled maturity date of 10 February 2012.

The initial draw on the $250,000,000 facility was used to repay the borrowings under the $200,000,000 revolver bank loan facility. The $200,000,000 facility, which had a scheduled maturity date of 10 April 2012, was terminated effective 5 August 2011.

The new $250,000,000 revolver bank loan facility contains modified covenants. These covenants include maintaining a gross debt to EBITDA ratio of not more than 3.5:1, and an EBITDA to interest ratio of not less than 3.0:1. The agreement also requires that borrowers and guarantors represent at least 60% of Company EBITDA and total tangible assets of the Company. The facility also includes covenants that restrict the Company's ability to engage in certain activities, including incurring additional indebtedness and paying dividends, subject in each case to specified exceptions and qualifications.