

notes to the financial statements

for the year ended 30 June 2009

The accompanying notes form part of this financial report.

Note 1. Statement of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the consolidated group of Industrea Limited and controlled entities, and Industrea Limited as an individual parent entity. Industrea Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of Industrea Limited and controlled entities, and Industrea Limited as an individual parent entity complies with all International Financial Reporting Standards (IFRS) in their entirety.

No new Australian Accounting Standards that have been issued but are not yet effective have been applied in the preparation of this financial report. Such standards are not expected to have a material impact on the consolidated entity's financial report on initial application other than AASB8 "Operating Segments" which is effective for reporting periods beginning on or after 1 January 2009. The application of AASB8 "Operating Segments" may result in a different presentation of segment financial results.

The financial report has been authorised for issue by the board of directors on 24 September 2009.

The following is a summary of the material accounting policies adopted by the consolidated group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented.

The financial report has been prepared on an accruals basis and is based on historical costs except for derivatives and held-for-trading financial instruments that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged are adjusted to record changes in the fair value attributable to the risks that are being hedged.

a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Industrea Limited ("company" or "parent entity") as at 30 June 2009 and the results of all controlled entities for the year then ended. Industrea Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated Income statement and balance sheet respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated balance sheet from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Industrea Ltd.

b) Business Combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for using the purchase method. The purchase method requires an acquirer of the businesses to be identified and for the cost of the acquisition and fair value of the identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit and loss.

notes to the financial statements

for the year ended 30 June 2009

Note 1. Statement of significant accounting policies continued

c) Income tax

Income tax benefit (expense) for the year comprises current income tax benefit (expense) and deferred income tax benefit (expense).

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Industrea Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the Group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The tax consolidated group has entered a tax sharing agreement whereby each company in the Group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

d) Foreign currency translation

Transactions and balances

Foreign currency transactions are initially translated into Australian currency at the rate of exchange on the date of the transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are recognised in the income statement.

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

e) Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

f) Trade and other receivables

All trade debtors are recognised at amortised cost using the effective interest method. Collectability of trade debtors is reviewed on an ongoing basis. Debts, which are known to be impaired, are written off or otherwise provided for.

g) Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of stock on the basis of weighted average costs.

notes to the financial statements

for the year ended 30 June 2009

Note 1. Statement of significant accounting policies continued

h) Financial assets

The Group classifies its financial assets into the categories below. The classification depends on the purpose for which the investments were acquired. Management determines the classifications of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this classification at each reporting date.

Held-to-maturity investments

These investments have fixed maturities and it is the Group's intention to hold these investments to maturity. These investments are recognised at amortised cost using the effective interest method.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Available for sale financial assets

Available for sale assets are reflected at fair value. Unrealised gains and losses are recognised directly in equity.

Financial Instruments

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Other

Other financial instruments include trade and other receivables and financial liabilities which include trade and other payables and borrowings. Refer to note 1 f), n) and o) for further details.

i) Derivatives and hedging activities

The Group uses derivative instruments such as forward exchange contracts and interest rate swap contracts, to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured to fair value at each reporting date. The resulting gain or loss arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, is recognised in the income statement immediately.

The fair value of forward exchange contracts is determined using forward foreign exchange market rates at reporting date. The market rates are provided by the counterparty to the derivative.

The fair value of interest rate swap contracts is calculated as the present value of estimated future cash flows. The interest rate swap contracts do not qualify for hedge accounting.

The foreign exchange contracts entered into by the Group are designated and qualify as cash flow hedges.

The Group documents, at the inception of the hedging transaction, the relationship between hedging instruments and hedged items as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in the hedging transaction have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The gains or losses in respect of hedged transactions, which relate to future sales, are deferred and included in the measurement of the sale to which they relate when the anticipated transaction occurs. Any gains or losses on the hedge transaction after that date are included in the income statement.

notes to the financial statements

for the year ended 30 June 2009

Note 1. Statement of significant accounting policies continued

i) Derivatives and hedging activities continued

The net amount receivable as a result of a hedge transaction is included as an asset or liability in the balance sheet from the date of inception of the hedge. The corresponding unrealised gain or loss is recognised in equity in the hedging reserve. Changes in the fair value of the forward foreign exchange contracts are recognised through the hedging reserve until the anticipated underlying transaction occurs. Once the anticipated underlying transaction occurs amounts accumulated in equity are recycled through the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised or no longer qualifies for hedge accounting. At that point in time any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity and is recognised when the forecast transaction is ultimately recognised. If a hedged transaction is no longer expected to occur the net cumulative gain or loss recognised in equity is transferred to the income statement for the year.

j) Property, plant and equipment

Plant and equipment are measured on the cost basis less any accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful life of plant and equipment is 3 to 10 years. Where items of plant and equipment have separately identifiable components, which are subject to regular replacement, those components are assigned useful lives distinct from the item of plant and equipment to which they relate.

Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amount equal to the fair value of the leased assets or present value of minimum lease payments. Lease payments are allocated between the reduction of the lease liability and interest expense.

Lease payments for operating leases where substantially all the risks and benefit remain with the Lessor are charged as expenses in the period when incurred.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

k) Impairment of assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

notes to the financial statements

for the year ended 30 June 2009

Note 1. Statement of significant accounting policies continued

l) Leasehold improvements

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease, or the estimated useful life of the improvement to the consolidated entity, whichever is the shorter.

m) Intangible assets

Acquired separately and from a business combination

Intangible assets acquired are capitalised at cost. Intangible assets acquired from a business combination are recognised separately from goodwill and capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of intangible assets are assessed and the asset is amortised over its useful life on a straight-line basis. The useful life of acquired customer contracts is 3 years.

Intangible assets are tested for impairment where an indicator of impairment exists. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business exceeds the fair value attributed to its net assets at the date of acquisition.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relative to the entity sold.

Research and Development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies reflect that the project will deliver future economic benefits and that these benefits can be measured reliably. Development costs are amortised on a straight line basis over an estimated useful life of between 3 and 5 years.

n) Financial liabilities

Borrowings are initially recognised at fair value, net of transaction costs incurred. Convertible bond borrowings are measured at the fair value of the liability portion of the convertible bond as determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bond. The remainder of the proceeds are allocated to the conversion option. This is recognised and included in shareholders equity, net of income tax effects.

o) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition.

notes to the financial statements

for the year ended 30 June 2009

Note 1. Statement of significant accounting policies continued

p) Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Equity-settled compensation

The Group operates a number of share-based compensation plans. These include both a share option arrangement, employee share scheme and a performance rights plan. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options and rights are ascertained using Black-Scholes and binomial pricing models which incorporate all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

q) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are included in the costs of qualifying assets or relate to establishment costs which are amortised over the term of borrowing.

Borrowing costs include:

- interest on bank overdrafts and short-term and long-term borrowings;
- finance lease charges;
- amortisation of borrowing costs; and
- unwinding of the discount on convertible bonds.

r) Cash and cash equivalents

For purposes of the statement of cash flows, cash and cash equivalents includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

s) Earnings per share

Basic earnings per share

Basic earnings per share is determined by dividing the net profit after income tax attributable to members of the company, excluding any costs of servicing other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

t) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Contract revenue is recognised at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the entity and the economic benefit can be reliably measured. Contract revenue is recognised in the income statement in proportion to the work performed or stage of completion of the transaction at balance date.

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

notes to the financial statements

for the year ended 30 June 2009

Note 1. Statement of significant accounting policies continued

u) Government Grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are either credited to deferred income and amortised over the life of the asset to which it relates or deducted from the carrying value of the asset to which it relates.

v) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST except where the amount of GST is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. All receivables and payables in the balance sheet are stated at inclusive of applicable GST. The net amount of GST receivable from or payable to the Australian Taxation Office at the balance date is included in either assets or liabilities as appropriate.

w) Provision for warranties

Provision is made for the Group's estimated liability on all products and services under warranty at balance date. The provision is measured at the present value of estimated future cash flows to settle the warranty obligation.

x) Comparative figures

When required by Australian Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

y) Rounding of amounts

The entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly amounts in the financial report and director's report have been rounded off to the nearest \$1,000.

z) Critical accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Actual results may differ from these estimates.

Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Useful lives of property, plant and equipment and development costs

The Group's management determines the estimated useful lives and related depreciation/amortisation charges for its property, plant and equipment and development costs. The estimates are based on projected utilisation of assets and asset lifecycles for each class of property, plant and equipment and development costs. These could change significantly as a result of technical innovations, competitor actions, industry performance or other factors. Management will increase the depreciation/amortisation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

notes to the financial statements

for the year ended 30 June 2009

Note 1. Statement of significant accounting policies continued

z) Critical accounting estimates and judgements continued

Warranty claims

The Group generally offers warranties for its products. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends or currently known quality information that might suggest that past cost information may differ from future claims. Factors that could impact the estimated claim information include the success of the Group's productivity and quality initiatives, as well as parts and labour costs.

Recognised tax losses

Tax losses have been recognised as it is considered probable that future taxable profits will be generated against which the tax losses could be utilised.

aa) Accounting policies, changes in accounting estimates and errors

In the prior financial year the Group established debt facilities for the purpose of acquiring the Huddy's Mining Services Business. The terms of the debt agreement included a requirement for an approved hedging program to manage interest rate risk on the debt facilities. The Group entered an interest rate swap transaction on terms aligned to the debt facilities in satisfaction of this requirement.

Movement in the fair value of the interest rate swap transaction has been recognised in the income statement in the preliminary financial report, being an expense of \$5.12 million, and in the financial report for the period ended 30 June 2008, being an expense of \$970,000.

In the interim financial report for the period ended 31 December 2008 the interest rate swap transaction was accounted for as a designated hedge and the movement in fair value of the derivative for the half year, of \$6.22 million, was recognised directly in equity. Following a review of the documentary requirements for hedge accounting, in accordance with AASB 139: Financial Instruments: Recognition and Measurement, the Board have determined that movements in the fair value of the interest rate swap should be recognised in the income statement. Adjusted net profit after tax for the half year is not affected by this accounting policy. The impact on the financial result for the half year ended 31 December 2008 of recognising movement in the derivative via the income statement would have been to increase expenses by \$6.22 million as follows:

	Half Year 2008 \$'000
Adjusted net profit after tax	24,645
Profit attributable to members - as reported	3,663
Accounting adjustment as noted above	(6,221)
Loss attributable to members - restated	(2,558)

The balance of retained earnings as at 1 July 2007 has been corrected for adjustments to taxation provisions from prior financial years. The adjustments relate to the disallowance of research and development taxation concessions and transfer of taxation losses from a company acquired in the 2004 financial year. The affect of the correction is to reduce the previously reported opening balance of retained earnings, as at 1 July 2007, by \$1.28 million, to \$2.54 million.

notes to the financial statements

for the year ended 30 June 2009

Note 2. Revenue

	CONSOLIDATED		PARENT ENTITY	
	2009 (\$'000)	2008 (\$'000)	2009 (\$'000)	2008 (\$'000)
Revenue from operating activities	258,718	190,616	-	-
	258,718	190,616	-	-
Revenue from outside the operating activities				
Government grants	665	543	550	526
Management fees	-	-	11,241	10,020
Damage recoveries	80	706	-	-
Other	-	127	-	-
	745	1,376	11,791	10,546
Revenue	259,463	191,992	11,791	10,546

Note 3. Profit for the year

(a) Net gains and expenses

Expenses

Cost of Sales	113,196	72,046	-	-
Depreciation on plant and equipment	17,308	10,737	123	110
Amortisation - acquired customer contracts	17,746	14,956	-	-
Amortisation - capitalised development costs	1,071	637	-	-
	36,125	26,330	123	110

(b) Finance costs

Interest and finance charges paid/payable	16,726	8,201	12,121	3,629
Interest received	(1,160)	(728)	(850)	(543)
	15,566	7,473	11,271	3,086

(c) Other costs

Property related expenses	673	498	46	34
Travel costs	2,044	1,769	413	218
Accounting, tax and audit expenses	536	601	477	545
Computer supplies	448	326	336	125
Printing and stationery	104	124	5	15
Repairs and maintenance	393	343	5	2
Legal Fees	610	146	408	105
Telephone costs	390	294	55	38
Insurance	1,321	888	385	320
Share registry costs	208	321	209	321
Other	1,526	2,115	278	269
	8,253	7,425	2,617	1,992

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Note 4. Income tax expense

	CONSOLIDATED		PARENT ENTITY	
	2009 (\$'000)	2008 (\$'000)	2009 (\$'000)	2008 (\$'000)
INCOME TAX				
(a) Income tax expense / (benefit)				
Income tax comprises				
Current tax expense / (benefit)	16,749	15,813	(4,019)	(51)
Deferred tax expense / (benefit)	(11,055)	(4,099)	294	660
Under / (over) provided in prior year	658	297	-	-
Income tax expense / (benefit)	6,352	12,011	(3,725)	609
Deferred tax expense included in income tax				
(Increase)/decrease in deferred tax asset affecting income tax	(236)	1,297	(138)	1,014
Increase/(decrease) in deferred tax liabilities affecting income tax	(10,819)	(5,396)	432	(354)
Deferred income tax expense / (benefit)	(11,055)	(4,099)	294	660
(b) The Prima facie tax on profit before income tax is reconciled to the income tax provided in the financial report as follows:				
			30% Tax Rate	
Prima facie tax payable on profit before income tax at 30% (2008: 30%):	6,500	12,608	(5,835)	(345)
Add Tax Effect of:				
Amortisation of intangible assets	11,668	4,487	897	-
Other temporary adjustments and non-deductible items	11	12	3	294
Sub total	18,179	17,107	(4,935)	(51)
less Tax Effect of:				
Investment allowance claimed	(99)	-	(4)	-
Other Non-assessable income items and timing adjustments	(132)	435	920	-
Prior period tax losses utilised in current year	(1,199)	(1,729)	-	-
Tax on taxable income/(tax benefit on taxable loss)	16,749	15,813	(4,019)	(51)
Under provision prior year	658	297	-	-
Net movement in opening and closing deferred tax asset and deferred tax liability	(11,055)	(4,099)	294	660
Income tax expense / (benefit) in income statement	6,352	12,011	(3,725)	609
(c) Amounts recognised directly in equity:				
Tax effect of conversion right attached to convertible bond issued	-	3,113	-	3,113
Tax effect of derivative instruments: hedge accounted	1,892	-	1,892	-
	1,892	3,113	1,892	3,113
(d) Tax losses				
Tax losses for which deferred tax asset is recognised:	2,769	6,767	2,769	6,767
Potential tax benefit at 30 %	831	2,030	831	2,030

notes to the financial statements

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Note 4. Income tax expense continued

Tax consolidation legislation

Industrea limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly owned entities in the case of a default by the head entity, Industrea Limited.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate Industrea Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Industrea Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities financial statements.

The amounts receivable/payable under the tax funding agreement are due upon the receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of the interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as the current intercompany receivables or payables.

Each entity in the Group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the Group taxpayer approach to allocation.

Note 5. Current assets – Cash and cash equivalents

	CONSOLIDATED		PARENT ENTITY	
	2009 (\$'000)	2008 (\$'000)	2009 (\$'000)	2008 (\$'000)
Cash at bank and on hand	22,004	41,218	9,111	10,935

Note 6. Current assets – Trade and other receivables

Trade receivables	63,518	50,025	84	17
Provision for impairment of receivables	(419)	(125)	-	-
	63,099	49,900	84	17

An impairment loss of \$419,000, (2008: \$125,000) has been provisioned for customers who were in receivership or under administration at the end of the financial year.

As of 30 June 2009, trade receivables of \$1.419 million (2008: \$4 million) were past due but not impaired. The receivables relate to a number of longstanding customers for whom there is no history of default. The ageing analysis of these trade debtors is as follows:

Up to 3 months	431	2,399		
3 to 6 months	988	331		
Over 6 months	-	1,279		
	1,419	4,009		

Note 7. Current assets – Inventories

Raw materials and stores – at cost	14,450	2,542	-	-
Work in progress – at cost	2,045	1,745	-	-
Finished goods – at cost	7,788	11,391	-	-
	24,283	15,678	-	-

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Note 8. Derivatives

	CONSOLIDATED		PARENT ENTITY	
	2009 (\$'000)	2008 (\$'000)	2009 (\$'000)	2008 (\$'000)
Current assets				
Forward exchange contracts	6,307	-	6,307	-
	6,307	-	6,307	-
Non-current liabilities				
Interest rate swap agreements	6,094	970	6,094	970
	6,094	970	6,094	970

Forward exchange contracts – cash flow hedges

In accordance with treasury risk management policies, the Group uses forward exchange contracts to hedge against movements in contracted and anticipated future sales in foreign currencies. The Group designates certain forward exchange contract derivatives as hedging instruments. Designated derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to their fair value at reporting date. Movements in the fair value of designated derivatives are recognised directly in a hedge reserve in equity. The Group did not have designated derivatives in the prior comparative period.

Interest rate swap agreements

The Group uses interest rate swap agreements to hedge against fluctuations in interest rates. Such derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured to fair value at each reporting date. The interest rate swap agreements do not qualify for hedge accounting. The resulting gain or loss arising from changes in the fair value of the derivatives is therefore recognised in the income statement.

Note 9. Current assets – Other assets

Prepayments	399	560	74	202
Other assets	-	202	-	202
Advances to controlled entities	-	-	-	7,479
	399	762	74	7,883

Note 10. Non-current assets – Trade and other receivables

Other receivables	112	278	143	-
	112	278	143	-

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for the year ended 30 June 2009

Note 11. Non-current assets – Property, plant and equipment

	CONSOLIDATED		PARENT ENTITY	
	2009 (\$'000)	2008 (\$'000)	2009 (\$'000)	2008 (\$'000)
Plant and equipment purchased				
At cost	78,892	63,352	734	661
Accumulated depreciation	(16,750)	(8,541)	(447)	(369)
	<u>62,142</u>	<u>54,811</u>	<u>287</u>	<u>292</u>
Plant and equipment under finance lease/hire purchase				
At cost	95,385	104,982	-	-
Accumulated amortisation	(14,432)	(6,321)	-	-
	<u>80,953</u>	<u>98,661</u>	<u>-</u>	<u>-</u>
Total plant and equipment	<u>143,095</u>	<u>153,472</u>	<u>287</u>	<u>292</u>

Non-current assets pledged as security

Refer to note 17 for information on non-current assets pledged as security by the parent entity or its controlled entities.

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

	Plant and equipment (\$'000)	Leased plant & equipment (\$'000)	Total (\$'000)
Consolidated			
Carrying amount at 1 July 2008	54,811	98,661	153,472
Additions	8,906	336	9,242
Disposals	(69)	(4,832)	(4,901)
Transfer between classes	3,857	(3,857)	-
Additions through acquisition of entity	2,590	-	2,590
Depreciation/Amortisation expense	(7,953)	(9,355)	(17,308)
Carrying amount at 30 June 2009	<u>62,142</u>	<u>80,953</u>	<u>143,095</u>
Parent entity			
Carrying amount at 1 July 2008	292	-	292
Additions	118	-	118
Disposals	-	-	-
Depreciation/Amortisation expense	(123)	-	(123)
Carrying amount at 30 June 2009	<u>287</u>	<u>-</u>	<u>287</u>

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for the year ended 30 June 2009

Note 12. Non-current assets – Intangible assets

	CONSOLIDATED		PARENT ENTITY	
	2009 (\$'000)	2008 (\$'000)	2009 (\$'000)	2008 (\$'000)
Goodwill	169,622	178,338	-	-
Development cost capitalised	4,008	3,166	-	-
Customer contract valuation	17,413	52,344	-	-
Total non-current assets	191,043	233,848	-	-
Goodwill				
Opening balance	178,338	29,456	-	-
Acquisition of Industrea Mining Equipment Pty Ltd	-	420	-	-
Adjustment to provisional accounting for Huddy's acquisition and earn-out	(9,405)	-	-	-
Acquisition of Huddy's Plant Hire Pty Ltd	-	148,462	-	-
Acquisition of Kade Engineering	689	-	-	-
Closing balance	169,622	178,338	-	-
Development costs				
Opening balance	3,166	2,341	-	-
Capitalised	1,913	1,462	-	-
Amortised	(1,071)	(637)	-	-
Closing balance	4,008	3,166	-	-
Customer contract valuation				
Opening balance	52,344	-	-	-
Valuation on acquisition of Huddy's Plant Hire Pty Ltd	-	67,300	-	-
Amortisation of customer contracts	(17,746)	(14,956)	-	-
Impairment of customer contracts	(17,185)	-	-	-
Closing balance	17,413	52,344	-	-

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the income statement. Goodwill has an indefinite life.

Impairment Disclosures

Customer contract intangible assets

The impairment charge of \$17.185 million arose in the Huddy's Mining Services cash generating unit following the termination of the Handlebar Hill Open Cut Mine with effect from 12 February 2009. The carrying value of customer contract intangible assets at 30 June 2009, of \$17.4 million, will be amortised to the income statement over the remaining useful life, being 16 months, in accordance with the Company's accounting policy.

Goodwill

Goodwill has been allocated for impairment testing purposes to the following cash generating units.

	2009 (\$'000)	2008 (\$'000)
Huddy's Mining Services	139,057	148,462
Diesel Equipment	7,231	6,542
Technology	10,439	10,439
International	12,895	12,895
Total	169,622	178,338

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for the year ended 30 June 2009

Note 12. Non-current assets – Intangible assets (continued)

The recoverable amount of each cash-generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 5 year period with the period extending beyond 5 years extrapolated using an estimated growth rate. The cash flows are discounted using a discount rate of 18%. The long-term growth rate used to extrapolate cash flows beyond the five year period is 2% for the Huddy's Mining Services cash generating unit, and Nil for the other cash generating units. Long term growth rates used are consistent with forecasts included in industry reports and below historical growth rates achieved by the cash generating units.

Management has based the value-in-use calculations on approved budgets for each cash generating unit. Management has determined these budgets based on past performance and its expectations for the future. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the period which are consistent with inflation rates applicable to the locations in which the cash generating units operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment.

Note 13. Deferred Tax

2009	Opening Balance (\$'000)	Net Charged to Income (\$'000)	Net Charged to Equity (\$'000)	Closing Balance (\$'000)
Consolidated				
Deferred tax asset				
Carried forward tax losses	2,030	(1,199)	-	831
Employee benefits	720	75	-	795
Derivative instrument	291	1,537	-	1,828
Provisions	401	(177)	-	224
Gross deferred tax assets	3,442	236	-	3,677
Deferred tax liability				
Deferred tax liability recognised on intangible contracts charged to goodwill	15,703	(10,479)	-	5,224
Deferred tax recognised on conversion right charged to equity	2,767	(897)	-	1,870
Deferred tax recognised on foreign exchange forward provision	-	-	1,892	1,892
Revaluations of financial assets	84	-	-	84
Property, plant and equipment	520	(520)	-	-
Development and government grants	265	1,077	-	1,342
	19,339	(10,819)	1,892	10,413
Parent				
Deferred tax asset				
Carried forward tax losses	2,030	(1,199)	-	831
Employee benefits	70	4	-	74
Derivative instrument	291	1,537	-	1,828
Provisions	36	(29)	-	7
Other	(44)	(175)	-	(219)
	2,383	138	-	2,521
Deferred tax liability				
Revaluations of financial assets	84	-	-	84
Deferred tax recognised on conversion right charged to equity	2,767	(897)	-	1,870
Deferred tax recognised on foreign exchange forward provision	-	-	1,892	1,892
Other: Government grants	-	432	-	432
	2,851	(465)	1,892	4,278

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for the year ended 30 June 2009

Note 13. Deferred Tax continued

2008	Opening Balance (\$'000)	Adjustment to Opening Balance (\$'000)	Net Charged to Income (\$'000)	Net Charged to Equity (\$'000)	Closing Balance (\$'000)
Consolidated					
Deferred tax asset					
Carried forward tax losses	3,531	228	(1,729)	-	2,030
Employee benefits	481	-	239	-	720
Derivative instrument	-	-	291	-	291
Provisions	681	(182)	(98)	-	401
	4,693	46	(1,297)	-	3,442
Deferred tax liability					
Deferred tax liability recognised on intangible contracts charged to goodwill	-	-	(4,487)	20,190	15,703
Deferred tax recognised on conversion right charged to equity	-	-	(346)	3,113	2,767
Work in progress	628	-	(628)	-	-
Revaluations of financial assets	84	-	-	-	84
Property, plant and equipment	427	-	93	-	520
Development and government grants	-	264	1	-	265
Other	30	(1)	(29)	-	-
	1,169	263	(5,396)	23,303	19,339

The Adjustment to opening balance relates to amendments in prior years to taxation assessments of research and development taxation concessions and transfer of taxation losses from a company acquired in the 2004 financial year.

Parent

Deferred tax asset

Carried forward tax losses	3,118	228	(1,316)	-	2,030
Derivative instrument	-	-	291	-	291
Employee benefits	58	-	12	-	70
Provisions	6	-	30	-	36
Other	170	(182)	(32)	-	(44)
	3,352	46	(1,015)	-	2,383

Deferred tax liability

Revaluations of financial assets	84	-	-	-	84
Deferred tax recognised on conversion right charged to equity	-	-	(346)	3,113	2,767
Other	8	-	(8)	-	-
	92	-	(354)	3,113	2,851

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for the year ended 30 June 2009

Note 14. Current liabilities – Trade and other payables

	CONSOLIDATED		PARENT ENTITY	
	2009 (\$'000)	2008 (\$'000)	2009 (\$'000)	2008 (\$'000)
Unsecured				
Trade payables	29,406	21,506	288	3,124
Other payables	2,513	11,581	1,861	1,392
Annual leave accrual	1,607	2,089	120	113
Unearned income	148	88	-	-
Accrued PAYG	380	160	116	49
Accrued payroll tax	101	(19)	10	8
Accrued fringe benefits tax	15	10	-	-
Accrued GST payable	1,569	1,931	206	97
Accrued superannuation	214	62	-	2
	35,953	37,408	2,601	4,785

Note 15. Current liabilities – Financial liabilities

Secured

Hire purchase liabilities	17,568	28,682	-	-
Bank bills	-	8,500	-	8,500
Bank loans – secured	2,700	1,575	2,700	1,575
Less Capitalised borrowing costs	(2,628)	(2,595)	(2,628)	(2,595)
	17,640	36,162	72	7,480

Unsecured

Corporate credit card	45	25	3	-
Total Current Financial liabilities	17,685	36,187	75	7,480

Refer to Note 17 for terms and conditions.

Note 16. Short term provisions

2009	Short term employee		
	benefits \$'000	Warranties \$'000	Total \$'000
Consolidated			
Opening Balance at 1 July 2008	571	717	1,288
Increase/(decrease) in provision	229	(597)	(368)
Closing Balance at 30 June 2009	800	120	920
Parent Entity			
Opening Balance at 1 July 2008	22		
Increase in provision	28		
Closing Balance at 30 June 2009	50		

notes to the financial statements

for the year ended 30 June 2009

Note 16. Short term provisions (continued)

2008	Short term employee benefits \$'000	Warranties \$'000	Total \$'000
Consolidated			
Opening Balance at 1 July 2007	365	366	731
Increase in provision	206	351	557
Closing Balance at 30 June 2008	571	717	1,288
Parent Entity			
Opening Balance at 1 July 2007	7		
Increase in provision	15		
Closing Balance at 30 June 2008	22		

Note 17. Non-current liabilities – Financial liabilities

	CONSOLIDATED		PARENT ENTITY	
	2009 (\$'000)	2008 (\$'000)	2009 (\$'000)	2008 (\$'000)
Secured				
Lease liabilities	-	-	-	-
Hire purchase liabilities	16,220	38,603	-	-
Bank loans	98,032	50,883	98,032	50,883
Less capitalised borrowing costs	(1,977)	(4,563)	(1,977)	(4,563)
Total secured non-current interest bearing liabilities	112,275	84,923	96,054	46,320
Unsecured				
Convertible bonds	68,766	65,777	68,766	65,777
Total Non-current financial liabilities	181,041	150,700	164,820	112,097
Secured liabilities				
Total secured liabilities (current and non-current) are:				
Bank bills	-	8,500	-	8,500
Hire purchase liabilities	33,787	67,285	-	-
Bank loans	100,732	52,458	100,732	52,458
Total secured liabilities	134,519	128,243	100,732	60,958

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for the year ended 30 June 2009

Note 17. Non-current liabilities – Financial liabilities (continued)

	CONSOLIDATED		PARENT ENTITY	
	2009 (\$'000)	2008 (\$'000)	2009 (\$'000)	2008 (\$'000)
Credit standby arrangements				
Bank guarantee facilities				
Bank guarantee relating to long term contracts	232	500	100	500
Used at balance date	158	26	26	26
Unused at balance date	74	474	74	474
Working capital facilities				
Total working capital facilities	24,748	24,500	24,748	24,500
Used working capital facility at balance date	7,648	9,590	-	8,500
Unused at balance date	17,100	14,910	24,748	16,000
Bank loan facilities				
Total bank loan facilities	125,732	127,500	125,732	127,500
Used bank loan facility at balance date	100,732	52,500	100,732	52,500
Unused at balance date	25,000	75,000	25,000	75,000
Convertible bond facilities				
Total convertible bond facility	75,000	75,000	75,000	75,000
Used convertible bond facility at balance date	75,000	75,000	75,000	75,000
Unused at balance date	-	-	-	-

Used working capital facilities at 30 June 2009 comprises performance bonds raised in favour of offshore customers. The bonds are required to be in place, in accordance with contractual terms, during the build and warranty period of export sales.

Lease and hire purchase

Lease and hire purchase liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

Borrowing costs

Borrowing costs relate to expenses incurred in relation to the issue of the bank loans and the convertible bonds. These costs are being amortised over period to maturity of the bank loans and convertible bonds. This period being 36 months in respect of each class of borrowing.

notes to the financial statements

for the year ended 30 June 2009

Note 17. Non-current liabilities – Financial liabilities (continued)

Convertible Bonds

The terms and conditions of the convertible bonds are:

Conversion: Holders of the bonds will have the right to convert Bonds into Ordinary shares at the then applicable conversion price at any time on or after the date which is 10 trading days after the date of public announcement by the issuer of its preliminary consolidated financial results for the year ended 30th June 2008 up to the close of business on the date which is 10 business days prior to the Maturity Date or, if the bond has been called for redemption prior to the Maturity Date, then up to the close of business on the date which is 10 days prior to the date fixed for redemption thereof. The issuer may elect in lieu of issuing Ordinary Shares upon any conversion of a Bond to pay the holder an amount equal to the value of the ordinary shares.

Maturity date: 28th March 2011.

Interest rate: 4 %

Initial conversion price: A\$0.60

Conversion price reset: On the date falling 10 trading days immediately after the results announcement date and each 20 March commencing 20 March 2009 the conversion price will be reset to the lower of (a) the arithmetic average of the VWAP for one ordinary share for the 10 consecutive trading days ending on the day immediately prior to the reset date and (b) the then prevailing Conversion Price, provided that the adjusted conversion price is not less than 65 % of the Initial Conversion Price.

Conversion price after reset post 20 March 2009 reset is A\$0.39.

A reconciliation of the carrying value of the convertible bond to the face value of the bond is as follows:

	2009 (\$'000)	2008 (\$'000)
Convertible bond at face value	75,000	75,000
Fair value of convertible bond recognised in equity	(10,375)	(10,375)
Recognised at initial receipt of bond	64,625	64,625
Amortisation of the fair value through the income statement	4,141	1,152
Carrying value at year end	68,766	65,777

Bank Loans and overdraft

The overdraft and bank loan facilities of Industrea Limited and its subsidiaries are secured by an interlocking guarantee and Indemnity between Industrea Limited and its subsidiaries, supported by a fixed and floating charge over the whole of the assets and uncalled capital and uncalled but unpaid capital of Industrea Limited and its subsidiaries. In addition the bank has Commercial Mortgages over all the land and building assets of Industrea Limited and its subsidiaries. Industrea Limited has also provided a negative pledge to National Australia Bank.

Note 18. Non-current liabilities – Non-interest bearing liabilities

	CONSOLIDATED		PARENT ENTITY	
	2009 (\$'000)	2008 (\$'000)	2009 (\$'000)	2008 (\$'000)
Advances from controlled entities	-	-	23,968	-
	-	-	23,968	-

notes to the financial statements

for the year ended 30 June 2009

Note 19. Issued Capital

Movements in ordinary share capital - 2009

Date	Details	Number of shares	Issue price	(\$'000)
1 July 2008	Balance	790,136,843		91,082
1 October 2009	Huddy's Mining Services Tranche 2 payment	72,886,297	0.343	25,000
28 February 2009	Acquisition of Kade Engineering	1,000,000	0.20	200
		864,023,140		116,282

Movements in ordinary share capital - 2008

1 July 2008	Balance	669,470,611		41,985
31 Aug 2007	Options exercised	499,998	0.15	75
3 Sept 2007	Options exercised	60,000	0.15	9
19 Sept 2007	Options exercised	99,999	0.15	15
24 Sept 2007	Options exercised	5,750,000	0.15	863
28 Sept 2007	Options exercised	100,000	0.15	15
3 Oct 2007	Options exercised	9,049,994	0.15	1,358
19 Oct 2007	Options exercised	20,000	0.15	3
26 Oct 2007	Options exercised	250,000	0.15	37
31 Oct 2007	Options exercised	20,000	0.15	3
5 Nov 2007	Options exercised	1,199,998	0.15	180
15 Nov 2007	Options exercised	3,304,714	0.15	496
21 Nov 2007	Options exercised	1,500,000	0.15	225
28 Nov 2007	Earn out shares issued	4,598,428	0.50	2,341
5 Dec 2007	Options exercised	1,000,000	0.15	150
11 Dec 2007	Options exercised	1,000,000	0.15	150
2 Jan 2008	Options exercised	650,000	0.15	98
2 Jan 2008	Conversion of Preference shares	4,321,022	0.58	2,500
8 Jan 2008	Options exercised	999,999	0.15	150
8 Jan 2008	Earn out shares issued	1,948,461	0.62	1,200
18 Feb 2008	Options exercised	1,504,716	0.15	225
22 Feb 2008	Options exercised	1,349,999	0.15	202
27 Feb 2008	Options exercised	499,998	0.15	75
29 Feb 2008	Options exercised	1,350,000	0.15	202
29 Feb 2008	Huddy's Plant Hire acquisition	72,759,353	0.52	37,500
18 March 2008	Options exercised	300,000	0.15	45
20 March 2008	Options exercised	3,197,482	0.15	480
27 March 2008	Options exercised	500,000	0.15	75
28 March 2008	Options exercised	2,832,071	0.15	425
		790,136,843		91,082

notes to the financial statements

for the year ended 30 June 2009

Note 19. Issued Capital continued

Unquoted options	Number of Options	Exercise Price	Expiry Date
Executive options	10,000,000	\$0.20	14 Sep 09
Convertible note options	14,200,000	\$0.15	28 Sep 09
	24,200,000		

Ordinary Shares

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Treasury Shares

Treasury shares are shares in Industrea Limited that are held by the Industrea Performance Rights Plan Trust for the purpose of issuing shares under the Industrea Performance Rights Plan.

Date	Detail	Number of shares	\$'000
8 Dec 2008	On market acquisition of shares by the Trust	500,000	72
16 Dec 2008	On market acquisition of shares by the Trust	500,000	74
23 Feb 2009	On market acquisition of shares by the Trust	1,000,000	102
4 Mar 2009	On market acquisition of shares by the Trust	500,000	50
27 Mar 2009	On market acquisition of shares by the Trust	399,618	59
31 Mar 2009	On market acquisition of shares by the Trust	100,382	15
1 Apr 2009	On market acquisition of shares by the Trust	491,294	72
3 Apr 2009	On market acquisition of shares by the Trust	8,786	1
		3,500,080	445

Capital Management

Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and to ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements other than covenants on financial liabilities.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, dividends to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. The gearing ratio (calculated as total debt as a proportion of total assets) are as follows:

CONSOLIDATED		PARENT ENTITY	
2009	2008	2009	2008
44%	38%	54%	38%

notes to the financial statements

for the year ended 30 June 2009

Note 20. Dividends

The directors recommend a fully franked dividend of 1.0 cent per share (2008: 1 cent) to be paid to the holders of ordinary shares on 3 November 2009. The total amount of the dividend will approximate \$8.6 million. The dividend has not been provided for in the financial statements. A fully franked interim dividend of 0.25 cents was paid on the 27th March. The total dividend for the year would be, inclusive of the proposed final dividend, 1.25 cents per share (2008: 1 cent).

The franked portion of the final dividend recommended after 30 June 2009 will be franked from existing franking credits. Franking credits available for subsequent years, based on a 30% tax rate, are \$43.2 million (2008: \$32.6 million). This balance includes franking credits that will arise from the payment of the provision for income tax and the impact of the estimated final dividend not recognised in the financial statements.

Note 21. Financial instruments

a) Financial Risk Management Policies

The Group's financial instruments consist mainly of deposits with banks, loans and finance leases, investments, accounts receivable and payable, loans to and from subsidiaries, and derivatives.

The main purpose of non-derivative financial instruments is to raise finance for Group operations.

Derivatives are used by the Group for hedging purposes. Such instruments include forward exchange and currency option contracts and interest rate swap agreements. The Group does not speculate in the trading of derivative instruments.

A finance committee consisting of senior executives of the Group meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts. The committee's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

The finance committee operates under policies approved by the board of directors. Risk management policies are approved and reviewed by the Board on a regular basis. These include the use of hedging derivative instruments, credit risk policies and future cash flow requirements.

The main risks the Group is exposed to through the use of its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk, and share price risk. This note presents information about the exposure to each of the above risks. Further quantitative disclosures are included throughout these consolidated financial statements.

[i] Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate debt and interest rate derivatives. At 30 June 2009, 96% of Group interest bearing debt is fixed. For further details on interest rate risk refer to Note 21 b (iii) below. Interest rates applicable to each class of asset or liability are detailed in individual notes to the financial statements.

The Groups cash deposits and variable interest rate borrowings are sensitive to movements in interest rates. At 30 June 2009, the net effect on full year profit and equity as a result of a 100 basis point movement up or down in interest rates received and paid on variable interest rate securities, with all other variables remaining constant, would be an expense of \$20,972, (2008: revenue \$230,000).

[ii] Foreign currency risk

The Group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the Group's measurement currency.

The Group's policy is to immediately hedge all material foreign currency sale contracts at the time that agreement is reached. As such the sensitivity of profit and equity to foreign currency movements at 30 June 2009 is immaterial.

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Note 21. Financial instruments continued

[iii] Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. Credit risk arises from cash and cash equivalents, forward foreign exchange contracts and interest rate swap contracts, as well as credit exposures to customers.

The maximum exposure to credit risk, at balance date, to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

Credit risk is managed on a group basis and reviewed regularly by the finance committee. Credit risk arises primarily from exposures to customers as well as through certain derivative financial instruments and deposits with financial institutions.

The finance committee monitors credit risk by actively assessing the rating quality and liquidity of counter parties. All potential customers are rated for credit worthiness taking into account their size, market position and financial standing; and customers that do not meet the Group's strict credit policies may only purchase in cash or using documentary letters of credit from a recognised financial institution. Included in trade receivables are significant customers located in China that account for 35% of trade receivables at 30 June 2009 (2008: 8%).

In respect of the parent entity, credit risk also incorporates the exposure of Industrea Limited to the liabilities of all members of the closed group under the deed of cross-guarantee. Refer to Note 27 for further information.

Credit risk for derivative financial instruments arises from the potential failure by counter-parties to the contract to meet their obligations. The credit risk exposure to forward exchange contracts and interest rate swaps is the net fair value of these contracts as disclosed in Note 8.

[iv] Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by monitoring forecast cash flows, the collection of trade receivables and payment of trade payables, use of borrowing facilities and ensuring that adequate unutilised borrowing facilities are maintained as disclosed in Note 17.

[v] Share price risk

The Group has investments in a number of ASX listed companies and a long term shareholding in CER Group Limited, a New Zealand stock exchange listed company. These investments are exposed to movements in the market price of their equity securities.

At 30 June 2009 the net effect on profit and equity of a 10% increase or decrease in the market value of the equity securities, with all other variables remaining constant is \$39,900 up/down.

b) Financial Instruments

[i] Derivative Financial Instruments

Derivative financial instruments are used by the Group to hedge exposure to exchange rate risk associated with foreign currency transactions and interest rate risk associated with movements in interest rates which impact on the borrowings of the consolidated group. Transactions for hedging purposes are undertaken without the use of collateral as only reputable institutions with sound financial positions are dealt with.

notes to the financial statements

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Note 21. Financial instruments continued

[ii] Forward exchange contracts – cash flow hedges

The Group enters into forward exchange contracts to buy and sell specified amounts of foreign currencies in the future at stipulated exchange rates. The objective in entering the forward exchange contracts is to protect the economic entity against unfavourable exchange rate movements for both the contracted and anticipated future sales and purchases undertaken in foreign currencies.

Hedge accounting is applied to forward exchange contracts. At balance date, the details of outstanding forward exchange contracts are:

	SELL USD/BUY AUD		AVERAGE EXCHANGE RATE	
	2009 \$'000	2008 \$'000	2009 cents	2008 cents
Less than 6 months	24,903	1,404	69.0	92.6
Greater than 6 months	5,481	-	68.7	-

[iii] Interest rate swaps

Interest rate swap transactions entered into by the consolidated group to exchange variable and fixed interest payment obligations to protect long-term borrowings from the risk of increasing interest rates. The consolidated group has both variable and fixed interest rate debt and enters into swap contracts to receive interest at both variable and fixed rates and to pay interest at fixed rates.

The notional principal amounts of the swap contracts approximates the consolidated group's borrowing facility. The settlement dates of the swap contracts correspond with interest payment dates of the borrowings which require settlement of net interest payable or receivable every 90 days. The swap contracts require settlement of the net interest receivable or payable and are brought to account as an adjustment to borrowing costs.

At balance date, the Group had a swap contract in place over principle debt of \$75 million, which escalates to \$90 million by 30 November 2009. The swap contract fixes the interest rate on the notional principle at 8.8% plus the facility margin until 27 February 2009, following which the interest rate resets on a quarterly basis at a rate not exceeding 8.8% until the contract terminates on 27 February 2013.

[iv] Financial Instrument composition and maturity analysis

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the balance sheet. Derivative financial instruments have not been included in the maturity analysis as these contracts are settled on a net basis.

notes to the financial statements

for the year ended 30 June 2009

Note 21. Financial instruments continued

FIXED INTEREST MATURING IN:

2009 – Consolidated	Note	Floating Interest Rate (\$'000)	1 year or less (\$'000)	Over 1 to 5 years (\$'000)	More than 5 years (\$'000)	Non-interest bearing (\$'000)	Total (\$'000)
Financial assets							
Cash and cash equivalents	5	22,004	-	-	-	-	22,004
Trade and other receivables	6/10	-	-	-	-	63,211	63,211
Financial assets at fair value through profit or loss	28	-	-	-	-	399	399
		22,004	-	-	-	63,610	85,614
Financial liabilities							
Trade and other payables	14	-	-	-	-	35,953	35,953
Corporate credit card	15	-	45	-	-	-	45
Hire purchase liabilities	15/17	-	19,565	20,014	-	-	39,579
Bank loans	15/17	26,418	3,202	86,237	-	-	115,857
Vendor liability	30	-	-	-	-	25,913	25,913
Convertible bond	17	-	-	81,000	-	-	81,000
		26,418	22,812	187,251	-	61,866	298,347
Net financial assets (liabilities)		(4,414)	(22,812)	(187,251)	-	1,744	(212,733)

FIXED INTEREST MATURING IN:

2008 – Consolidated	Note	Floating Interest Rate (\$'000)	1 year or less (\$'000)	Over 1 to 5 years (\$'000)	More than 5 years (\$'000)	Non-interest bearing (\$'000)	Total (\$'000)
Financial assets							
Cash and cash equivalents	5	41,218	-	-	-	-	41,218
Trade and other receivables	6/10	-	-	-	-	50,178	50,178
Financial assets at fair value through profit or loss	28	-	-	-	-	652	652
		41,218	-	-	-	50,830	92,048
Financial liabilities							
Trade and other payables	14	-	-	-	-	37,408	37,408
Corporate credit card	15	-	25	-	-	-	25
Hire purchase liabilities	15/17	-	32,915	41,630	-	-	74,545
Bank loans	15/17	9,071	-	58,825	-	-	67,896
Vendor liability	30	-	-	-	-	108,259	108,259
Convertible bond	17	-	-	84,000	-	-	84,000
Bank overdraft/Bank bills	15	-	8,500	-	-	-	8,500
		9,071	41,440	184,455	-	145,667	380,633
Net financial assets (liabilities)		32,147	(41,440)	(184,455)	-	(94,837)	(288,585)

notes to the financial statements

for the year ended 30 June 2009

Note 21. Financial instruments continued

FIXED INTEREST MATURING IN:

2009 - Parent	Note	Floating Interest Rate (\$'000)	1 year or less (\$'000)	Over 1 to 5 years (\$'000)	More than 5 years (\$'000)	Non-interest bearing (\$'000)	Total (\$'000)
Financial assets							
Cash and cash equivalents	5	9,111	-	-	-	-	9,111
Trade and other receivables	6/10	-	-	-	-	227	227
Financial assets at fair value through profit and loss	28	-	-	-	-	43	43
		9,111	-	-	-	270	9,381
Financial liabilities							
Trade and other payables	14	-	-	-	-	2,601	2,601
Corporate credit card	15	-	3	-	-	-	3
Bank loans	15/17	26,418	3,202	86,237	-	-	115,857
Vendor liability	30	-	-	-	-	25,913	25,913
Convertible bond	17	-	-	81,000	-	-	81,000
		26,418	3,205	167,237	-	28,514	225,374
Net financial assets (liabilities)		(17,307)	(3,205)	(167,237)	-	(28,244)	(215,993)

FIXED INTEREST MATURING IN:

2008 - Parent	Note	Floating Interest Rate (\$'000)	1 year or less (\$'000)	Over 1 to 5 years (\$'000)	More than 5 years (\$'000)	Non-interest bearing (\$'000)	Total (\$'000)
Financial assets							
Cash and cash equivalents	5	10,935	-	-	-	-	10,935
Trade and other receivables	6/10	-	-	-	-	17	17
Financial assets at fair value through profit and loss	28	-	-	-	-	195	195
		10,935	-	-	-	212	11,147
Financial liabilities							
Trade and other payables	14	-	-	-	-	4,785	4,785
Bank loans	15/16	9,071	-	58,825	-	-	67,896
Vendor liability	30	-	-	-	-	108,259	108,259
Convertible bond	17	-	-	84,000	-	-	84,000
Bank overdraft/Bank bills	15	-	8,500	-	-	-	8,500
		9,071	8,500	142,825	-	113,044	273,440
Net financial assets (liabilities)		1,864	(8,500)	(142,825)	-	(112,832)	(262,293)

notes to the financial statements

for the year ended 30 June 2009

Note 21. Financial instruments continued

[v] Net fair value of financial assets and liabilities

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying amounts. The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

Note 22. Auditors remuneration

	CONSOLIDATED		PARENT ENTITY	
	2009 (\$'000)	2008 (\$'000)	2009 (\$'000)	2008 (\$'000)
Remuneration for audit or review of the financial reports of the parent entity or any entity in the consolidated entity:				
Auditor of the parent entity – BDO Kendalls	262	211	262	211
Other services	-	23	-	23
	262	234	262	234

Note 23. Contingent Assets and Liabilities

The directors are not aware of any other contingent liabilities that are likely to have a material effect on the results of Industrea Limited or the consolidated entity as disclosed in these financial statements.

Note 24. Leasing commitments

	CONSOLIDATED		PARENT ENTITY	
	2009 (\$'000)	2008 (\$'000)	2009 (\$'000)	2008 (\$'000)
Hire purchase				
Commitments in relation to hire purchase agreements are payable as follows:				
Within 1 year	19,509	32,330	-	-
Later than 1 year but not later than 5 years	17,071	42,220	-	-
Minimum lease payments	36,580	74,550	-	-
Less: Future finance charges	(2,792)	(7,265)	-	-
Total hire purchase liabilities	33,788	67,285	-	-
Representing hire purchase liabilities:				
Current (see Note 15)	17,568	28,682	-	-
Non-current (see Note 17)	16,220	38,603	-	-
	33,788	67,285	-	-

The weighted average interest rate implicit in the leases is 7.95 % (2008: 7.95%).

notes to the financial statements

for the year ended 30 June 2009

Note 24. Leasing commitments continued

	CONSOLIDATED		PARENT ENTITY	
	2009 (\$'000)	2008 (\$'000)	2009 (\$'000)	2008 (\$'000)
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable				
Operating leases				
Within 1 year	1,218	1,780	242	275
Later than 1 year but not later than 5 years	3,170	1,612	391	877
Later than 5 years	-	629	-	628
	4,388	4,021	633	1,780
Representing:				
Non-cancellable leases	4,388	4,021	633	1,780

The Group leases various offices, motor vehicles and items of plant and equipment under non-cancellable operating leases within 1 to 5 years. The leases have varying terms, escalation clauses and renewal rights. On renewal the terms of the leases are renegotiated.

Note 25. Segment information

The company operates in the integrated mining services industry where it provides equipment hire and civil contracting services and associated products focused on enhancing productivity and safety. The company operates predominantly in Australia and also exports products to international markets. All areas of operation are conducted and managed domestically with the company maintaining a representative office in Beijing.

Note 26. Interests of Directors and Key Management Personnel (KMP)

Refer to the Remuneration Report contained in the director's report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2009.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

	PARENT ENTITY AND CONSOLIDATED	
	2009 (\$'000)	2008 (\$'000)
Short-term benefits	3,539	1,992
Post-employment benefits	260	147
Share based payments	425	-
	4,224	2,139

notes to the financial statements

for the year ended 30 June 2009

Note 26. Interests of Directors and Key Management Personnel (KMP) continued

KMP Options and Rights Holdings

The number of options and rights held by each KMP of the Group during the financial year is as follows:

30 June 2009	Balance at beginning of year	Granted as remuneration during the year	Exercised during the year	Other changes during the year	Balance at end of year	Vested during year	Vested and exercisable	Vested and unexercisable
D Beddall	250,000	-	-	-	250,000	-	250,000	-
L McIntosh	1,000,000	-	-	-	1,000,000	-	1,000,000	-
A McDonald	-	-	-	-	-	-	-	-
T Netscher	-	-	-	-	-	-	-	-
R Levison	10,000,000	2,000,000	-	-	12,000,000	-	10,000,000	-
D Cahill	-	500,000	-	-	500,000	-	-	-
Dr C Doran	-	500,000	-	-	500,000	-	-	-
P Hourigan	-	500,000	-	-	500,000	-	-	-
D McNamara	-	-	-	-	-	-	-	-
R Neill	-	-	-	-	-	-	-	-
K Wallis	-	500,000	-	-	500,000	-	-	-
	11,250,000	4,000,000	-	-	15,250,000	-	11,250,000	-
Weighted average exercise price	\$0.194	Nil			\$0.143		\$0.194	
Weighted average remaining contractual life							6.2 months	
30 June 2008	Balance at beginning of year	Granted as remuneration during the year	Exercised during the year	Other changes during the year	Balance at end of year	Vested during year	Vested and exercisable	Vested and unexercisable
D Beddall	250,000	-	-	-	250,000	-	250,000	-
L McIntosh	1,000,000	-	-	-	1,000,000	-	1,000,000	-
A McDonald	-	-	-	-	-	-	-	-
R Levison	10,000,000	-	-	-	10,000,000	-	10,000,000	-
R Angel	-	-	-	-	-	-	-	-
Dr C Doran	-	-	-	-	-	-	-	-
R Neill	-	-	-	-	-	-	-	-
R A More	-	-	-	-	-	-	-	-
O'Ferrall	-	-	-	-	-	-	-	-
G Huddy	-	-	-	-	-	-	-	-
	11,250,000	-	-	-	11,250,000	-	11,250,000	-
Weighted average exercise price	\$0.194	Nil			\$0.194		\$0.194	
Weighted average remaining contractual life							14 months	

notes to the financial statements

for the year ended 30 June 2009

Note 26. Interests of Directors and Key Management Personnel (KMP) continued

Shareholdings of Directors and KMP

The number of ordinary shares in Industrea Limited held by directors and KMP of the Group during the financial year is as follows:

30 June 2009	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of year
D Beddall	1,299,744	-	-	150,000	1,449,744
L McIntosh	499,998	-	-	-	499,998
A McDonald	250,000	-	-	250,000	500,000
T Netscher	-	-	-	258,853	258,853
R Levison	14,807,273	-	-	-	14,807,273
D Cahill	-	-	-	-	-
Dr C Doran	-	-	-	-	-
P Hourigan	-	-	-	-	-
D McNamara	-	-	-	15,656,005	15,656,005
R Neill	-	-	-	-	-
K Wallis	-	-	-	9,090	9,090
	16,857,015	-	-	16,323,948	33,180,963

30 June 2008	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of year
D Beddall	1,299,744	-	-	-	1,299,744
L McIntosh	2,243,750	-	499,998	(2,243,750)	499,998
A McDonald	-	-	-	250,000	250,000
R Levison	14,750,000	-	-	57,273	14,807,273
R Angel	10,243,668	-	-	(10,243,668)	-
Dr C Doran	-	-	-	-	-
R Neill	-	-	-	-	-
R A More O'Ferrall	1,000,000	-	-	-	1,000,000
G Huddy	-	-	-	72,759,353	72,759,353
	29,537,162	-	499,998	60,579,208	90,616,368

T Netscher was appointed as a non executive director on 19th February 2009.

Mr R Angel retired and ceased to be a director on 14 November 2007.

Mr R More O'Ferrall and Mr G Huddy were not members of the Group Executive in 2009. Mr More O'Ferrall retired from the position of Chief Financial Officer on 21 July 2008 to assume the role of Group Financial Accountant.

Mr D McNamara, Special Advisor to the CEO, was appointed to the Group Executive in 2009.

Other Related party transactions with directors and director-related entities

A director, L McIntosh is a director and shareholder of KordaMentha Pty Ltd. Industrea utilised the services of KordaMentha during the year for specialist advice. The aggregate amount paid during the year was \$22,640 (2008: \$122,000). No amounts were unpaid at balance date. The contract was based on normal commercial terms and conditions.

notes to the financial statements

for the year ended 30 June 2009

Note 27. Investments in controlled entities

Name of entity	Country of incorporation	EQUITY HOLDING		CO-PARENT ENTITY'S INVESTMENT	
		2009 (%)	2008 (%)	2009 (\$'000)	2008 (\$'000)
Parent company: Industrea Limited	Australia				
GPS Online Engineering Pty Ltd	Australia	100	100	1,032	1,032
GPS Online Technology Centres Pty Ltd	Australia	100	100	-	-
GPS Online NZ Limited	New Zealand	100	100	349	349
GPS Online Solutions Pty Ltd	Australia	100	100	522	522
Waste Watch Systems Pty Ltd	Australia	100	100	-	-
Microelectronic Technology Pty Ltd	Australia	100	100	160	160
QVEN Limited	Australia	100	100	1,880	1,880
Advanced Mining Technologies Pty Ltd	Australia	100	100	11,881	11,881
Wadam Industries Pty Ltd	Australia	100	100	12,805	12,805
PJ Berriman & Co. Pty Ltd	Australia	100	100	6,339	6,339
Industrea Mining Equipment Pty Ltd	Australia	100	100	-	-
Industrea Chile S.A.	Chile	100	100	-	-
Industrea South Africa (Pty) Ltd	South Africa	100	100	-	-
Industrea Property Pty Ltd	Australia	100	100	-	-
Norbre Pty Ltd	Australia	100	100	-	-
Huddy's Mining Services Pty Ltd	Australia	100	100	253,096	261,355
Industrea Hong Kong Limited China	Hong Kong	100	-	-	-
Industrea Hong Kong YL Limited China	Hong Kong	100	-	-	-
Industrea (Wadam) Beijing Mining Equipment Technical Services Co Ltd	China	100	-	-	-
Queensland Mining Developments Pty Ltd	Australia	100	-	-	-
Kade Engineering Pty Ltd	Australia	100	-	1,991	-
				290,055	296,323
Provision for diminution				(2,063)	(2,063)
				287,992	294,260

Deed of cross guarantee

A deed of cross guarantee between Industrea Ltd and the controlled entities listed below was enacted during the financial year and relief was obtained from preparing a separate financial report for the first three entities listed below under ASIC Class Order 98/1418. Under the deed, Industrea Ltd guarantees to support the liabilities and obligations of those controlled entities.

Huddy's Mining Services Pty Ltd

Wadam Industries Pty Ltd

QVen Ltd

Norbre Pty Ltd

Advanced Mining Technologies Pty Ltd

PJ Berriman & Co Pty Ltd

Industrea Mining Equipment Pty Ltd

Queensland Mining Developments Pty Ltd

Kade Engineering Pty Ltd

notes to the financial statements

for the year ended 30 June 2009

Note 27. Investments in controlled entities continued

The controlled entities listed above are the only parties to the Deeds of Cross Guarantee and are members of the Closed Group. The following are the aggregate totals, for each category, relieved under the deed:

	Closed Group 2009 \$'000	Closed Group 2008 \$'000
Income statement		
Profit before income tax	22,101	43,253
Income tax	(6,636)	(12,011)
Profit after income tax	15,465	31,242
Balance sheet		
Current assets		
Cash & cash equivalents	21,295	41,187
Trade & other receivables	62,054	49,355
Inventories	24,009	15,678
Financial assets at fair value through profit/loss	399	652
Other assets	366	762
Derivatives	6,307	-
Non-current assets		
Trade & other receivables	112	278
Property, plant & equipment	138,373	151,314
Deferred tax assets	3,677	3,397
Intangible assets	190,799	233,507
Total assets	447,391	496,130
Current liabilities		
Trade & other payables	35,555	37,206
Provision for income tax	13,443	15,030
Short term borrowings	17,684	36,186
Short term provisions	624	1,046
Vendor liability	15,913	81,194
Non-current liabilities		
Deferred tax liabilities	10,413	19,074
Long term borrowings	187,113	151,642
Long term provisions	119	-
Vendor liabilities	10,000	27,065
Total liabilities	290,864	368,443
Net assets	156,527	127,687

notes to the financial statements

for the year ended 30 June 2009

Note 28. Financial assets at fair value through profit or loss

	CONSOLIDATED		PARENT ENTITY	
	2009 (\$'000)	2008 (\$'000)	2009 (\$'000)	2008 (\$'000)
Shares in Australian and New Zealand listed securities	399	652	43	195

Note 29. Reconciliation of profit after income tax to net cash inflow from operating activities

(a) Reconciliation of cash

Cash and cash equivalent on hand	22,004	41,218	9,111	10,935
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(b) Operating Profit/Loss after income tax

Operating Profit/Loss after income tax	15,316	30,017	(15,725)	(1,759)
Depreciation and amortisation	21,069	11,472	5,710	1,941
Amortisation of customer contract intangible assets	17,746	14,956	-	-
Amortisation of convertible bonds	2,899	1,153	-	-
Impairment – customer contract intangible assets	17,185	-	-	-
Unrealised loss on interest rate swap instrument	5,124	970	5,124	970
Unrealised loss on available for sale investments	253	464	152	247
Profit on sale of property plant and equipment	(12)	-	-	-
Loss on sale of property plant and equipment	536	-	-	-
Share based payments	187	-	-	-
Unrealised foreign exchange gain	(274)	-	-	-
(Increase)/decrease in trade and other receivables	(12,916)	(8,158)	(68)	12
(Increase)/decrease in other assets	2,413	339	(6,420)	358
(Increase)/decrease in prepayments	6,307	(1,851)	6,307	-
(Increase)/decrease in inventories	(8,450)	(3,325)	-	-
(Increase)/decrease in deferred tax asset	(235)	1,296	(183)	1,014
Increase/(decrease) in deferred tax liability	(8,926)	17,906	1,427	2,759
Increase/(decrease) in trade and other payables	(4,445)	12,266	(6,151)	(582)
Increase/(decrease) in provisions	(374)	(270)	28	15
Increase/(decrease) in other payables	(10,112)	(6,187)	(1,849)	-
	43,291	71,048	(11,648)	4,975

(c) Non Cash Financing and Investing activities

(i) Purchase Consideration

As detailed in Note 30, the company has issued ordinary shares and have recognised earn out payables as a component of the consideration for these acquisitions. The total amounts are:

	Ordinary shares	Dollar value
Huddy's Mining Services Pty Ltd	72,886,297	\$25,000,000
Kade Engineering Pty Ltd	1,000,000	\$200,000

notes to the financial statements

for the year ended 30 June 2009

Note 30. Fair value of identifiable net assets of controlled entities acquired

2009

QMD Pty Ltd

With effect from the 1st of July 2008 Industrea acquired 100% of QMD Pty Ltd by way of a cash settlement with the vendors. QMD Pty Ltd is a property owning entity owning the property in Emerald out of which Industrea and its subsidiaries run their Bowen Basin operations.

Details of assets and liabilities acquired are as follows:

	Fair Value \$'000
Cash assets	6
Receivables	3
Land at valuation	1,501
Trade and other payables	(294)
Purchase consideration inclusive of costs	<u>1,216</u>

Kade Engineering

With effect from 13 February 2009 Industrea acquired 100% of Kade Engineering Pty Ltd and property plant and equipment associated with the business. The purchase consideration was \$1.8 million plus additional consideration payable in the event that specific conditions were achieved. The purchase consideration is payable in 2 tranches:

1. The first tranche of \$1 million was made by way of the issue \$200,000 in Industrea ordinary shares and a cash payment of \$800,000.
2. The second tranche of \$800,000 is payable in cash together with any additional consideration following the determination of the audited financial result for the year ended 30 June 2009. An amount of \$112,500 has been provisioned in additional consideration payable.

Details of assets and liabilities acquired are as follows:

	Fair Value \$'000
Cash and cash equivalents	240
Inventory	20
Work in progress	135
Accounts receivable	280
Land and buildings at directors valuation	900
Plant and equipment	125
Other assets	11
Trade and other payables	(203)
Provision for taxation	(69)
Other liabilities	(138)
Net assets acquired	1,301
Goodwill on acquisition	689
Purchase consideration inclusive of expenses	<u>1,990</u>

The acquired business contributed revenues of \$1.4 million and net profit after tax of \$434,000 to the Group for the period from acquisition to 30 June 2009.

Carrying amounts of assets and liabilities approximate their fair values except for intangibles and property, plant and equipment which have been recognised at fair value on the basis that it is impracticable to disclose the carrying values of these assets prior to their acquisition.

notes to the financial statements

for the year ended 30 June 2009

Note 30. Fair value of identifiable net assets of controlled entities acquired continued

2008

Huddy's Plant Hire Pty Ltd

With effect from 1 November 2007 Industrea Limited acquired 100 percent of Huddy's Plant Hire ("Huddy's"), comprising Norbre Pty Ltd and Huddy's Plant Hire Pty Ltd. The purchase consideration was \$250 million plus additional consideration payable in the event that specific conditions were achieved.

The purchase consideration is payable in 2 tranches:

1. The first tranche of \$150 million was paid on 28 February 2008 through an issue of \$37.5 million Industrea ordinary shares ("Shares") and \$112.5 million in cash. The cash portion of the first tranche was funded through a combination of \$45 million in bank debt and an issue of \$75 million in convertible bonds.
2. The second tranche of \$100 million is payable in two instalments. The first instalment of \$75 million was paid on the 2 October 2008 through an issue of \$25 million in Industrea ordinary shares and \$50 million in cash. The cash component was funded from debt facilities established at the time of acquisition.

A further cash payment of \$15 million is payable on the 30th September and a final cash payment of \$10 million is payable on the 30th September 2010. These further cash payments may be funded through pre approved credit lines with the company's bankers.

Details of the assets and liabilities related to the acquisition are as follows:

	Fair Value \$'000
Cash and cash equivalents	1,913
Trade Receivables	23,144
Investments	674
Inventories	3,105
Plant and Equipment	139,941
Intangible assets	67,300
Other Assets	1,783
Trade and other payables	(7,302)
Interest bearing liabilities (leased assets)	(91,317)
Other liabilities	(583)
Provision for Income Tax	(3,601)
Deferred tax liability	(20,190)
Provision for employee benefits	(827)
Net Assets acquired	114,040
Goodwill on consolidation as reported at 30 June 2008	148,462
Adjustment to provisional accounting earn-out	(9,405)
Purchase consideration inclusive of expenses	253,097

The acquired business contributed revenues of \$121.6 million and net profit after tax of \$20.7 million to the Group for the period from acquisition to 30 June 2008.

Carrying amounts of assets and liabilities approximate their fair values except for intangibles and property, plant and equipment which have been recognised at fair value on the basis that it is impracticable to disclose the carrying values of these assets prior to their acquisition.

notes to the financial statements

for the year ended 30 June 2009

Note 31. Earnings per share

	2009 (cents)	2008 (cents)
Basic earnings per share	1.81	4.03
Diluted earnings per share	1.83	3.96

	2009 (Number)	2008 (Number)
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Weighted average number of shares used as the denominator

Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share

844,403,419	744,723,672
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Weighted average number of options/rights used in calculating diluted earnings per share

26,698,630	24,200,000
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Weighted average number of bonds used in calculating diluted earnings per share

192,307,692	42,465,753
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Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share

1,063,409,741	811,389,425
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	2009 (\$'000)	2008 (\$'000)
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Reconciliations of earnings used in calculating earnings per share

Basic earnings per share

Net Profit

15,316	30,017
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Earnings used in calculating basic earnings per share

15,316	30,017
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Reconciliations of earnings used in calculating diluted earnings per share

Diluted earnings per share

Net Profit after tax

15,316	30,017
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Interest on dilutive instruments

4,123	2,153
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Earnings used in calculating adjusted basic earnings per share

19,439	32,170
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Convertible Bonds

Convertible bonds have not been included in the determination of basic earnings per share. Convertible Bonds are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. Interest on convertible bonds has been adjusted in determining dilutive earnings per share.

notes to the financial statements

for the year ended 30 June 2009

Note 32. Share-based payments

Performance Rights

Performance rights over shares in Industrea Limited are granted under the Industrea Performance Rights Plan which was approved by shareholders at the 2008 Annual General Meeting. The plan has been structured based on independent advice to provide long-term incentives for executives to deliver long-term shareholder returns. Under the plan, participants are granted performance rights which vest if certain performance criteria are met and the employees are still employed by the Group at the end of the vesting period. Participation in the plan is at the discretion of the Board.

The number of Rights that will vest under the Plan will be determined by reference to whether the performance conditions have been satisfied. The performance conditions that apply under the Plan are divided into two components – total shareholder return (TSR) and earnings per share growth (EPSG). Subject to the performance conditions being satisfied, Rights will vest in two instalments as follows:

Instalment	Vesting Date	% of Rights which vest	Performance period
1	On or shortly after the date on which the Company's financial results are announced for the financial year ended 30 June 2010.	33%	1 July 2008 to 30 June 2010
2	On or shortly after the date on which the Company's financial results are announced for the financial year ended 30 June 2011.	67%	1 July 2008 to 30 June 2011

In respect of each instalment, 50% of the Rights will be tested against TSR and 50% will be tested against EPSG for the relevant performance period.

In respect of TSR testing over a particular performance period, Rights will vest as follows:

TSR of the Company relative to a reference group of Companies (broadly being the ASX 200)	Proportion of Rights that Vest
less than 51st percentile	0
equal to 51st percentile	50%
greater than 51st percentile and less than 75th percentile	Increases on a straight line basis
equal to or greater than 75th percentile	100%

Rights tested against EPSG will vest as follows:

Compound EPSG	Proportion of EPS Rights to vest
less than 5%	0
equal to 5%	50%
greater than 5% and less than 10%	Increases on a straight line basis
equal to or greater than 10%	100%

No amount is payable to participate in the Plan or to acquire any Shares once the Rights vest.

notes to the financial statements

for the year ended 30 June 2009

Note 32. Share-based payments continued

Set out below is a summary of rights granted under the plan.

Grant Date	Date vested and exercisable	Exercise Price	Balance at beginning of year	Granted during the year	Exercised during the year	Balance at end of year	Vested and exercisable
18 November 2008	On or shortly after the date on which the Company's financial results are announced for the financial year ended 30 June 2010.	Nil	Nil	1,166,666	Nil	1,166,666	Nil
18 November 2008	On or shortly after the date on which the Company's financial results are announced for the financial year ended 30 June 2011.	Nil	Nil	2,333,334	Nil	2,333,334	Nil
20 January 2009	On or shortly after the date on which the Company's financial results are announced for the financial year ended 30 June 2010.	Nil	Nil	166,666	Nil	166,666	Nil
20 January 2009	On or shortly after the date on which the Company's financial results are announced for the financial year ended 30 June 2011.	Nil	Nil	333,334	Nil	333,334	Nil

Valuation of performance rights

The per unit fair value of rights granted as remuneration during the year has been derived based on external valuation advice. The valuation has been made using a binomial pricing model using standard pricing inputs such as underlying share price, expected dividends and expected risk free rates. In addition, the likely achievement of performance hurdles has been taken into account including an equal probability weighted total shareholder return (TSR) relative to benchmark companies.

Set out below are the fair values of performance rights and the key inputs used in the pricing model.

Series	Grant Date	Share Price at Grant \$	Fair Value \$	Dividend Yield %	Risk-free interest rate %	Term Months	Rights Outstanding 30/6/09
Nov'08 T1	18/11/08	\$0.19	\$0.10	5.3%	3.4%	19	1,666,666
Nov'08 T2	18/11/08	\$0.19	\$0.11	5.3%	3.7%	31	2,333,334
Jan'09 T1	20/01/09	\$0.19	\$0.10	5.3%	3.4%	19	166,666
Jan'09 T2	20/01/09	\$0.19	\$0.11	5.3%	3.7%	31	333,334

notes to the financial statements

for the year ended 30 June 2009

Note 32. Share-based payments continued

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefits expense were as follows:

	CONSOLIDATED		PARENT ENTITY	
	2009 (\$'000)	2008 (\$'000)	2009 (\$'000)	2008 (\$'000)
Options issued as remuneration, 2007	117	117	117	117
Shares issued as remuneration, 2007	70	70	70	70
Rights issued under Industrea performance rights plan	116	-	116	-
	303	187	303	187

Note 33. Company Details

The registered office and principal place of business for Industrea limited is Centenary Technology Park, 532 Seventeen Mile Rocks Road, Sinnamon Park Queensland 4073.

Note 34. Subsequent events

On 31 August 2009 the company announced a Share Purchase Plan for the purpose of raising up to \$20 million to assist in funding additional mining services equipment and prospective acquisitions. The company also announced the establishment of a Dividend Reinvestment Plan to allow eligible ordinary shareholders to apply dividends on ordinary shares to the acquisition of new fully paid ordinary shares in the company.

Other than for the matter noted above, no matters or circumstances have arisen since the end of the financial year which, in the opinion of the Board, have significantly affected or may significantly affect the operations of Industrea Limited or the state of affairs of the Group in future financial years.