industrea

Annual Report 2012

Industrea Limited

Industrea Limited is an expanding global provider of specialist mining products and services, with a focus on improving our global customers' open cut and underground mining productivity and safety.

Our revenue streams are diversified both geographically, by commodity and by customer.

In FY 2012 our products and services were sold into many parts of the world, including Australia, China, USA, South America, South Africa, Indonesia, Russia and Japan.

We have established strong customer relationships with many of the world's largest mining groups, including BHP Billiton, Rio Tinto, Anglo Coal, Barrick Gold, Vale, Xstrata and several of China's leading mining groups including China Shenhua Energy Company, Jincheng Anthracite Mining Group and Shanxi Asian American Daning Energy Co.

The specialist range of mining products and technology designed, manufactured and supported by Industrea is widely acknowledged for enhancing mine safety and productivity. The world leading range includes open cut collision avoidance systems, underground methane gas drainage and directional drilling systems, mobile asset tracking and driver safety performance road tools, along with flame-proof and explosion-proof underground vehicles for mine personnel transportation and longwall mining equipment.

Our operations are conducted through four business divisions:

- Industrea Mining Technology
- Industrea Mining Equipment
- Industrea Gas Management
- Industrea Mining Services

In FY 2012 we employed in excess of 700 full-time staff and sub-contractors in offices and/or manufacturing bases in Australia (including Mt Isa and the Bowen Basin in Queensland, Mount Thorley, Thornton, Tomago and Gloucester in the Hunter Valley and Fountaindale in the Central Coast in New South Wales), Santiago in Chile and multiple locations in China.

Our group corporate head office is based in the Centenary Technology Park, Brisbane, Australia.

Contents

The Annual General Meeting of Industrea Limited is expected to be held in the Edinburgh Room at the Brisbane Club, 241 Adelaide Street, Brisbane on 12 November 2012 at 11:30 am Australian Eastern Standard Time. Final timing is subject to the timing of a meeting of shareholders to consider and if thought fit, approve a scheme of arrangement between the Company and General Electric Company outlined in more detail on page 4.

Through the use of the Internet, we have ensured that our corporate reporting is timely, complete and available globally at minimum cost to the company. All press releases, financial reports and other information are available from the 'Investor Information' and 'News & Events' areas of our website at **www.industrea.com.au**

For queries in relation to our reporting please call +61 7 3725 5400 or e-mail info@industrea.com.au

This annual report covers Industrea Limited and its controlled entities.

The registered office and principal place of business is:

Industrea Limited
ABN 22 010 720 117
Centenary Technology Park
532 Seventeen Mile Rocks Road
Sinnamon Park, Qld 4073
Brisbane, Australia

Business and Products

Industrea drives growth through four primary business divisions; Mining Equipment, Mining Technology, Mining Services and our newest and strategically important, Gas Management Division. Our three export oriented divisions, Mining Equipment, Mining Technology and Gas Management work closely with our China-based subsidiary Industrea Wadam, to expand our business in this strategically important market.

Our growing export markets are also serviced via a subsidiary in South America (incorporated in Chile) and distribution arrangements in South Africa, Russia and the United States.

Business Units	Industrea Mining Equipment	Industrea Mining Technology	Industrea Mining Services	Industrea Gas Management
Products/ Services	• Design, manufacture, maintenance, spares, service and support of specialist flame and explosion proof underground mining vehicles. • Personnel carriers and power generation units and accessories. • Longwall roof support carriers and Longwall movement equipment including shearer carriers and LHD. • In-seam coal drilling rigs	• Underground methane gas drainage and drill guidance systems. • Open cut mining collision avoidance systems for heavy and light vehicles. • Remote asset monitoring system.	• Integrated contract mining services including: • mine planning and management • open cut mining and earth moving services • earthmoving equipment and experienced operating staff • drill and blast contracting services • civil works • crushing.	• Underground in-seam coal drilling services for exploration, dewatering and gas drainage.
Markets Supplied	• Underground mining sector in China, Russia and Australia. • Over 200 diesel powered vehicles operational including over 150 in China coal mines at end of FY 2012.	• Underground and open cut mining sectors in Australia, China, Russia, South Africa, Chile, Indonesia, Venezuela and PNG. • 115 methane gas drainage and directional drilling systems operational at mines world-wide including 70 in China. • Collision avoidance systems fitted to over 6,600 mining vehicles at 33 mine sites world-wide. • 300 remote asset monitoring systems in operation in Australia and PNG. • Civil directional drilling applications in Japan.	• Open cut coal and metallurgical mining sectors in Mt Isa, Bowen Basin and Hunter Valley, Australia.	• Underground coal mining sector in Australia. • Drilling services and support in China and Russia.
2012 Overview	• Launch of several new generation diesel products and strong domestic and Chinese demand lift revenue back to historical trend lines. • $5 million invested in new Hunter Valley maintenance centre. • China manufactured mine personnel carrier launched in that market.	• Significantly lower Chinese sales of DGS due to changed distribution and marketing strategy and early finalisation of BMA CAS-CAM/RF® installation, result in revenue dropping well below expectations.	• Successful extension of all existing major contracts in Mt Isa, Bowen Basin and Hunter Valley lifts revenue strongly over prior year along with significant capital investment in new vehicles and equipment. • $380 million in future revenue locked in.	• Continued investment in drill rig equipment fleet and staff training impact on divisional profitability.
2013 Forecast	• Strong demand to continue for new larger and more powerful vehicles with increasing recurring revenue from spares, servicing and maintenance from both Australia and China. • Launch of new 10 tonne LHD addition to diesel equipment range to boost revenue and open new underground hard metal markets.	• Revision to dual distribution and marketing strategy for DGS systems in China expected to return sales levels to historical trend lines. • Increased DGS sales expected into Russia and South Africa. • Pilot trials of CAS-CAM/RF® at Australian mine sites.	• Continued high levels of fleet utilisation and sustained margins, on back of increased revenue from locked in contracts.	• Continued roll-out of fully integrated Gas Management division incorporating Technology division's gas drainage steering tool and Equipment division's underground drill rig. • Expanded gas drainage offering to generate sales in China and other established Industrea export markets.

Scheme Update

As announced in May 2012 Industrea entered into a Scheme Implementation Agreement under which it is proposed that General Electric Company (GE) will acquire all Industrea shares outstanding by way of a Scheme of Arrangement (Scheme) for $1.27 cash per share. In the absence of a superior proposal, Directors have unanimously recommended that shareholders vote in favour of the Scheme at the upcoming General Meeting and subject to the Independent Expert opining that the scheme is in the best interest of shareholders.

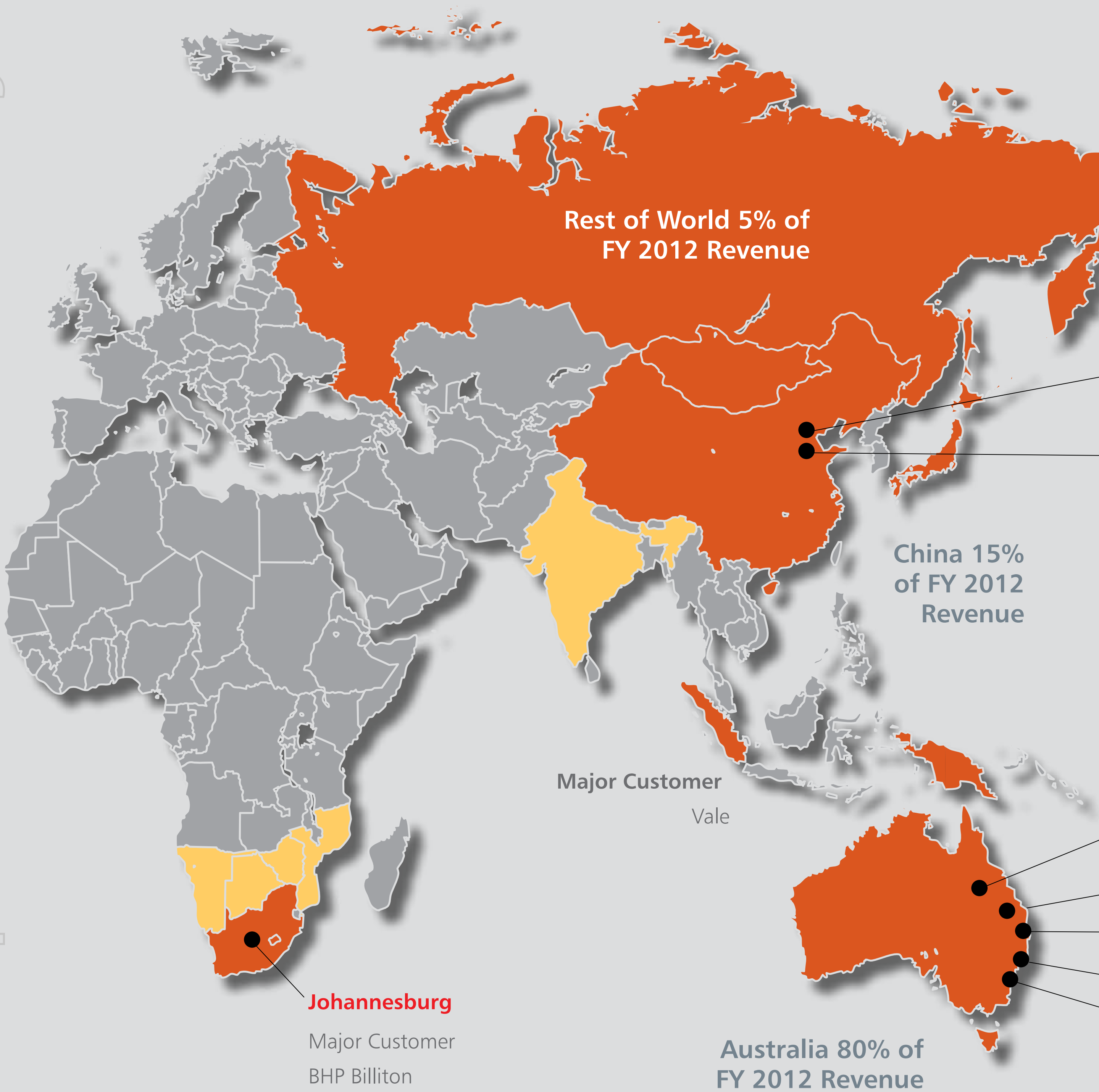
An update on the progress of the scheme was announced on 17 September 2012. At that time the draft scheme booklet was filed with the Australian Securities and Investments Commission. Despatch of the Scheme Booklet to shareholders is currently scheduled for 11 October 2012. The Scheme Meeting is scheduled for 12 November 2012 and if approved by shareholders implementation of the scheme is scheduled to occur on 30 November 2012.

A more detailed timetable of targeted key dates is set out below. The dates are target dates only and may be amended depending on the timing of satisfaction of outstanding regulatory approvals which are conditions for the scheme proceeding.

Timetable and key dates

Event	Date
First Court date	4 October 2012
Despatch of Scheme Booklet	11 October 2012
Last time and date by which Scheme Proxy Forms can be lodged	10.00am on 10 November 2012
Time and date for determining eligibility to vote at Scheme Meeting	7.00pm (Brisbane time) on 10 November 2012
Scheme Meeting to be held at Brisbane Club, 241 Adelaide St, Brisbane	12 November 2012
If the resolution to proceed with the Scheme is passed at the Scheme Meeting by Industrea Shareholders:	
Court hearing for approval of the Scheme	15 November 2012
Effective Date	16 November 2012
Last day of trading in Industrea Shares on ASX	16 November 2012
Scheme Record Date – time and date for determining entitlements to Scheme Consideration under the Scheme	7.00pm (Brisbane time) 23 November 2012
Implementation Date – transfer of Industrea Shares to GE Mining Services	30 November 2012
Payment of Scheme Consideration to Industrea Shareholders	30 November 2012

Our Global Reach



Industrea Offices
Current Markets
Target Markets

Beijing

Technical Centre
Sales Office

Shijiazhuang

Manufacture, Service
and Support Centre

Major Customers

China Shenhua Energy Company

Jincheng Anthracite Mining Group

Shanxi Asian American Daning Co

Mt Isa

Bowen Basin

Brisbane

Hunter Valley

Sydney

Major Customers

BHP Billiton

Rio Tinto

Anglo Coal

Xstrata

Vale

Cockatoo Coal

Santiago

Major Customers

Anglo Coal

BHP Billiton

Chairman’s Message

“ We remain confident that the underlying strength of our business and its forward growth prospects remain clearly intact.”

FY 2012 proved a challenging period for Industrea, and a year of contrasting achievements by our various businesses. On one hand, sales of our category leading underground diesel equipment rebounded strongly back to historic trend lines, and our Mining Services division successfully extended its contract reach and revenue base through ongoing success in the Mt Isa region, Bowen Basin and the Hunter Valley.

These strong performances were countered by a disappointing sales result from our Technology division and a larger than anticipated ongoing investment that was required in our relatively new Gas Management business.

As outlined in the Managing Director’s Report, the poor performance of the Technology side of our business can largely be attributed to the company electing a marketing and distribution strategy for our all important China market that was slow to gain traction. We have now modified that strategy, and over the first quarter of the current financial year, I am pleased to report that our three dominant divisions have all performed to our expectations.

While group revenue for the year to 30 June 2012 increased 4%, our margins tightened with the result that EBITDA declined 6% to $116.2 million. Reported NPAT of $13.3 million was materially impacted by legislative changes during the year to taxation laws, which incurred a one-off tax expense of nearly $19 million.

Irrespective of that impact, at the end of the day, our profitability for the year was lower than anticipated and fell well short of the bar we have consistently set over prior years.

At the time of this report’s publication the external macro environment remained uncertain, however, given the more positive start to the year we remain confident that the underlying strength of our business and its forward growth prospects remain clearly intact.

This is a view shared by General Electric Company (GE), which as most shareholders would be aware, is proposing to acquire Industrea through a Scheme of Arrangement.

GE is an iconic international brand name whose global operations span industry sectors ranging from aviation, energy and finance through to healthcare, lighting and water, and on to oil and gas and transportation. They are a dynamic and ever evolving multi-national group, that targets its acquisitions very selectively.

In evaluating and selecting Industrea for acquisition, and as a cornerstone from which to expand an Australian mining services division, they have made a definitive statement about our company’s past achievements, and its future direction and potential.

Pending shareholder approval of the Scheme, GE’s offer will represent an excellent outcome for shareholders. It will also provide an unrivalled platform from which Industrea, and our valued employees, can continue to grow and prosper as part of a significantly larger organisation.

I was appointed to the board of GPS Online, Industrea’s fledgling predecessor, in 1999. At the time of its listing on ASX, the company had a market capitalisation of $20 million and first year revenue of around $724,000.

Today Industrea's market capitalisation is over $450 million, we employ over 700 people and our yearly revenue is just over $372 million. Quite clearly the company has made a dramatic transformation over a relatively short period of time.

I would like to sincerely thank my fellow directors, our executive management team and employees, who through their dedication, commitment and skills have enabled this wonderful transition to occur.

In particular, I would like to sincerely thank Robin Levison, our Managing Director for the significant part he has played in Industrea's success, through his astute vision, guidance and execution of our growth strategy.

And lastly, warm thanks to you, the shareholders of Industrea for the distinct privilege and pleasure of chairing your company over the past 13 years.

The Hon David Beddall
Chairman

Managing Director's Report

" Directors have unanimously recommended that shareholders vote in favour of the Scheme at the upcoming General Meeting and subject to the Independent Expert continuing to hold the opinion that the scheme is in the best interest of shareholders."

Industrea's trading performance in FY 2012 was below expectations. While our Mining Equipment and Mining Services divisions performed solidly, this was overshadowed by a disappointing result by our Mining Technology division and costs associated with the continued, and larger than envisaged, investment in our relatively new Gas Management business.

The other non-operational impact on profitability for the year was changes to taxation laws concerning Rights to Future Income (RTFI), which materially increased the company's tax expense for the year.

Despite the disappointing group result, based on work pipelines for each of the divisions early in the current year, the underlying strength of each Industrea business remains positive, with expectations of an across the board trading improvement in FY 2013.

Financial Results

Higher sales and increased revenue from Mining Equipment and Mining Services, to some degree, helped offset disappointing sales from Mining Technology, and push group revenue marginally higher to $372.5 million (FY 2011: $357 million) for the year to 30 June 2012.

Underlying, or adjusted net profit after tax (NPAT)*, decreased 25% to $38.4 million (2011: $51.5 million). This result was slightly below the amount forecast in the company's market update issued in May 2012.

Reported NPAT of $13.3 million was significantly impacted by a non-recurring increased RTFI tax expense for the year of around $19 million.

In accordance with the terms of the Scheme Implementation Agreement with GE, the directors did not declare a final dividend for the year, resulting in full year dividend of 1.0 cent per share fully franked (FY 2011: 3.0 cents per share fully franked).

* Profit after tax pre non-cash amortisation, unrealised movements on interest hedging instruments and significant non-recurring items including increased taxation expense due to legislative change (RTFI), divestment project costs and project early termination costs (See reconciliation table on page 37).

General Electric Offer

In May 2012 Industrea entered into a Scheme Implementation Agreement under which it is proposed that General Electric Company (GE) will acquire all Industrea shares outstanding by way of a Scheme of Arrangement (Scheme) for $1.27 cash per share. In the absence of a superior proposal, Directors have unanimously recommended that shareholders vote in favour of the Scheme at the upcoming General Meeting and subject to the Independent Expert opining that the scheme is in the best interest of shareholders.

An update on the progress of the Scheme, is outlined on page 4 of this report.

Operations Review

Industrea Mining Equipment

Buoyed by strong demand for Industrea's "next generation" new underground diesel products, and increased maintenance revenue from our new Hunter Valley service centre and China fabrication facility, divisional revenue climbed 49% to a record $100.9 million. Mining Equipment EBITDA increased 30% to $26.1 million.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Managing Director's Report

Orders for Industrea's "best of breed" underground diesel equipment remained consistently high, on the back of continued high demand from both the Australian and Chinese underground coal sectors. Included among the year's larger contracts were:

- $10.2 million for seven 50 tonne Longwall Carriers for China's second largest coal miner, China Energy Coal.
- $4.4 million for two 5 tonne C9 Roof Support Carriers for Shenfu.
- $7.2 million for four 55 tonne Roof Support Carriers for Inner Mongolia Yitai Coal Company.
- $12.6 million for four 70 tonne Chock Carriers, a 50 tonne Dozer and 130 tonne Shearer Carrier for Vale Australia.
- $4.8 million for three 50 tonne Roof Support Carriers to Shanxi Jinshen Energy Co.

In FY 2012, $5 million was invested in centralising our existing Hunter Valley diesel equipment servicing facilities into significantly larger premises at Rutherford. Since opening in September 2011, the new service centre, which is more strategically located for our major Hunter Valley customer needs, has begun to boost our recurring revenue streams for maintenance and spare parts.

This trend towards increasing maintenance revenue was also reflected in China in FY 2012. In December 2011, and following an investment to upgrade maintenance capacity at our Shijiazhuang fabrication facility, our Chinese subsidiary Industrea Wadam Mining Equipment Co Ltd received its maiden refurbishment contract to rebuild and upgrade two 40 tonne roof support carriers for $1.4 million.

We now have over 150 Industrea diesel equipment products operational throughout China. Chinese mining equipment is subjected to much higher utilisation rates, and therefore "wear and tear", than we are accustomed to in Australia, and our strengthened maintenance capacity in this growing market will prove an increasingly important supplement to our product sales revenue there.

The potential for Industrea to generate significant, recurring revenue streams from maintenance related activity for both our Mining Equipment and Mining Technology products is clearly highlighted by the $10 million plus income which flowed from spares, maintenance and refurbishment work in China during the first half of FY 2012.

Over recent years we have invested heavily in R & D to ensure the Industrea brand name continues to represent a global benchmark for high quality, innovative fire and explosion proof diesel equipment.

This investment has led to the launch of highly successful new products such as our 130 tonne Shearer Carrier, 70 tonne Mine Dozer and Tier 3 low emission personnel vehicle. Releasing new and improved products enhance not only the quality of our range, but also its depth, and in many instances opens new market opportunities for us.

At the time of this report's publication we are well advanced with the initial build of what we consider is one of the most highly prospective new diesel product developments Industrea has ever embarked on.

The new vehicle is a 10 tonne payload LHD (load, haul, dump). This category of product is the largest selling underground mining machine in the world by volume. Therefore, for the first time, Industrea will be tapping into the largest underground mining equipment segment with a product that we consider legitimately "cutting edge" and at least the equal of the very best competitor products currently in the market.

Our new LHD will also be suited for deployment at not only underground coal mines (our sole target market at the moment), but also at hard rock underground mines. We are confident our new LHD will not only prove a "category killer" in the coal sector, but open substantial new market opportunities for the company in other global underground mining sectors.

Mining Services

Several new and extended contracts which progressively improved fleet utilisation rates, and more clement weather conditions than the prior year, combined to push Mining Services revenue 26% higher to a record $213 million. Divisional EBITDA of $81.4 million was up 23.8%.

The capital expenditure previously committed to enlarging and upgrading the Mining Services vehicle fleet proved instrumental to the new and extended contracts won in FY 2012 for work in the Mt Isa region, Bowen Basin and the Hunter Valley. Included among the new contract wins were the hire of 10 new dump trucks to Anglo Coal for its Foxleigh mine in the Bowen Basin and contracting assignments at BHP Cannington's Tailings Dam Lift and Xstrata's Ernest Henry Tailings Evaporation Dam.

During FY 2012, the Mining Services division secured $318 million in forward contracting agreements. A bulk of this revenue is locked in until at least the end of the 2013 calendar year, with a number of contracts running into calendar 2014.

Managing Director's Report

Over recent years the Mining Services division has consolidated deep seated and robust working relationships with many of Australia's leading mining groups, which is reinforced by its ability to consistently win major extensions to existing contracts in place. Among the contracts successfully extended in FY 2012 were:

- $27 million extension to CST Mining Group's Lady Annie copper mine in Mt Isa.
- $100 million extension to Rio Tinto's Hunter Valley operations and Mt Thorley, Warkworth mine.
- $132 million contract renewal for Xstrata's Black Star open cut mine.
- $76 million extension to Cockatoo Coal's Baralaba.

Mining Technology

The Mining Technology division's performance in FY 2012 was well below expectations, and one which significantly counteracted the strong revenue gains achieved by our Mining Equipment and Mining Services divisions. Revenue for the year was down over 60% on the prior year, falling to $42.2 million, with a corresponding 70% drop in EBITDA to $11.9 million.

Primary contributions to the revenue decline were poor sales of our gas drainage technology into China, which historically has proved one of our best performing market segments, and the early finalisation of the multiple CAS-CAM/RF® installation into BMA's Bowen Basin mine sites.

With the benefit of hindsight, the decision taken in late FY 2011 to focus solely on marketing our fully fabricated proprietary gas drill rigs and Drill Guidance System as a single solution did not gain traction quickly enough in China.

We have now successfully evolved that offering to a dual strategy of marketing both complete drill rig systems and individual components of Drill Guidance Systems (DGS) into that market.

It is already apparent in the first few months of the current financial year that a dual market offer is more effective and what our overseas customers are looking for in relation to their mine gas drainage needs, with a much improved sales effort already apparent.

Since resetting our DGS strategy we have sold 14 DGS units in China. We have also received our first significant order for DGS components from South Africa, and are confident of unlocking other opportunities in this market as a result of this first sale.

We are also continuing to proceed with several pilot trial applications of our CAS-CAM/RF® collision avoidance systems at a number of open-cut mine sites in Australia and expect a stronger contribution from this side of our technology business in the year ahead.

Gas Management

In its first full year of operations the Gas Management division generated lower than expected revenue of $17.3 million.

Our focus for this business in FY 2012 remained on increasing and updating its capital equipment fleet and to training personnel to Industrea's safety and production standards.

While the value of the investment required has been higher, and its duration longer, than originally envisaged, we are confident the business now has a sustainable competitive footing.

We expect an improved performance from the division both here in Australia and overseas during the current financial year.

Outlook

The first quarter of FY 2013 has seen increased levels of volatility and uncertainty in Australia's resource markets.

While we maintain a cautionary outlook on how future market conditions may unfold, we are budgeting for growth across all areas of the business in the year ahead.

This projection is based on the strong trading performance our divisions have made in FY 2013 up to the time of producing this report, and the continued relative stability of the key market segments our products and services are focused on.

There are no doubts falling commodity prices for coal and iron ore in 2012, and spiralling project costs in Australia, have combined to stall both resource exploration activity and a number of planned major projects. While we operate in a segment of the market broadly classified as Mining Services, unlike many of our counterparts, none of Industrea's products or services target either the exploration or design/construct phase of the mining cycle. Our overriding focus is on existing, fully operational mine sites.

We believe one by-product of falling commodity prices and a tighter financing environment will be a vigorous refocus by mining companies, both in Australia and overseas, on how to operate their mines more efficiently and productively, in order to maximise the value and minimise the risk of their existing assets.

Industrea's products and technology slot neatly into this demand segment, with a proven capacity over many years to deliver discernible mine productivity and safety improvements.

While debate continues about the direction of China's economy, even at reduced economic growth rates its targeted raw coal production for calendar year 2012 is approximately 3.65 billion tonnes. Put into perspective this compares to Australia's projected output over the same period of 400 million tonnes.

Against these backdrops we remain relatively confident of achieving our growth projections for the current year, barring any further significant downturn in global economic confidence or financial markets.

Conclusion

Pending shareholder approval of the GE Scheme, this may prove my last Annual Report as Managing Director of Industrea. I have thoroughly enjoyed every minute of the journey taken by the company since joining it in 2005.

I would like to sincerely thank my fellow board members, executive team and our employees for their successful, united effort in surmounting the challenges, and seizing the opportunities, to transform Industrea into the company it is today.

To our shareholders, sincere thanks for your loyalty and support over the past years. I wish each and every one of you a prosperous, healthy and happy future.

Sincere thanks

Robin Levison
Managing Director &
Chief Executive Officer

Board and Management

Directors

Hon David Beddall

MAICD

Non-executive Chairman

Appointed March 1999. Federal member in the Australian Parliament from 1983 to 1998, including positions as Minister for Resources, Minister for Communications and Minister for Small Business, Constructions and Customs. President of the Australian Franchisees Association Incorporated, Member of the Australian Competition & Consumer Commission Franchising Consultative Committee, National Councillor of the Australian Industry Group and Councillor - Queensland Executive Member (Branch Secretary & Treasurer) of the Australian Industry Group (Qld). Non-executive Chairman of Asset Resolution Limited. Since leaving Federal Parliament in 1998 Hon David Beddall has operated in the private sector with a mixture of directorships with public and private companies as well as not for profit industry organisations. Member of the Audit Committee and Remuneration Committee.

Robin Levison

CA, MBA, FAICD

Managing Director & Chief Executive Officer

Appointed November 2005. Experienced Public Company director. Previously Managing Director at Spectrum Resources and has held senior roles at KPMG, Barclays Bank and Merrill Lynch. Mr Levison is a director of St Aidan's Anglican Girls School Foundation Limited, Councillor of the Australian Business Arts Foundation (AbaF) and is a Fellow of the Australian Institute of Company Directors. Mr Levison holds a Masters of Business Administration from the University of Queensland and is a Chartered Accountant.

Lachlan McIntosh

B.Com

Non-executive Director

Appointed May 2004. Chartered Accountant specialising in profit enhancing and business turnaround. Managing Director of 22 Capital Pty Ltd. Non-Executive Director of ASX listed Eureka Group Holdings Limited (from July 2009). Chairman of the Audit Committee and member of the Remuneration Committee.

Anthony McDonald

LLB MAICD

Non-executive Director

Appointed 14 November 2007. Lawyer involved in the natural resources sector in Australia and internationally. Previously held positions of director, secretary and legal advisor to a number of listed and unlisted public companies. Currently Managing Director of Cerro Resources NL. Non-Executive Director of ASX listed Planet Gas Limited (from 2003). Member of the Audit Committee and Remuneration Committee.

Tim Netscher

MBA, B.Com, Bsc (Eng) (Chemical) MAICD

Non-executive Director

Appointed 19 February 2009. Currently CEO and Managing Director of Gindalbie Metals Limited, an ASX 200 developing magnetite producer. Immediately prior, was Senior Vice President Asia Pacific with Newmont Mining and before that held executive director and senior management positions with major resource companies including Vale Australia, PT Inco (Indonesia), QNI Pty Ltd (BHP Billiton), and Impala Platinum Holdings Limited (South Africa). Mr Netscher is also a non-executive director of Bullabulling Gold Limited. Member of the Remuneration Committee.

Senior Management

Mr Dale McNamara

Deputy CEO

Appointed to Group Executive in 2009. In excess of 30 years experience in operational and management roles in the coal mining industry. Founder and Managing Director of Industrea Wadam China since 1993. Extensive contacts throughout the Group's customer base in China and Australia. Focusing on business development and expansion opportunities across the group with continuing oversight of the Industrea Wadam business in China.

Mr Jeff Watson

B.Com, FCIS, FAIM, CPA

Chief Financial Officer

Appointed January 2011. Previously Chief Financial Officer & Company Secretary of ASX listed Staging Connections Group Limited and prior to that with Chubb Australasia, a world leader in security and fire safety solutions. While with Chubb, Mr Watson was responsible for the Australasia region with annual revenues of more than $1.3bn and more than 10,000 employees. Prior to this he was Vice President Finance & Administration Australia and New Zealand for Computer Sciences Corporation (CSC). Mr Watson held several international roles in the US with CSC before returning to his Australian VP position.

Mr Phillip Hourigan

LLB, LLM, MAICD

General Counsel/ Company Secretary

Appointed January 2009. Responsible for legal function across group including company secretary of listed entity. Former corporate partner with International law firm, Deacons (now Norton Rose). Over 25 years practice as a commercial lawyer strong risk management and corporate governance skills. Non-executive Director of not for profit Help Enterprises Limited (since 2008).

Ms Tabatha Kattau

BAAppMgt, AdvDipOHS, DipBusMgt

Chief Human Resources Officer

Appointed 29 August 2011. Responsible for development and implementation of Human Resources frameworks and systems with an emphasis on increasing overall group capabilities. Over 15 years experience in the mining services industry predominantly with Joy Global (P&H MinePro Services) and most recently in Learning & Development.

Corporate Governance Statement

Introduction

This statement outlines the key aspects of Industrea's corporate governance framework and main governance practices. Copies or summaries of the governance documents referred to in this statement can be found in the "Corporate Governance" section of the Industrea website. These charters, policies and procedures are regularly reviewed and updated to ensure they continue to reflect best practice.

Throughout the year ended 30 June 2012 (the reporting period), Industrea's governance arrangements complied with the ASX Corporate Governance Council's Principles and Recommendations. A checklist cross referencing the Principles and Recommendations to the relevant sections of this statement and elsewhere in the Annual Report is set out below.

Principle / Recommendation		Reference / Explanation	Does Industrea comply?
1	**Lay solid foundation for management and oversight**		
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Page 23, columns 1 and 2	Yes
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Page 28, column 1 and pages 38 to 50	Yes
1.3	Companies should provide the information indicated in the guide to reporting on Principle 1 as follows:		
	– an explanation of any departures from any Principle 1 recommendation;	N/A	N/A
	– whether a performance evaluation for senior executives has taken place during the reporting period under the process disclosed; and	Page 28, column 1 and pages 38 to 50	Yes
	– the Board Charter should be made publicly available.	The Board Charter is available on the corporate governance section of the company's website	Yes
2	**Structure the Board to add value**		
2.1	A majority of the Board should be independent directors.	Page 24, column 1	Yes
2.2	The chair should be an independent director.	Page 24, column 1	Yes
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Page 24, column 1	Yes
2.4	The Board should establish a nomination committee.	Page 24, column 2	Yes
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.	Page 28, column 1	Yes

Principle / Recommendation	Reference / Explanation	Does Industrea comply?
2.6 Companies should provide the information indicated in the guide to reporting on Principle 2 as follows:		
– the skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report;	Page 36	Yes
– the names of the directors considered by the Board to constitute independent directors and the company's materiality thresholds;	Page 24, column 1	Yes
– the existence of any of the relationships listed in the ASX's commentary and an explanation of why the Board considers a director to be independent, notwithstanding the existence of those relationships;	Page 24, column 1 and note 27 on page 88	Yes
– a statement as to whether there is a procedure agreed by the Board for directors to take independent professional advice at the expense of the company;	Page 25, column 2	Yes
– the period of office held by each director in office at the date of the annual report;	Page 36	Yes
– the names of members of the nomination committee and their attendance at meetings of the committee;	Pages 26 and 27, and page 37	Yes
– whether a performance evaluation for the Board, its committees and directors has taken place in the reporting period and whether it was in accordance with the process disclosed;	Page 28, column 1	Yes
– an explanation of any departure from any Principle 2 recommendations;	N/A	N/A
The following material should be made publicly available:		
– a description of the procedure for the selection and appointment of new directors and the re-election of incumbent directors;	Page 24, column 2	Yes
– the charter of the nomination committee; and	The Nomination Committee Charter is available on the corporate governance section of the company's website	Yes
– the Board's policy for the nomination and appointment of directors.	Page 24, column 2	Yes

Corporate Governance Statement

Principle / Recommendation		Reference / Explanation	Does Industrea comply?
3	**Promote ethical and responsible decision making**		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code.	Page 28, column 2	Yes
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	Page 29, column 1	Yes
3.3	Companies should disclose in each annual report the measurable objectives in achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	Page 29, column 1	Yes
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organization, women in senior executive positions and women on the board.	Page 29, column 1	Yes
3.5	Companies should provide information indicated in the guide to reporting on Principle 3 as follows:		
	– an explanation of any departures from any Principle 3 recommendations.	N/A	N/A
	The following material should be made publicly available:		
	– any applicable code of conduct or a summary. – the diversity policy or a summary of its main provisions.	The following documents are available on the corporate governance section of the company's website: – Ethics and Conduct Policy – Diversity Policy	Yes
4	**Safeguard integrity in financial reporting**		
4.1	The Board should establish an audit committee.	Page 26	Yes
4.2	The audit committee should be established so that it:		
	– consists only of non-executive directors; – consists of a majority of independent directors; – is chaired by an independent chair, who is not chair of the Board; and – has at least three members.	Pages 26 and 27	Yes
4.3	The audit committee should have a formal charter.	Page 26	Yes
4.4	Companies should provide information indicated in the guide to reporting on Principle 4 as follows:		
	– the names and qualifications of those appointed to the audit committee and their attendance at meetings of the committee;	Pages 36 and 37	Yes
	– the number of meetings of the audit committee; and	Page 37	Yes
	– explanation of any departures from any Principle 4 recommendations,	N/A	N/A
	The following material should be made publicly available:		
	– the audit committee charter; and	The Audit Committee Charter is available on the corporate governance section of the Company's website	Yes
	– information on procedures for the selection and appointment of the external auditor, and the rotation of external audit engagement partners.	Page 29, column 2	Yes

Principle / Recommendation		Reference / Explanation	Does Industrea comply?
5	**Make timely and balanced disclosure**		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for the compliance and disclose those policies or a summary of those policies.	Page 30, column 2	Yes
5.2	Companies should provide the information indicated in the guide to reporting on Principle 5 as follows:		
	– an explanation of any departures from any Principle 5 recommendations.	N/A	N/A
	The following material should be made publicly available:		
	– a summary of the policies and procedures designed to guide compliance with Listing Rule disclosure requirements.	The Continuous Disclosure Policy is available on the corporate governance section of the Company's website	Yes
6	**Respect the rights of shareholders**		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Page 30, column 2	Yes
6.2	Companies should provide the information in the guide to reporting on Principle 6 as follows:		
	– an explanation of any departures from any Principle 6 recommendations.	N/A	N/A
	The following material should be made publicly available:		
	– how the company will communicate with its shareholders publicly.	The Shareholder Communications Policy is available on the corporate governance section of the Company's website	
7	**Recognise and manage risk**		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Page 31, column 1	Yes
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Page 31, column 1	Yes
7.3	The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Page 31, column 2	Yes

Corporate Governance Statement

Principle / Recommendation	Reference / Explanation	Does Industrea comply?
7.4 Companies should provide the information in the guide to reporting on Principle 7 as follows:		
– an explanation of any departures from any Principle 7 recommendations;	N/A	N/A
– whether the Board has received the report from management under recommendation 7.2;	Page 31, column 2	Yes
– whether the Board has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) under recommendation 7.3.	Page 31, column 2	Yes
The following material should be made publicly available:		
– a summary of the company's policies on risk oversight and management of material business risks.	The Risk Management Policy is available on the corporate governance section of the Company's website	Yes
8 Remunerate fairly and responsibly		
8.1 The Board should establish a remuneration committee.	Page 26	Yes
8.2 The remuneration committee should be structured so that it: – consists only of a majority of independent directors; – is chaired by an independent chair; and – has at least 3 members.	Pages 26 and 27	Yes
8.3 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Pages 39 and 47	Yes
8.4 Companies should provide the information indicated in the guide to reporting on Principle 8 as follows:		
– the names of the members of the remuneration committee and their attendance at meetings of the committee;	Pages 39 and 47	Yes
– the existence and terms of any schemes for retirement benefits, other than superannuation, for non-executive directors; and	Pages 38 to 50	Yes
– an explanation of any departures from any Principle 8 recommendations.	N/A	N/A
The following material should be made publicly available:		
– the charter of the remuneration committee; and	The Remuneration Committee Charter is available on the corporate governance section of the Company's website	Yes
– a summary of the company's policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remunerations schemes.	The Security Trading Policy is available on the corporate governance section of the Company's website	Yes

Role of the Board

Relevant governance documents

– Board Charter

The role of the Board is to oversee and guide the management of Industrea and its businesses with the aim of protecting and enhancing the interests of its shareholders, taking into account the interests of other stakeholders, including employees, customers, suppliers and the wider community.

The Board has a Charter which clearly establishes the relationship between the Board and management and describes their functions and responsibilities.

The responsibilities of the Board include:

- oversight of the Industrea group, including its control and accountability systems;
- appointing and removing the Managing Director;
- where appropriate, ratifying the appointment (and the removal) of the Deputy Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Company Secretary;
- providing input into and final approval of management's development of corporate strategy and performance objectives;
- reviewing, ratifying and monitoring systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- monitoring senior managements' performance and implementation of strategy and ensuring appropriate resources are available;
- approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestments;
- establish the level of the Company's capital structure and set its dividend policy;
- approving and monitoring financial and other reporting;
- reviewing and approving remuneration of the Managing Director and senior executives;
- ensuring appropriate succession planning is in place for the Managing Director and senior executives;
- appointing, re-appointing or removing the company's external auditors (on recommendation of the Audit Committee); and
- monitoring and overseeing the management of shareholder and community relations.

The Managing Director/CEO is responsible to the Board for the day-to-day management of the Industrea group.

To assist it in effectively managing its responsibilities the Board has appointed three standing committees being the Audit Committee, Remuneration Committee and Nomination Committee details of which are set out below.

The Board may appoint other committees from time to time as required. Committees of the Board make recommendations to the Board.

Structure and composition of the Board

The Board is structured so that its membership provides the mix of qualifications, skills and experience to enable it to discharge its responsibilities, and so that its size facilitates effective discussion and efficient decision making.

The Board determines its size and composition, subject to the constitution of the Company.

The Board is currently comprised of 5 directors, with 4 non-executive directors, including the Chairman and 1 executive managing director. The Board considers that this mix and number is appropriate for the current size and operation of the Company.

The skills, qualifications, experience, relevant expertise and period in office of each director during the reporting period are set out in the Directors' Report.

Corporate Governance Statement

Director Independence

Directors are expected to bring independent views and judgement to the Board's deliberations.

In accordance with the Board Charter, the Board includes a majority of non-executive independent directors and has a non-executive independent Chairman. The roles of the Chairman and the Managing Director/CEO must be exercised by separate individuals.

The Board defines an independent director as a non-executive director who is free of any business or other relationship that could interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgement and ability to act in the best interests of security holders.

In assessing the independent status of a non-executive director, the Board considers the 'relationships affecting independent status' set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations and other facts, information and circumstances that the Board considers relevant. The test of whether a business or other relationship is material is assessed from the perspective of both Industrea and the director.

The Board has reviewed the position and associations of all directors in office at the date of this report and considers that all 4 of the non-executive directors are independent. The Board assesses the independence of new directors upon appointment and reviews their independence and the independence of the other directors, annually and as appropriate. Each director is required to provide the Board with all relevant information to enable it to make this assessment.

The Board has considered the independence of Mr Lachlan McIntosh by virtue of his professional association with 22 Capital. On the basis of the details disclosed in note 27 on page 88 the Board has determined that the relationship does not interfere with Mr McIntosh's exercise of independent judgement. Mr McIntosh was not involved in any procurement or other Board decision making regarding the firms with which he has (or has previously had) an association.

The Board considers that Mr McIntosh is an independent director.

In addition, the Board has considered the independence of Mr David Beddall, in relation to his period of service as Chairman. The Board considers that the length of time that Mr Beddall has been on the Board does not have an adverse impact on his ability to bring an independent judgement to bear in decision making. The Board considers that having a director who has served on the Board for a longer period helps to ensure continuity of corporate knowledge and experience, provided that the capacity for active contribution and independent judgement is maintained.

The Board considers that Mr Beddall is an independent director given his continued and demonstrated performance and ability to make objective judgements on matters before the Board.

Retirement and re-election

The company's Constitution requires one third of the directors, other than the Managing Director, to retire from office at each annual general meeting. Directors who have been appointed by the Board during the year (as a casual vacancy or as an addition to the Board) are required to retire from office at the next annual general meeting.

Directors cannot hold office for a period in excess of three years or beyond the third annual general meeting following their appointment without submitting themselves for re-election. Retiring directors are eligible for re-election by shareholders.

Board support for directors retiring by rotation and seeking re-election is not automatic. Prior to each AGM, the Board determines whether it will recommend to security holders that they vote in favour of the re-election of each non-executive directors seeking re-election, having regard to any matters the Board considers relevant, including the director's performance evaluation and his or her tenure. A non-executive director is also required to take into account the views of the other non-executive directors of the company when making a decision to stand for re-election.

Nomination and appointment of new directors and Board gender diversity

The Board has established a policy and procedure for the nomination, selection and appointment of new non-executive directors. A regular assessment of the range of qualifications, skills, experience, and diversity of gender, age, experience, relationships and background on the Board is undertaken to enable the identification of particular competencies and perspectives that will best increase the Board's effectiveness. Where a need is identified or arises, the Nomination Committee commences a search process for potential appointees, with the assistance of external consultants as necessary. Throughout the search process a wide potential base of possible candidates is considered.

The Nomination Committee undertakes an assessment of short listed potential appointees against a range of criteria. The Chairman and other directors also meet in person with potential appointees. The Nomination Committee will then recommend the most appropriate candidate(s) for consideration by the Board as a whole.

The Board recognises that diversity is a competitive advantage brining real value, adding to the collective skills and experience of the Board and allowing Board renewal with changing needs. The Nomination Committee is responsible for making recommendations to the Board on strategies for addressing Board gender diversity.

If a candidate is recommended by the Nomination Committee, the Board assesses the qualifications of the proposed new director against a range of criteria including background, experience, professional skills, personal qualities, the potential for the candidate's skills to augment the existing Board, the candidate's availability to commit to the Board's activities and the advantages of diversity. If these criteria are met and the Board appoints the candidate as a director, that director must retire at the next annual general meeting and will be eligible for election by shareholders at that meeting.

Induction of new directors

New non-executive directors are provided with a formal letter of appointment which sets out the key terms and conditions of appointment, including duties, rights and responsibilities, the time commitment envisaged, and the Board's expectations regarding involvement with committee work.

As part of the induction program, the new director meets with the Chairman, the Audit Committee Chairman, the Managing Director, and other key executives. The program also includes site visits to some of Industrea's key operations in accordance with the Board's annual program of site visits.

Knowledge, skills and experience

All directors are expected to maintain the skills required to discharge their obligations to the company.

Directors are provided with papers, presentations and briefings on Group businesses and on matters which may affect the operations of the Group. Directors are also encouraged to undertake continuing education and training relevant to the discharge of their obligations as directors of the company. Subject to prior approval by the Chairman, the reasonable cost of continuing education and training is met by the company.

To assist directors to maintain an appropriate level of knowledge, skill and experience in the operations of the company, directors undertake site visits each year to a number of Industrea's businesses.

Board access to information and independent advice

All directors have unrestricted access to employees of the Group and, subject to the law, access to all company records and information held by Group employees and external advisers. The Board receives regular detailed financial and operational reports from senior management to enable it to carry out its duties.

Each director may obtain independent professional advice at the company's expense, to assist the director in the proper exercise of powers and discharge of duties as a director or as a member of a Board committee.

Directors are entitled to reimbursement of all reasonable costs where a request for reimbursement of the cost of such advice is approved by the Chairman. In the case of a request made by the Chairman, approval is required from the Chairman of the Audit Committee.

Conflicts of interest

Directors are required to avoid conflicts of interest and immediately inform their fellow directors should a conflict of interest arise. Directors are also required to advise the company of any relevant interests that may result in a conflict.

The Board has adopted the use of formal standing notices in which directors disclose any material personal interests and the relationship of these interests to the affairs of the company. A director is required to notify the company of any new material personal interests or if there is any change in the nature or extent of a previously disclosed interest.

Where a matter in which a director has a material personal interest is being considered by the Board, that director must not be present when the matter is being considered or vote on the matter, unless all of the other directors have passed a resolution to enable that director to do so or the matter comes within a category of exception under the Corporations Act 2001.

Corporate Governance Statement

Operation of the Board

Relevant governance documents

- Board Charter
- Audit Committee Charter
- Nomination Committee Charger
- Remuneration Committee Charter

Committees of the Board

As at the date of the Annual Report, the Board has three standing committees of directors: the Audit Committee, the Nomination Committee and the Remuneration Committee.

Each committee operates under a charter, approved by the Board, which sets out the authority, membership and responsibilities of the committee, together with any relevant administrative arrangements and any other matters considered appropriate by the Board.

These committees review matters on behalf of the Board and (subject to the terms of the relevant committee's Charter):

- refer matters to the Board for decision, with a recommendation from the committee (where the committee acts in an advisory capacity); or
- determine matters (where the committee acts with delegated authority), which it then reports to the Board.

Details of the membership, composition and responsibilities of each committee are detailed on pages 26 and 27.

The Board periodically reviews the appropriateness of the existing committee structure, as well as the membership and the charter of each committee.

	Audit Committee	Remuneration Committee	Nomination Committee
Members	– Mr Lachlan McIntosh (Chairman) – Mr David Beddall – Mr Tony McDonald	– Mr David Beddall (Chairman) – Mr Tony McDonald – Mr Lachlan McIntosh – Mr Tim Netscher	– Mr David Beddall (Chairman) – Mr Robin Levison – Mr Tony McDonald – Mr Lachlan McIntosh – Mr Tim Netscher
Composition	The committee must comprise: – only non-executive directors; – a majority of non-executive directors who satisfy the criteria for independence; – a Chairman who satisfies the criteria for independence; – members who have an understanding of financial statements and general accounting principles; and – at least 1 member who has financial experience.	The committee must comprise: – only non-executive directors; – a majority of non-executive directors who satisfy the criteria for independence; – a Chairman who satisfies the criteria for independence; and – at least 3 members	The committee must comprise such members as the Board determines from time to time.

	Audit Committee	Remuneration Committee	Nomination Committee
Responsibilities include:	– Reviewing all published financial accounts of the company which require approval by the Board of directors, and discussion of the accounts with the external auditors and management prior to their submission to the Board; – Reviewing any changes in accounting policies or practices and subsequent effects on the financial accounts of the company; – Reviewing the quality of the reporting process and accounting policies in place and monitoring compliance with current laws, regulations, accounting standards and other professional reporting standards; – Reviewing with management the terms of the external audit engagement in order to make recommendations to the Board; – Reviewing and assessing non audit services to be provided by the external auditor; – Monitoring and assessing the systems for internal compliance and control, legal compliance and risk management; – Undertaking any investigations relating to financial matters and risks it deems appropriate; – Advising on the appointment, performance and remuneration of the external auditor; and – Reviewing and monitoring the company's continuous disclosure policies and procedures.	– Reviewing and making recommendations to the Board on remuneration for the non-executive directors – Performance and remuneration of, and incentives for, the Managing Director & CEO and senior executives; – Remuneration strategies, practices and disclosures generally; and – Where appropriate, seeking advice and benchmarking data from experienced external consultants.	– Reviewing Board and committee composition and recommending new appointments to the Board and the committees; – Ensuring an effective induction programme for directors; – Reviewing Board succession plans; – Reviewing and making recommendations to the Board on the operation and performance of the Board and its Committees; and – Making recommendations for the removal of directors.
Attendance	Details of meeting attendance for members of each committee are set out in the directors' report on page 37 of this Annual Report		

Corporate Governance Statement

Performance evaluation

No board performance review using external consultants was undertaken in the reporting period. The last externally facilitated board performance review was completed in June 2010.

An internal board performance review was conducted during the reporting period. The review involved a self-assessment by each director of Board and committee performance. Directors were specifically asked to comment on the composition and diversity of the current Board. The results of this self-assessment were considered by the Board as a whole. The process was then supplemented by one-on-one discussions between each director and the Chairman, which provided an opportunity for the consideration of individual contributions and issues particular to a director.

As noted on page 29 below the Board has developed a diversity policy and has established measurable objectives in relation to gender diversity.

Performance of senior executives

Each year the Board sets key performance indicators (KPIs) for the Managing Director & CEO, and in consultation with the Managing Director & CEO and the Remuneration Committee, the Board approves KPIs set for other senior executives against which their performance is measured.

KPIs relate to both the performance of Industrea and the performance of the executive individually. A 'shared' executive team KPI may also be set. The performance of the CEO is reviewed by the Board. The performance of key management personnel is reviewed by the CEO who reports to the Remuneration Committee with a recommendation on the outcome of these reviews. The Board approved outcomes directly impact each senior executive's short term incentive.

Performance reviews for the CEO and other senior executives for the year ended 30 June 2011 were conducted during the reporting period. Detailed information regarding those reviews, and the reward structure and remuneration outcomes for senior executives during the reporting period are set out in the Remuneration Report within the Directors' Report. Performance reviews for the year ended 30 June 2012 will be conducted in September and October 2012.

Remuneration of directors and senior executives

The remuneration of non-executive directors consists entirely of directors' fees. Non-executive directors do not receive any variable remuneration or other performance related incentives.

Further details of the remuneration paid to each non-executive director during the reporting period is set out in the Remuneration Report within the Directors' Report.

The remuneration of the Managing Director & CEO and other senior executives comprises fixed remuneration, short term cash incentives and long term equity based incentives. Industrea's remuneration strategy and framework, and the remuneration outcomes for the Managing Director & CEO and other senior executives is described in detail in the Remuneration Report within the Directors' Report.

Ethical conduct and responsible decision-making

Relevant governance documents

- Ethics and Conduct Policy
- Board Charter
- Security Trading Policy
- Diversity Policy

Conduct and ethics

The company has established and seeks to abide by an Ethics and Conduct Policy outlining the basis on which the Company promotes ethical and responsible decision making and behaviour.

The Ethics and Conduct Policy is aimed at maintaining the highest ethical standards of corporate behaviour and accountability across the Group. Employees and directors are expected to respect the law; respect confidentiality; properly use Group assets, information and facilities; value and maintain professionalism; avoid conflicts of interest; act in the best interests of shareholders; contribute to the company's reputation as a good corporate citizen; and act with honesty, integrity, decency and responsibility at all times.

Whistleblower protection

Industrea encourages the reporting of unlawful and unethical behaviour, actively promotes and monitors compliance with the Ethics and Conduct Policy, and protects those who report breaches in good faith.

The Ethics and Conduct Policy provides protection to whistleblowers, as required by the *Corporations Act 2001.*

Under the policy, whistleblowers are protected from any disadvantage, prejudice or victimisation for reports made in good faith of any breaches of the policy or the *Corporations Act 2001*.

Guidelines were developed to assist directors and senior executives to manage reports of whistleblower complaints.

Dealing in securities

The Company's Security Trading Policy establishes a procedure for dealings by directors, senior executives, employees, contractors and their related parties in Industrea securities, and in securities of other entities with whom Industrea may have business dealings.

The policy prohibits directors and employees from dealing in securities at any time if they are in possession of price-sensitive information. Dealing is also not permitted during closed periods except with the prior approval in circumstances of financial hardship. Directors and employees may generally deal in securities during "Trading Windows" if prior approval is obtained in accordance with the procedure set out in the policy.

As required by the ASX listing rules, each Director has agreed to provide notice of any dealings in the Company's securities within 5 business days of any such dealing to enable the Company to comply with its corresponding obligation to notify the ASX.

The directors of Industrea must also advise the Chairman if they intend to enter into, or have entered into, a margin lending or other security arrangement affecting the company's securities. The Chairman, in consultation with the Board, determines if such arrangements are material and therefore require disclosure to the market.

The company's Security Trading Policy prohibits executive directors and members of the Executive Management Committee from entering into transactions or arrangements which transfer the risk of any fluctuation in the value of shares obtained under Industrea's performance rights plan while the shares are subject to a restriction.

Industrea's Security Trading Policy prohibits the use by employees of derivatives such as caps, collars, warrants or similar products in relation to Industrea securities, including shares acquired under the Group's equity incentive schemes, whether or not they are vested. The Directors are not permitted to enter into margin loans in relation to Industrea securities at any time and other designated employees must notify the Company if they intend to enter into such transactions. The Security Trading Policy forms part of each key employee's terms of employment and is binding upon each key employee.

Diversity

The Company has established and disclosed (on its website) a Diversity Policy.

The Company's diversity targets and progress towards achieving such targets are as follows:

– Directors and senior executives –The Company currently has 20% female participation at its senior executive group level but 11% female participation across the combined directors and senior executive group. The Company seeks to retain or improve this level of participation in FY13.

– Employees across the organisation – Currently within the Company's international operations approximately 12% of employees are female. The Company seeks to at least maintain this percentage of female employees across its international operations and will endeavour to make gradual improvements each year. The FY13 target is 12.5%.

Sustainability

The Board is committed to ensuring that all Industrea operations work to sustainable business practices.

Integrity in financial reporting

Role of the Audit Committee

The Audit Committee monitors internal control policies and procedures designed to safeguard company assets and to maintain the integrity of financial reporting.

The Managing Director, CFO, Company Secretary, external auditor (BDO Audit Pty Ltd), and any other persons considered appropriate, attend meetings of the Audit Committee by invitation.

The Audit Committee has unrestricted access to management and the auditors, and rights to seek explanations and additional information. The committee also meets from time to time with the external auditor in the absence of management. The chair also meets with management and the auditor regularly to receive updates on their work.

Independence of the external auditor

Appointment of auditor

The company's external auditor is BDO Audit Pty Ltd. The effectiveness, performance and independence of the external auditor is reviewed by the Audit Committee.

If it becomes necessary to replace the external auditor for performance or independence reasons, the Audit Committee will formalise a procedure and policy for the selection and appointment of a new auditor.

Independence declaration

The Corporations Act 2001 requires the external auditor to make an annual independence declaration, addressed to the Board, declaring that the auditor has maintained its independence in accordance with the Corporations Act 2001 and the rules of the professional accounting bodies.

BDO Audit Pty Ltd has provided an independence declaration to the Board for the financial year ended 30 June 2012.

The independence declaration forms part of the directors' report and is provided on page 51 of this Annual Report.

Rotation of lead external audit partner

Mr Craig Jenkins is the lead audit partner for BDO Audit Pty Ltd in relation to the audit of the company. Mr Jenkins was appointed for the audit to 30 June 2008 and will be due for rotation on 30 June 2013.

Corporate Governance Statement

Restrictions on the performance of non-audit services by the external auditor

As part of the company's commitment to safeguarding integrity in financial reporting, the company has implemented procedures and policies to monitor the independence and competence of the company's external auditor.

Depending on the level of fees quoted for services, the engagement of the external auditor to undertake non-audit services requires the prior written approval of either the CFO, the Chairman of the Audit Committee or the Audit Committee. In the event that the amount of non-audit services fees incurred exceeds the total value of audit fees agreed by the company in that year, then all requests for the performance of non-audit services by the external auditor in excess of this limit must be approved by either the Chairman of the Audit Committee or the Audit Committee.

The Audit Committee has approved guidelines to assist in identifying the types of services that may compromise the independence of the external auditor. Examples of services that are considered to potentially compromise audit independence include valuation services and internal audit services. Details of fees paid (or payable) to BDO Audit Pty Ltd for non-audit services provided to the Industrea Group in the year ended 30 June 2012 are set out in the directors' report on page 52 of this Annual Report.

The Board has considered the nature of the non-audit services provided by the external auditor during the year and has determined that the services provided, and the amount paid for those services, are compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* and that the auditor's independence has not been compromised.

Attendance of external auditors at annual general meetings

The lead audit partner of BDO Audit Pty Ltd attends and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report at the company's annual general meeting.

Continuous disclosure

Relevant governance documents

– Continuous Disclosure Policy

The company understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the securities market and has adopted a Continuous Disclosure Policy covering:

– announcements to the ASX;
– prevention of selective or inadvertent disclosure;
– conduct of investor and analyst briefings;
– media communications;
– commenting on expected earnings;
– communication black-out periods; and
– review of briefings and communications.

Under the Continuous Disclosure Policy, the Managing Director, as the nominated disclosure officer, has responsibility for overseeing and coordinating the disclosure of information by the company to the ASX and for administering the policy and the Group's continuous disclosure education programme.

The Managing Director, as the disclosure officer, is also responsible for referring matters for disclosure to the Board. Directors are given the opportunity to comment and approve all announcements prior to their release. Decisions made by the directors in relation to any disclosures, are recorded at the Board's next meeting. Directors receive copies of all announcements immediately after they are released.

The Continuous Disclosure Policy, and the associated training and education programme, is reviewed and monitored by the Audit Committee. Compliance with the policy is also monitored by the Board.

Communications with Shareholders

Relevant governance documents

– Shareholder Communications Policy

The company places considerable importance on effective communications with shareholders. The company's Shareholder Communications Policy promotes the communication of information to shareholders through the distribution of an annual report and announcements through the ASX and the media regarding changes in its businesses, and the Chairman's address at the annual general meeting.

The annual and half year reports, ASX and media releases, and copies of significant business presentations and speeches, are available on the company's website. The company also provides shareholders with the opportunity to receive email alerts of significant announcements and advises of the availability of reports on the company's website.

The company regularly reviews its Shareholder Communications Policy and underlying processes to ensure effective communication with shareholders is maintained.

Annual general meeting

The company's annual general meeting is a major forum for shareholders to ask questions about the performance of the Industrea Group. It is also an opportunity for shareholders to provide feedback to the company about information provided to shareholders.

The Board has adopted the Business Council of Australia "General Meetings – Code of Conduct" to ensure that general meetings are effectively run and that shareholders have adequate opportunity to ask questions of the Board.

The company welcomes and encourages shareholder participation at general meetings to continue to improve the company's performance and shareholder communication.

Risk Management

Relevant governance documents

- Risk Management Policy

Risk oversight and management

The company is committed to the identification, monitoring and management of material business risks associated with its business activities across the Group and has embedded in its management and reporting systems a number of overarching risk management controls.

The risk management controls adopted by the company include:

- guidelines and limits for approval of all expenditure inclusive of capital expenditure and investments;
- a Group compliance programme supported by approved guidelines and standards covering safety, the environment, legal liability, risk identification, quantification and reporting, and financial controls;
- a comprehensive risk financing programme including risk transfer to external insurers;
- policies and procedures for the management of financial risk and treasury operations, including exposures to foreign currencies and movements in interest rates;
- a formal planning process of preparing three to five year strategic plans for the Group;
- annual budgeting and monthly reporting systems for all businesses, which enable the monitoring of progress against performance targets and the evaluation of trends;
- directors' financial due diligence questionnaires to management;
- appropriate due diligence procedures for acquisitions and divestments; and
- crisis management systems for all key businesses in the Group.

Divisional autonomy and responsibility to the Board

The company manages the diverse nature of its operations across the Group as autonomous divisions. The management of each division is required to implement the risk management policies and internal control systems to best manage the material business risks of the division in accordance with the company's structured group risk management programme.

Risks across all Industrea businesses is centrally collated by the senior management team. Management is required to regularly report to the Board on the effectiveness of the systems in managing the Group's material business risks.

Role of the Audit Committee

The Audit Committee assists the Board in relation to risk management. The Audit Committee executes this function through a compliance reporting programme developed to encompass the areas identified as most sensitive to risk.

Financial reporting

CEO and CFO declaration and assurance

In accordance with section 295A of the Corporations Act 2001, the Managing Director and CFO provided a written statement to the Board ('Declaration') that, in their opinion:

- the company's financial report presents a true and fair view of the company's financial condition and operating results and is in accordance with applicable accounting standards; and
- the company's financial records for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*.

With regard to the financial records and systems of risk management and internal compliance in this written statement, the Board received assurance from the Managing Director and the CFO that the Declaration was founded on a sound system of risk management and internal control and that the system was operating effectively in all material aspects in relation to the reporting of financial risks.

The directors present their report on Industrea Limited (the parent company) and its controlled entities for the financial year ended 30 June 2012.


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Financial Report

Directors' Report

The directors present their report on Industrea Limited (the parent company) and its controlled entities for the financial year ended 30 June 2012.

Directors

The directors in office at the date of this report are:

- Hon David P. Beddall MAICD
- Mr Robin Levison CA, MBA, FAICD
- Mr Lachlan S. McIntosh B.Com
- Mr Anthony J. McDonald LLB, MAICD
- Mr Tim Netscher MBA, B.Com, Bsc (Eng) (Chemical), MAICD

Principal activities

Industrea Limited is headquartered in Queensland, Australia and comprises 4 operational divisions involved in the global provision of mining products and services, with diversified revenue streams arising from asset management and engineering services.

The group's products and services are sold on a wide geographical footprint that includes USA, South Africa, Russia, Indonesia and Papua New Guinea with offices in 5 Australian locations, Santiago in Chile, South America and China.

The customers based in these areas include BHP Billiton, Rio Tinto Coal, Anglo American, BMA, Vale, Xstrata and several of China's leading mining groups including China Shenhua Energy Company, Jincheng Anthracite Mining Group and Shanxi Asian American Daning Energy Co.

Industrea is constantly expanding its range of products and services to suit our client's needs. Our current range of mining products includes but is not limited to:

- Collision Avoidance Systems
- Underground Directional Drilling including methane gas drainage, dewatering and surveying systems
- Underground fire and explosion protected transport vehicles provisioning personnel, materials and long wall/development equipment
- Contractor Management
- Remote Asset Monitoring systems
- In Vehicle Monitoring systems

Industrea also offers a broad range of mining services including:

- Mine planning
- Project supervisions
- Heavy mining equipment hire
- Trained equipment operator hire
- Overburden, coal and ore body mining and transportation
- Drill and blast planning and activity
- Crushing
- In seam Directional Drilling for degasification, dewatering and surveying

Dividend

In accordance with the terms of the scheme implementation agreement with General Electric Company, no dividend has been declared by the Board as at the date of this report. An interim dividend of 1 cent per share was paid during the year, on 5 April 2012. The dividend was 100% franked.

A final dividend of 3.0 cents per share was paid during the prior year, on 7 November 2011. The dividend was 100% franked.

Operating results and review of operations

The consolidated profit of the Industrea Group after providing for income tax was $13.299 million (2011: $47.931 million).

A review of the operations of Industrea Group during the year is included in the Managing Director and CEO's Report.

Financial Position

The net assets of the consolidated group increased by $3.508 million, to $324.328 million (2011: $320.820 million) at 30 June 2012. Total assets increased by $100.677 million to $678.053 million (2011: $577.376 million).

The directors believe the group is in a strong and stable financial position to expand and grow its current operations.

Significant changes in state of affairs

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

1. On 15 May 2012 the company entered into a scheme implementation agreement proposing a scheme of arrangement by which General Electric Company would acquire all of the shares in Industrea Limited. Details of the proposed scheme are set out in the company's announcement to the ASX on 16 May 2012.

Changes in controlled entities

No other changes in controlled entities occurred during the year.

After balance date events

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.

Future developments and business strategies

Future developments and business strategies of the group are referred to in the Managing Director & CEO's Report. Further information as to the likely developments in the operations of the group and expected results of these operations in the subsequent financial years has not been included in this report as the directors believe, on reasonable grounds, it could unreasonably prejudice the interests of the Group.

Environmental issues

The group is subject to laws and regulations relating to protection of the environment.

The Group has implemented systems and processes for the collection and calculation of greenhouse gas emissions and energy use data in order to meet all reporting requirements. The Group did not exceed the facility or corporate reporting threshold for the period 1 July 2011 to 30 June 2012 under the National Greenhouse and Energy Reporting Act 2006.

The Group is not subject to the conditions imposed by the registration and reporting requirements of the Energy Efficient Opportunities Act 2006 in the current financial year as its energy consumption was below the registration threshold.

Directors' Report

Information on directors

Hon David Beddall MAICD — Non-executive Chairman (Age 63)

Appointed March 1999. Federal member in the Australian Parliament from 1983 to 1998, including positions as Minister for Resources, Minister for Communications and Minister for Small Business, Constructions and Customs. President of the Australian Franchisees Association Incorporated, Member of the Australian Competition & Consumer Commission Franchising Consultative Committee, National Councillor of the Australian Industry Group and Councillor - Queensland Executive Member (Branch Secretary & Treasurer) of the Australian Industry Group (Qld). Non-executive Chairman of Asset Resolution Limited. Since leaving Federal Parliament in 1998 Hon David Beddall has operated in the private sector with a mixture of directorships with public and private companies as well as not for profit industry organsiations. Member of the Audit Committee and Remuneration Committee.

Interest in 578,799 shares in Industrea Ltd.

Robin Levison CA, MBA, FAICD — Managing Director & Chief Executive Officer (Age 54)

Appointed November 2005. Experienced public company director. Previously Managing Director at Spectrum Resources and has held senior roles at KPMG, Barclays Bank and Merrill Lynch. Mr Levison is a director of St Aidan's Anglican Girls School Foundation Limited, Councillor of the Australian Business Arts Foundation (AbaF) and is a Fellow of the Australian Institute of Company Directors.

Interest in 7,235,933 shares in Industrea Ltd and 1,722,666 performance rights over ordinary shares in Industrea Ltd.

Lachlan McIntosh B.Com — Non-executive Director (Age 47)

Appointed May 2004. Chartered Accountant specialising in profit enhancing and business turnaround. Managing Director of 22 Capital Pty Ltd. Non-Executive Director of ASX listed Eureka Group Holdings Limited (from July 2009). Chairman of the Audit Committee and member of the Remuneration Committee.

Interest in 52,838 shares in Industrea Ltd.

Anthony McDonald LLB MAICD — Non-executive Director (Age 54)

Appointed 14 November 2007. Lawyer involved in the natural resources sector in Australia and internationally. Previously held positions of director, secretary and legal advisor to a number of listed and unlisted public companies. Currently Managing Director of Cerro Resources NL. Non-Executive Director of ASX listed Planet Gas Limited (from 2003). Member of the Audit Committee and Remuneration Committee.

Interest in 197,418 shares in Industrea Ltd.

Tim Netscher MBA, B.Com, BSc (Eng) (Chemical), MAICD — Non-executive Director (Age 62)

Appointed 19 February 2009. Currently CEO and Managing Director of Gindalbie Metals Limited, an ASX 200 developing magnetite producer. Immediately prior, was Senior Vice President Asia Pacific with Newmont Mining and before that held executive director and senior management positions with major resource companies including Vale Australia, PT Inco (Indonesia), QNI Pty Ltd (BHPBilliton), and Impala Platinum Holdings Limited (South Africa). Mr Netscher is also a non-executive director of Bullabulling Gold Limited. Member of the Remuneration Committee.

Interest in 176,533 shares in Industrea Ltd.

Company Secretary

Mr Phillip Hourigan LLB, LLM, MAICD — General Counsel/Company Secretary

Appointed January 2009. Responsible for legal function across group including company secretary of listed entity. Former corporate partner with International law firm, Deacons (now Norton Rose). Over 25 years practice as a commercial lawyer strong risk management and corporate governance skills. Non-executive Director of not for profit Help Enterprises Limited (since 2008).

Interest in 105,432 shares in Industrea Ltd and 273,333 performance rights over ordinary shares in Industrea Ltd.

Meetings of directors

The number of meetings of the board of directors and each board committee held during the year ended 30 June 2012, and the number attended by each director are listed in the table below:

	Directors meetings		Audit committee meetings		Remuneration committee meetings		Nomination Committee	
Directors	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Hon D P Beddall	13	13	3	3	2	2	1	1
Mr R Levison	13	13	-	-	-	-	1	1
Mr L S McIntosh	13	12	3	3	2	2	1	1
Mr A J McDonald	13	13	3	3	2	2	1	1
Mr T C Netscher	13	13	-	-	2	2	1	1

Adjusted net profit after tax

The reconciliation of reported profit to adjusted net profit after tax as referred to in the Managing Director & CEO's report on page 10 is set out in the table below:

	2012 ($'000)	2011 ($'000)
Reported net profit after tax	13,299	47,931
Business acquisition costs	-	3,439
Business divestment costs	1,322	-
Amortisation - convertible bonds	-	(795)
Amortisation – customer contracts	3,454	4,353
Movement in fair value of interest rate swaps	(842)	(1,925)
Rights to future income (RTFI)	18,925	-
Tax effect on the above	(784)	(1,522)
BMA contract termination	3,018	-
Adjusted net profit after tax	38,392	51,481

Directors' Report

Remuneration Report (Audited)

Introduction

The directors present the Remuneration Report prepared in accordance with Section 300A of the Corporations Act 2001 for Industrea Limited and its controlled entities for the year ended 30 June 2012. The information provided in the Remuneration Report has been audited as required by Section 308(3C) of the Corporation Act 2001.

The Remuneration Report contains detailed information regarding the remuneration arrangements for the directors and senior executives who are "key management personnel" (KMP) of the Group. The KMP for the year ended 30 June 2012 are listed in the table below.

Name	Position
Senior Executives	
Robin Levison	Managing Director & CEO
Dale McNamara	Deputy CEO
Jeff Watson	Chief Financial Officer
Phillip Hourigan	General Counsel/Company Secretary
Tabatha Kattau	Chief Human Resources Officer (appointed 29 August 2011)
David Cahill	Chief Operating Officer (resigned 19 December 2011)
Directors	
Hon David Beddall	Non-executive chairman
Lachlan McIntosh	Non-executive director
Tony McDonald	Non-executive director
Tim Netscher	Non-executive director

During the year ended 30 June 2012, the Board reviewed key aspects of the remuneration of the CEO and other senior executives, taking into account feedback received from shareholders on the 2011 Remuneration Report.

Remuneration Governance

The Remuneration Committee assists the Board in fulfilling its responsibilities relating to remuneration of directors, the remuneration of, and incentives for, the Managing Director & CEO and other senior executives, and remuneration practices, strategies and disclosures generally.

The Remuneration Committee comprises only non-executive directors, all of whom are independent. Where appropriate, members of management attend the Remuneration Committee meetings by invitation, however they do not participate in decision making.

Engagement of remuneration consultants

To ensure it has all relevant information at its disposal when making remuneration decisions, the Remuneration Committee seeks and considers advice from independent remuneration consultants where appropriate. Any advice and recommendations from external consultants are used to guide the Remuneration Committee and the Board, but do not serve as a substitute for thorough consideration of the issues by directors.

Potential conflicts of interest are taken into account when remuneration consultants are selected, and their terms of engagement regulate their levels of access to management and require their independence from management.

During the year ended 30 June 2012, no remuneration consultants were appointed and accordingly no recommendation was made by any remuneration consultant in relation to any key management personnel.

Non-Executive Directors' Remuneration

Policy

Non-executive directors fees are set based on the need to attract and retain individuals of appropriate calibre, reflecting the demands of the role and fairness in relation to prevailing market conditions.

In order to maintain independence and impartiality, non-executive directors do not receive any performance related remuneration and are not entitled to participate in the Group's employee cash and equity remuneration schemes.

Fixed Fees

Non-executive directors, including the Chairman, are paid fixed fees for their services to the Company. Those fees are inclusive of any contribution to superannuation that a non-executive director wishes to make or which the Company is required by law to make on behalf of a non-executive director.

The aggregate amount of fees is within the overall amount approved by shareholders in general meeting. The last determination made was at the Annual General Meeting held on 12 November 2010, at which shareholders approved an aggregate amount of $750,000 per annum.

Fixed fees paid to non-executive directors in 2011-2012 are set out on page 47.

Additional Services

Under the Company's Constitution, non-executive directors may be remunerated for additional services, for example, if they undertake specialist or consulting work on behalf of the Company outside the scope of their normal director's duties.

No fees for such services were paid to non-executive directors during 2011-2012.

Non-executive Director Fees

The Company's usual practice is to review non-executive director remuneration every two years. The last review was in June 2010. The Board considers advice from external consultants and the level of fees paid by peer group companies when undertaking the review of non-executive directors fees. Given the current scheme implementation agreement with GE, no review was conducted in June 2012.

Current non-executive director remuneration, effective from 1 July 2010 is fees payable to the Board Chairman of $140,000 and to each non executive director $90,000 per annum respectively.

No additional fees are paid to non-executive directors for participation in Board committees.

Requirement for Directors to Hold Shares

Although there is no formal requirement to do so it is expected that all directors will hold shares in the Company. The number of shares to be held and the timeframe in which they are to be acquired is determined by the Board. Acquisition must comply with the Company's Security Trading Policy.

Retirement Benefits

Non-executive directors are not entitled to receive a retirement benefit.

Executive Director and Key Management Personnel Remuneration

Executive Reward Structure

The Company's executive reward structure consists of the following three elements:

- fixed remuneration;
- at risk cash remuneration (Short Term Incentive or STI); and
- at risk equity based remuneration (Long Term Incentive or LTI).

Directors' Report

Board Policy and Strategy on Executive Remuneration

The Board has adopted a policy and strategy on remuneration which will apply to Key Management Personnel. The structure of remuneration arrangements for the senior executives are in broad terms the same but for different weighting and trigger points for the receipt of different components of their remuneration.

Determining Fixed Remuneration

The Board (via recommendation from the Remuneration Committee) annually reviews and determines fixed remuneration for the Managing Director & CEO. The Managing Director & CEO does the same with respect to Key Management Personnel, who in turn review and recommend fixed remuneration for other senior management, to the Managing Director.

The Company may engage the services of independent and specialist remuneration consultants in formulating recommendations on fixed remuneration for the Managing Director & CEO and other Key Management Personnel. During the year ended 30 June 2012, no remuneration consultants were appointed.

Industrea's policy is to encourage employees to strive for high performance by aligning personal reward with performance. In 2011–2012, the Board's remuneration policy was to position Industrea as competitive in the market for fixed remuneration, and to use variable remuneration as the key differentiator – both to attract and retain high performers. Fixed remuneration paid to Key Management Personnel in 2011–2012 is set out on pages 47-48 of this Report.

Determining Variable Remuneration

The Board takes the view that employee incentive schemes are important elements of remuneration which provide tangible incentives to employees to improve the Group's performance in both the short term and the longer term, for the benefit of shareholders.

To ensure that Industrea's remuneration policy fully supports the Group's commitment to high performance and that high calibre talent continues to be attracted, remuneration levels must be competitive, but oriented more towards variable, performance-based incentives.

Industrea's policy is to remain competitive with fixed remuneration levels against comparable companies in Australia. Industrea seeks to differentiate the Group via its performance-related incentives, thereby seeking to attract senior executives and other employees who can deliver high performance, whilst recognising the higher levels of risk and reward that this entails.

The Short Term Incentive (STI) component of remuneration is a short-term at risk cash payment, based on both Group and individual employee performance-related measures. Incentive payments are made in October of each year relating to the prior financial year. The equity based remuneration (LTI) complements the STI component with measures that help further drive performance within Industrea.

Equity-based Remuneration (LTI)

The Board reviews and adjusts on an annual basis the content and balance of equity-based remuneration to sharpen the effectiveness of equity incentives and to recognise the potential impact on the Group of senior executives.

The amount of equity remuneration received by senior executives is performance-dependent and will vary according to the extent to which applicable Group and individual performance measures are met.

LTI benefits are currently in the form of performance rights over shares in Industrea Limited as described more fully later in this remuneration report.

All equity-based remuneration is 'at risk' and will lapse or be forfeited, in the event that minimum prescribed performance conditions are not met by the Group or individual employees, as applicable.

The Board has directed that shares forming part of the Group's equity remuneration are generally to be bought on-market by the Company (rather than being issued by the Company as new capital) to avoid any dilution of shareholder value.

Table 1 shows the composition of Equity-based Remuneration (LTI) for 2011–12.

Table 1: Equity-based Remuneration (LTI) as a percentage of Fixed Remuneration for the Managing Director & CEO and other Key Management Personnel in 2011–12

	Managing Director & CEO	Other Key Management Personnel
Total equity based remuneration (maximum award)	78.125%	50%

Short Term Incentive (STI)

The aim of the STI component of remuneration is to help drive short term performance within the Group by providing a vehicle for senior executive reward.

The performance measures are a combination of Group and individual measures, with a weighting towards overall group performance.

The amount of the entitlement is based on a percentage range of each participant's fixed remuneration, and is performance-tested against the measures referred to above.

Under the Plan, eligible employees are paid in cash following an assessment of performance. The determination and payment is usually made in December of each financial year and is based on performance measured against targets set by the Remuneration Committee.

Table 2 shows the maximum STI entitlement for 2011–12.

Table 2: Maximum STI component as a percentage of Fixed Remuneration for the Managing Director & CEO and other Key Management Personnel in 2010–12

	Managing Director & CEO	Other Key Management Personnel
Total cash based remuneration (maximum award)	125%	50%

Around 45% of the target depends on Group performance and around 55% on personal performance against a set of Key Performance Indicators. The Group performance measures and outcomes for 2010–11 (paid in October 2011) are set out in Table 8.

Directors' Report

Table 3 contains a summary of key features of the STI plan.

Table 3: Short Term Incentive Plan

Summary of Short Term Incentive Plan

What is the Short Term Incentive Plan?	An incentive plan under which eligible senior executives are granted a cash payment which is based on a percentage range of each participant's fixed remuneration.
Who participates in the STI?	The Managing Director & CEO and other Key Management Personnel participate in the STI.
Why does the board consider the STI an appropriate incentive?	STI is a globally recognized form of reward for management, aimed at ensuring focus and alignment with Group goals and strategy. Based on both group and individual measures – and in conjunction with other factors – it helps encourage and reward high performance.
In what circumstances are STI entitlements forfeited?	Entitlement is dependent on continuing employment for the whole of the year to which the incentive relates. Employees leaving prior to the time for determination and payment in respect of performance for the prior financial year will also generally forfeit any entitlement except in limited circumstances including death, incapacity, redundancy or retirement.
What are the performance conditions under the STI?	Group performance measure relate to: • Revenue; • EBITDA and margin; • Adjusted NPAT; • one further discretionary group performance measure determined annually. Personal performance measures relate to objectives in key areas beyond part of the employees day to day job. Performance metrics are measured for the financial year immediately preceding the date of determination and payment of entitlement (usually October in each calendar year relating to the prior financial year). These performance metrics were chosen as they contribute to short term performance of the Group.

Long Term Incentive (LTI)

The LTI equity incentive scheme was established in 2008. Under the plan, 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.

Table 4 contains a summary of the LTI key features.

Table 4: Long Term Incentive (LTI)

Summary of Long Term Incentive Plan

What is the Long Term Incentive Plan?	An annual incentive plan under which eligible senior executives are granted rights to receive ordinary fully paid shares in the Company (Rights). The award of Rights is determined by the Company's performance in the financial year immediately prior to the date the award is granted. Once awarded, the Restricted Rights vest at the end of the three years provided the employee is employed by the Group throughout the vesting period (subject to limited exceptions outlined below) and achieves minimum acceptable personal performance.
Who participates in the LTI?	The Managing Director & CEO and other Key Management Personnel participate in the LTI.
Why does the board consider the LTI an appropriate incentive?	The LTI is designed to link Group performance, individual performance and retention by putting a significant portion of participating employees' remuneration at risk.
What are the key features of the LTI?	Rights under the LTI are conditional entitlements for the holder to subscribe for fully paid ordinary shares in the Company. No amount is payable by the participant on grant of the Rights or on exercise of the Rights once vested. Each Right entitles the holder to subscribe for one ordinary share. Unvested Rights are forfeited on cessation of employment, except in limited circumstances including death, incapacity, redundancy or retirement in which case participants (or in the case of death, their representatives) are entitled to exercise those Rights on a pro rata basis according to the amount of the vesting period which has elapsed.
What are the performance conditions under the LTI?	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 with 33% being tested at the end of the second financial year of the three year performance period and 67% being tested at the end of the third financial year of the three year performance period. In respect of each instalment, 50% of the Rights will be tested against total shareholder return (TSR) and 50% will be tested against compound earnings per share growth (EPSG) for the relevant performance period.
What is the relationship between Group performance and vesting of Rights?	In terms of the relationship between Group TSR performance and vesting of the Rights: • 0% vesting occurs if the Company TSR performance is below the threshold 50th percentile of the TSR for the comparator group; • 50% vesting occurs if the Company TSR performance is at the 50th percentile and below the 75th percentile of the TSR for the comparator group; • 100% vesting occurs where the 75th percentile (or greater) is achieved; and • Straight-line vesting between the 50th and 75th percentile occurs. In relation to EPSG performance allocation of Rights occurs as follows: • 0% vesting occurs if EPSG is less than 5%; • 50% vesting occurs if EPSG is 5% or more but less than 10%; • 100% vesting if EPSG is equal to or greater than 10%; and • Straight-line vesting between 5% to 10% occurs.
What is the period over which Company performance is assessed?	Vesting of Rights is tested Rights in two instalments with 33% being tested at the end of the second financial year of the three year performance period and 67% being tested at the end of the third financial year of the three year performance period.
Are LTIs awarded where performance falls below a minimum threshold?	No LTI is awarded if a participant's performance is not regarded as satisfactory against minimum key performance indicators for the grant of Rights.
How are shares provided to participants under the LTI?	Shares are bought on market and held under the Industrea Performance Rights Plan Trust. Once Rights have vested shares from the performance rights plan trust are transferred to LTI participants.
Why did the Board select a TSR performance hurdle?	TSR was chosen as a performance hurdle for the LTI because it incorporates capital returns as well as dividends notionally reinvested and was therefore considered as an appropriate means of measuring Company performance.

Directors' Report

Why did the Board select an EPSG performance hurdle?	EPSG was chosen as a performance hurdle for the LTI because it reflects underlying growth earnings while taking into account any dilution occurring through the issue of additional shares.
Is the benefit of participation in the LTI affected by changes in the share price?	Yes, participants in the LTI will be affected in the same way as all other shareholders by changes in the Company's share price. The value participants receive through participation in the LTI will be reduced if the share price falls during the vesting period and will increase if the share price rises over the period.
Are the performance conditions re-tested?	If on the Vesting Date (for a particular tranche of Rights), less than 100% of the Rights have vested, at the absolute discretion of the Board, the performance period may be extended by up to an additional calendar year.
What is the maximum number of Rights that may be granted to an LTI participant?	The maximum number of Rights that may be granted is determined by the level of equity based remuneration applicable to each participant. This component is determined as a percentage of base salary as outlined in Table 1 above.
Which companies are in the TSR comparator group?	The TSR comparator group comprises companies in the ASX 200 Index (excluding the Company, all entities in the property trust sector of that Index and such other entity or entities as the Board may from time to time determine) at the commencement of the performance period, and which: • have published sufficient data to enable their TSRs to be determined for the purposes of the plan; and • are listed on the ASX on the last day of the performance period.

Table 5: Executive Share Plan Performance Hurdles 2008-2012

The following is a summary of performance hurdles that relate to share plan awards since the establishment of the plan in 2008. Note due to the scheme implementation agreement with GE no 2012 awards will be made nor will testing on any outstanding rights occur unless the scheme does not proceed.

Year	Grant Date	Performance Hurdle
2008 LTI	15 November 2008	TSR and EPSG targets as outlined above tested as to 33% for the period from 1 July 2008 to 30 June 2010 and 67% for the period from 1 July 2008 to 30 June 2011
2009 LTI	19 October 2011	TSR and EPSG targets as outlined above tested as to 33% for the period from 1 July 2009 to 30 June 2011 and 67% for the period from 1 July 2009 to 30 June 2012
2010 LTI	16 November 2010	TSR and EPSG targets as outlined above tested as to 33% for the period from 1 July 2010 to 30 June 2012 and 67% for the period from 1 July 2010 to 30 June 2013
2011 LTI	27 October 2011	TSR and EPSG targets as outlined above tested as to 33% for the period from 1 July 2011 to 30 June 2013 and 67% for the period from 1 July 2011 to 30 June 2014

Relationship of Incentives to Financial Performance

The following table shows the revenue, profits, dividends and share price for the past 5 years of the Company.

Table 6: Financial Performance over the last 5 years

	2008	2009	2010	2011	2012
Revenue ($'000)	191,992	259,463	313,234	357,046	372,459
Net profit/(loss) after tax ($'000)	30,017	15,316	57,411	47,931	13,299
Share price at year end ($)	1.47	0.75	1.05	1.35	1.285
Dividend (cents)	3.0	3.75	3.9	4.0	1.0

LTI Rights – Performance and vesting

Table 7 sets out details of Performance Rights granted to key management personnel in 2011-2012. Performance rights are normally granted following the release of the financial statements. In 2009 following introduction of the performance rights plan in 2008 the Company omitted to grant performance rights. To rectify this omission the board granted additional rights on 19 October 2011 which were granted as if they were 2009 performance rights with testing as to 33% for the period from 1 July 2009 to 30 June 2011 and 67% for the period from 1 July 2009 to 30 June 2012.

In addition on 27 October 2011 the board granted 2011 performance rights with testing as to 33% for the period from 1 July 2011 to 30 June 2013 and 67% for the period from 1 July 2011 to 30 June 2014.

In the table, the value of performance rights granted during the year is shown for each performance right based on the relevant performance hurdles being EPSG (earnings per share growth) and TSR (total shareholder return as outlined in table 5).

Table 7: Performance rights granted

Name	Rights	Number granted	Date of grant	Performance period	Value at grant ($)	Fair value per right ($)
R Levison	2009 Tranche 1 EPSG	112,750	19 October 2011	1 July 2009 to 30 June 2011	55,642	0.49
	2009 Tranche 1 TSR	112,750	19 October 2011	1 July 2009 to 30 June 2011	55,642	0.49
	2009 Tranche 2 EPSG	225,500	19 October 2011	1 July 2009 to 30 June 2012	205,205	0.91
	2009 Tranche 2 TSR	225,500	19 October 2011	1 July 2009 to 30 June 2012	190,999	0.85
	2011 Tranche 1 EPSG	100,833	27 October 2011	1 July 2011 to 30 June 2013	88,733	0.88
	2011 Tranche 1 TSR	100,834	27 October 2011	1 July 2011 to 30 June 2013	54,047	0.54
	2011 Tranche 2 EPSG	201,666	27 October 2011	1 July 2011 to 30 June 2014	171,416	0.85
	2011 Tranche 2 TSR	201,667	27 October 2011	1 July 2011 to 30 June 2014	113,337	0.56
J Watson	2011 Tranche 1 EPSG	23,500	27 October 2011	1 July 2011 to 30 June 2013	20,680	0.88
	2011 Tranche 1 TSR	23,500	27 October 2011	1 July 2011 to 30 June 2013	12,596	0.54
	2011 Tranche 2 EPSG	47,000	27 October 2011	1 July 2011 to 30 June 2014	39,950	0.85
	2011 Tranche 2 TSR	47,000	27 October 2011	1 July 2011 to 30 June 2014	26,414	0.56
P Hourigan	2009 Tranche 1 EPSG	18,833	19 October 2011	1 July 2009 to 30 June 2011	9,294	0.49
	2009 Tranche 1 TSR	18,834	19 October 2011	1 July 2009 to 30 June 2011	9,295	0.49
	2009 Tranche 2 EPSG	37,666	19 October 2011	1 July 2009 to 30 June 2012	34,276	0.91
	2009 Tranche 2 TSR	37,667	19 October 2011	1 July 2009 to 30 June 2012	31,904	0.85
	2011 Tranche 1 EPSG	17,666	27 October 2011	1 July 2011 to 30 June 2013	15,546	0.88
	2011 Tranche 1 TSR	17,667	27 October 2011	1 July 2011 to 30 June 2013	9,470	0.54
	2011 Tranche 2 EPSG	35,333	27 October 2011	1 July 2011 to 30 June 2014	30,033	0.85
	2011 Tranche 2 TSR	35,334	27 October 2011	1 July 2011 to 30 June 2014	19,858	0.56

As at the date of this remuneration report, testing of the 2008 LTI Rights has been completed. Testing of tranche 1 of the 2009 rights has also been completed. In October 2010 the Board, following a recommendation by the Remuneration Committee, resolved to extend the date for testing of the 33% instalment of the 2008 rights for 12 months in accordance with the rules of the Industrea Performance Rights Plan. As a result testing of the 2008 LTI Rights in 2011 was on 100% of the rights. Performance under the 2008 LTI Rights was as follows:

Performance Hurdle	Result	% available to vest
EPSG from 1 July 2008 to 30 June 2011	4.81%	-
TSR from 1 July 2008 to 30 June 2011	65.4% quartile	80%

The impact of this is that 40% of the 2008 LTI Rights vested in November 2011. Any unvested 2008 LTI Rights have now lapsed.

Performance under tranche 1 of the 2009 LTI Rights was as follows:

Performance Hurdle	Result	% available to vest
EPSG from 1 July 2009 to 30 June 2011	57.83%	100%
TSR from 1 July 2009 to 30 June 2011	91.6% quartile	56.00%

The impact of this is that 100% of tranche 1 of the 2009 LTI Rights vested in November 2011.

Directors' Report

STI

Cash bonus payments were paid in accordance with the terms of the short term incentive scheme. Details of the percentage of bonus paid are set out in Table 8 below. The remuneration committee determined these based on achieving group based key performance indicators and an assessment against individual performance.

Table 8: Percentage of maximum eligible STI paid

Cash Bonuses	R Levison	D McNamara	J Watson	D Cahill	P Hourigan
Grant Date	Oct 2011	Oct 2011	Oct 2011	Oct 2011	Oct 2011
% paid	83	76	83	69	82
% forfeited	17	24	17	31	18
	100	100	100	100	100

Service agreements

Remuneration and other terms of employment for executive directors and executives are formalised in service contracts. All agreements with executives are subject to annual review. Each of the agreements provide for base pay, leave entitlements, superannuation and performance-related bonus. The agreements also contain normal provisions relating to the protection of confidential information and intellectual property rights as well as post-employment restraints.

Unless otherwise stated, service agreements do not provide for pre-determined compensation values or the manner of payment. Compensation is determined in accordance with the general remuneration policy outlined above. The manner of payment is determined on a case by case basis and is generally a mix of cash and non-cash benefits as considered appropriate by the Remuneration Committee.

Mr Levison's current service is for a term of 3 years ending 1 October 2014. The terms of the service agreement are:

- Term of agreement – to 1 October 2014;
- Fixed annual remuneration of $960,000 for the year to 30 June 2012 to be reviewed annually by the Remuneration Committee on or before 1 October in each year;
- A short term incentive bonus of up to 125% of fixed annual remuneration subject to achieving measures detailed in the STI;
- LTI rights up to $750,000 per annum in accordance with LTI hurdles outlined above;
- The Company may terminate the services of the Managing Director & CEO without cause by giving twelve months written notice or by paying twelve months fixed annual remuneration;
- The Company may immediately terminate the services of the Managing Director & CEO in the event of serious misconduct, dishonesty, fraud or breach of duty. In this event the Managing Director & CEO is only entitled to that proportion of remuneration which is due up to and including the date of termination and his statutory entitlements;
- The Managing Director & CEO will remain under confidentiality and non-compete obligations for a period of up to twelve months following cessation of employment.

Other Key Management Personnel Service Agreements

Key terms of other Key Management Personnel service agreements are as follows:

- Term of agreement – unspecified;
- Fixed annual remuneration to be reviewed annually by the Remuneration Committee;
- A short term incentive bonus of up to 50% of fixed annual remuneration subject to achieving measures detailed in the STI;
- LTI rights up to 50% of fixed annual remuneration (only in respect of Deputy CEO, CFO, COO and General Counsel/Company Secretary);
- The Company may terminate the services of other Key Management Personnel without cause by giving three months written notice or by paying three months fixed annual remuneration;
- The Company may immediately terminate the services of other Key Management Personnel in the event of serious misconduct, dishonesty, fraud or breach of duty. In this event the employee is only entitled to that proportion of remuneration which is due up to and including the date of termination and any statutory entitlements;
- The employee will remain under confidentiality and non-compete obligations for a period of up to twelve months following cessation of employment.

Details of remuneration

The following tables provide remuneration details of Key Management Personnel.

	Short-term benefit			Post employment benefit	Share based payments		Proportion of remuneration related to performance	
Key Management Personnel	Cash Salary and fees ($)	Cash Bonus ($)	Non-cash benefits ($)	Super-annuation ($)	Options/ Rights ($)	Total ($)	Options/ Rights (%)	Total (%)
Non-Executive Directors								
D Beddall								
2012	140,000	-	-	-	-	140,000	-	-
2011	130,422	-	-	9,578	-	140,000	-	-
L McIntosh								
2012	90,000	-	-	-	-	90,000	-	-
2011	90,000	-	-	-	-	90,000	-	-
A McDonald								
2012	90,000	-	-	-	-	90,000	-	-
2011	90,000	-	-	-	-	90,000	-	-
T Netscher								
2012	90,000	-	-	-	-	90,000	-	-
2011	90,000	-	-	-	-	90,000	-	-
Executive Directors								
R Levison								
2012	893,788	851,760	31,903	50,000	551,487	2,378,938	23.18	58.99%
2011	823,600	823,000	19,298	50,000	91,827	1,807,770	5.08%	56.00%

Directors' Report

	Short-term benefit			Post employment benefit	Share based payments		Proportion of remuneration related to performance	
Key Management Personnel	Cash Salary and fees ($)	Cash Bonus ($)	Non-cash benefits ($)	Super-annuation ($)	Options/ Rights ($)	Total ($)	Options/ Rights (%)	Total (%)
Other Key Management Personnel								
D McNamara								
2012	250,000	96,206	-	-	-	346,206	-	27.79%
2011	253,125	100,000	-	-	-	353,125	-	32.00%
J Watson								
2012	348,943	55,928	-	32,293	37,614	474,778	7.92%	19.70%
2011	137,308	-	-	12,358	2,322	151,987	1.53%	1.53%
D Cahill[1]								
2012	259,026	94,950	-	20,146	24,009	398,131	6.03%	29.88%
2011	276,923	100,000	-	24,923	8,052	409,898	1.96%	26.36%
P Hourigan								
2012	266,450	105,000	-	24,220	95,452	491,122	19.44%	40.82%
2011	256,731	100,000	-	23,106	8,221	388,058	2.12%	27.89%
T Kattau[2]								
2012	124,870	-	16,016	10,274	-	151,160	-	-
2011	-	-	-	-	-	-	-	-
K Wallis								
2012	-	-	-	-	-	-	-	-
2011	82,868	112,500	-	6,231	-	201,599	-	55.80%
N Hansra								
2012	-	-	-	-	-	-	-	-
2011	192,150	39,600	-	-	-	231,750	-	19.00%
Dr C Doran								
2012	-	-	-	-	-	-	-	-
2011	230,505	-	-	19,471	-	249,976	-	-
D White								
2012	-	-	-	-	-	-	-	-
2011	215,692	24,000	-	18,568	-	258,260	-	10.00%
Total								
2012	2,553,077	1,203,844	47,919	136,933	708,561	4,650,335		
2011	2,869,324	1,299,100	19,298	164,234	110,467	4,462,422		

1 *D Cahill resigned as Chief Operating Officer on 19 December 2011*

2 *Mrs T Kattau was appointed Chief Human Resources Officer on 29 August 2011*

Share based payments

Rights issued as remuneration

Details of rights issued as remuneration to the Managing Director & CEO and other Key Management Personnel during FY 2012 are set out below. The table also includes details of rights lapsed, vested and forfeited in FY 2012. When exercisable, each performance right is convertible into one ordinary share of Industrea Limited. Performance rights carry no dividend or voting rights and no amount is payable by participants on the exercise of any rights once vested. Details regarding the valuation of rights granted during the year are included at Note 33.

	Rights	Granted	Value at grant	Vested	% vested	Value at vesting	Lapsed/ Forfeited	% lapsed/ forfeited	Value at lapse/ forfeiture
Executive Directors									
R Levison	2008 Tranche 1EPSG	-	-	-	-	-	111,111	100%	135,555
	2008 Tranche 1 TSR	-	-	88,889	80%	108,445	22,222	20%	-
	2008 Tranche 2 EPSG	-	-	-	-	-	222,222	100%	271,111
	2008 Tranche 2 TSR	-	-	177,778	80%	216,889	44,445	20%	-
	2009 Tranche 1 EPSG	112,750	55,642	112,750	100%	144,884	-	-	-
	2009 Tranche 1 TSR	112,750	55,642	112,750	100%	144,884	-	-	-
	2009 Tranche 2 EPSG	225,500	205,205	-	-	-	-	-	-
	2009 Tranche 2 TSR	225,500	190,999	-	-	-	-	-	-
	2011 Tranche 1 EPSG	100,833	88,733	-	-	-	-	-	-
	2011 Tranche 1 TSR	100,834	54,047	-	-	-	-	-	-
	2011 Tranche 2 EPSG	201,666	171,416	-	-	-	-	-	-
	2011 Tranche 2 TSR	201,667	113,337	-	-	-	-	-	-

Directors' Report

	Rights	Granted	Value at grant	Vested	% vested	Value at vesting	Lapsed/ Forfeited	% lapsed/ forfeited	Value at lapse/ forfeiture
Other key management personnel									
J Watson	2011 Tranche 1 EPSG	23,500	20,680	-	-	-	-	-	-
	2011 Tranche 1 TSR	23,500	12,596	-	-	-	-	-	-
	2011 Tranche 2 EPSG	47,000	39,950	-	-	-	-	-	-
	2011 Tranche 2 TSR	47,000	26,414	-	-	-	-	-	-
D Cahill	2008 Tranche 1 EPSG	-	-	-	-	-	27,778	100%	33,889
	2008 Tranche 1 TSR	-	-	22,222	80%	27,111	5,555	20%	6,777
	2008 Tranche 2 EPSG	-	-	-	-	-	55,556	100%	67,778
	2008 Tranche 2 TSR	-	-	44,444	80%	54,222	11,111	20%	13,555
	2010 Tranche 1 EPSG	-	-	-	-	-	17,667	100%	17,932
	2010 Tranche 1 TSR	-	-	-	-	-	17,666	100%	17,931
	2010 Tranche 2 EPSG	-	-	-	-	-	35,334	100%	35,864
	2010 Tranche 2 TSR	-	-	-	-	-	35,333	100%	35,863
P Hourigan	2008 Tranche 1 EPSG	-	-	-	-	-	27,778	100%	33,889
	2008 Tranche 1 TSR	-	-	22,222	80%	27,111	5,555	20%	6,777
	2008 Tranche 2 EPSG	-	-	-	-	-	55,556	100%	67,778
	2008 Tranche 2 TSR	-	-	44,444	80%	54,222	11,111	20%	13,555
	2009 Tranche 1 EPSG	18,833	9,294	18,833	100%	24,200	-	-	-
	2009 Tranche 1 TSR	18,834	9,295	18,834	100%	24,202	-	-	-
	2009 Tranche 2 EPSG	37,666	34,276	-	-	-	-	-	-
	2009 Tranche 2 TSR	37,667	31,904	-	-	-	-	-	-
	2011 Tranche 1 EPSG	17,666	15,546	-	-	-	-	-	-
	2011 Tranche 1 TSR	17,667	9,470	-	-	-	-	-	-
	2011 Tranche 2 EPSG	35,333	30,033	-	-	-	-	-	-
	2011 Tranche 2 TSR	35,334	19,858	-	-	-	-	-	-

End of Remuneration Report

Indemnifying officers or auditor

During or since the end of the financial year, Industrea Limited has paid premiums to insure each of the directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct, while acting in the capacity of director and/or officer of the Industrea Group, other than conduct involving a wilful breach of duty in relation to the Group and liability arising out of the conduct involving lack of good faith. The contract prohibits disclosure of the nature and limit of the liabilities insured against and the amounts of the premiums paid.

The Auditors have not been indemnified by Industrea Limited.

Options/Rights

At the date of this report, the unissued ordinary shares of Industrea Limited subject to performance rights are as follows:

Grant Date	Date vested and exercisable	Exercise Price	Rights Outstanding
15 November 2010	On or shortly after the date on which the Company's financial results are announced for the financial year ended 30 June 2012.	Nil	222,222
15 November 2010	On or shortly after the date on which the Company's financial results are announced for the financial year ended 30 June 2013.	Nil	444,444
1 June 2011	On or shortly after the date on which the Company's financial results are announced for the financial year ended 30 June 2012.	Nil	71,667
1 June 2011	On or shortly after the date on which the Company's financial results are announced for the financial year ended 30 June 2013.	Nil	143,333
19 October 2011	On or shortly after the date on which the Company's financial results are announced for the financial year ended 30 June 2012.	Nil	526,333
27 October 2011	On or shortly after the date on which the Company's financial results are announced for the financial year ended 30 June 2013.	Nil	284,000
27 October 2011	On or shortly after the date on which the Company's financial results are announced for the financial year ended 30 June 2014.	Nil	568,000
			2,259,999

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Industrea Group or intervened in any proceedings to which the Industrea Group is a party for the purpose of taking responsibility on behalf of the Industrea Group for all or any part of those proceedings.

The Industrea Group was not party to any such proceedings during the year.

Non-Audit Services

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services by BDO Audit Pty Ltd during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee or board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

No fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2012.

Auditor Independence Declaration

The Auditor independence declaration forms part of the director's report and can be found on page 53.

Rounding of Amounts

The company is an entity to which ASIC Class Order 98/100 applies. Accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

Signed in accordance with a resolution of the board of directors.

Robin Levison

Managing Director & Chief Executive Officer

Dated this 24th day of September 2012

Auditor's Independence Declaration

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DECLARATION OF INDEPENDENCE BY C R JENKINS TO THE DIRECTORS OF INDUSTREA LIMITED

As lead auditor of Industrea Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect Industrea Limited and the entities it controlled during the year.

C R JENKINS
Director

BDO Audit Pty Ltd

Brisbane, 24 September 2012

Statement of Comprehensive Income

for the year ended 30 June 2012

	Notes	Consolidated 2012 ($'000)	Consolidated 2011 ($'000)
Revenue	2	372,459	357,046
Other Income	3	1,000	9,900
Change in inventories (finished goods)		7,398	8,419
Raw materials and consumables used		(176,319)	(175,553)
Employee benefits expense		(63,396)	(47,777)
Write Down of flood affected assets	3	-	(10,042)
Depreciation and intangible amortisation expenses	4(a)	(50,836)	(36,506)
Bad and doubtful debts		(215)	(193)
Movement in fair value of interest rate swap agreement		842	1,925
Rental expenses and operating leases		(2,931)	(2,746)
Consultants fees		(712)	(1,038)
Business acquisition costs		-	(3,439)
Financing costs	4(b)	(18,720)	(18,301)
Other expenses	4(c)	(21,059)	(14,542)
Profit before income tax expense		47,511	67,153
Income tax benefit/(expense)	5	(34,212)	(19,222)
Net profit attributable to members of Industrea Limited for the year		13,299	47,931
Other Comprehensive Income			
Movement in value of cash flow hedges – foreign exchange		(778)	1,146
Movement in value of cash flow hedges – interest rate swaps		(1,404)	(222)
Income tax attributable to other comprehensive income		557	(342)
Other Comprehensive Income for the year net of tax		(1,625)	582
Total Comprehensive Income for the year attributable to members		11,674	48,513
		(Cents)	**(Cents)**
Basic earnings per share	32	3.62	13.69
Diluted earnings per share	32	3.62	13.69

(The above Statement of Comprehensive Income should be read in conjunction with the notes to the financial statements.)

Statement of Financial Position

as at 30 June 2012

	Notes	Consolidated 2012 ($'000)	Consolidated 2011 ($'000)
Current Assets			
Cash and cash equivalents	6/30	31,999	21,342
Trade and other receivables	7	115,681	95,753
Inventories	8	47,825	44,742
Financial assets at fair value through profit or loss	29	-	43
Derivatives	9	766	1,544
Other assets	10	1,896	1,331
Total Current Assets		198,167	164,755
Non-Current Assets			
Trade and other receivables	11	-	110
Property, plant and equipment	12	277,407	209,074
Intangible assets	13	202,478	203,437
Total Non-Current Assets		479,886	412,621
Total Assets		678,053	577,376
Current Liabilities			
Trade and other payables	15	61,651	46,013
Current tax liabilities		31,312	14,966
Financial liabilities	16	68,031	33,767
Short term provisions	17	1,120	1,508
Vendor liability	31	-	1,476
Total Current Liabilities		162,113	97,730
Non-Current Liabilities			
Deferred tax liabilities	14	18,564	9,450
Financial liabilities	19	171,747	148,313
Derivatives	9	1,301	1,063
Total Non-Current Liabilities		191,612	158,826
Total Liabilities		353,725	256,556
Net Assets		324,328	320,820
Equity			
Issued capital	20	209,812	203,966
Treasury shares	20	(144)	(607)
Options reserve		2,143	2,050
Hedge reserve		(765)	860
Retained earnings		113,282	114,551
Total Equity		324,328	320,820

(The above Statement of Financial Position should be read in conjunction with the notes to the financial statements.)

Statement of Changes in Equity

for the year ended 30 June 2012

	Issued capital ($'000)	Treasury shares ($'000)	Retained earnings ($'000)	Options reserve ($'000)	Hedge reserve ($'000)	Total equity ($'000)
2012						
Balance at 1 July 2011	**203,966**	**(607)**	**114,551**	**2,050**	**860**	**320,820**
Profit after income tax	-	-	13,299	-	-	13,299
Other comprehensive income net of tax	-	-	-	-	(1,625)	(1,625)
Total comprehensive income	-	-	13,299	-	(1,625)	11,674
Transactions with owners in their capacity as owners						
Shares issued during the year	5,846	-	-	-	-	5,846
Dividends paid	-	-	(14,568)	-	-	(14,568)
Share based payments	-	463	-	93	-	556
Balance at 30 June 2012	**209,812**	**(144)**	**113,282**	**2,143**	**(765)**	**324,328**
2011						
Balance at 1 July 2010	**148,160**	**(662)**	**79,960**	**7,742**	**278**	**235,478**
Profit after income tax	-	-	47,931	-	-	47,931
Other comprehensive income net of tax	-	-	-	-	582	582
Total comprehensive income	-	-	47,931	-	582	48,513
Transactions with owners in their capacity as owners						
Shares issued during the year	55,806	-	-	-	-	55,806
On market acquisition	-	-	-	(5,752)	-	(5,752)
Share based payments	-	55	(13,340)	-	-	(13,285)
Dividends paid	-	-	-	60	-	60
Balance at 30 June 2011	**203,966**	**(607)**	**114,551**	**2,050**	**860**	**320,820**

(The above statement of Changes in Equity should be read in conjunction with notes to the financial statements.)

Statement of Cash Flows

for the year ended 30 June 2012

	Notes	Consolidated 2012 ($'000)	Consolidated 2011 ($'000)
Cash flows from operating activities			
Receipts from customers		396,349	389,651
Payments to suppliers and employees		(290,143)	(266,290)
Cash flow from operations		106,206	123,361
Interest received		225	1,141
Finance costs		(15,939)	(17,338)
Payment for acquisition costs		-	(3,439)
Income taxes refunded/ (paid)		(8,520)	(15,171)
Net cash flows provided by operating activities	30	81,972	88,554
Cash flows from investing activities			
Payments for property, plant and equipment		(53,908)	(30,542)
Proceeds on disposal of fixed assets		643	1,010
Payment for development		(4,776)	(7,031)
Payments for the purchase of subsidiary		(1,475)	(10,000)
Payment for business assets acquired		-	(25,049)
Net cash used in investing activities		(59,516)	(71,612)
Cash flows from financing activities			
Proceeds from issue of shares		-	50,000
Capital Raising costs		-	(1,220)
Proceeds from borrowings – bank loans		-	53,415
Proceeds/(repayment) of bills		31,300	(13,000)
Repayment of borrowings		(34,277)	(40,283)
Repayment of convertible bonds		-	(40,382)
Refinancing costs		(100)	(2,336)
Dividend paid		(8,722)	(10,981)
Net cash used in financing activities		(11,799)	(4,787)
Net increase/(decrease) in cash held		10,657	12,155
Net Cash at the beginning of the year		21,342	9,187
Cash at the end of the financial year	30	31,999	21,342

(The above Statement of Cash Flows should be read in conjunction with notes to the financial statements.)

Notes to the Financial Statements

for the year ended 30 June 2012

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 Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

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

The financial report of Industrea Limited and controlled entities 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.

The financial report has been authorised for issue by the board of directors on 24 September 2012.

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 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.

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 2012 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. Any non controlling interests in the results and equity of controlled entities are shown separately in the consolidated Statement on Comprehensive Income and Statement of Financial Performance respectively.

Where control of an entity is obtained during a financial year, its results are included 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 an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (ie parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity.

At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognized where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss. Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

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 date.

Note 1. Statement of significant accounting policies (continued)

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 and any unused tax losses. 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 recognised in the profit or loss except where it relates to items that may be recognised in other comprehensive income, in which case the deferred tax is recognised in other comprehensive income.

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.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

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.

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 Statement of Comprehensive Income.

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, Work In Progress and Finished Goods

Raw materials 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.

Construction work in progress

Construction work in progress is measured at cost plus profit recognised to date less any provision for anticipated future losses. Cost includes both variable and fixed costs relating to specific contracts, and those costs that are attributable to the contract activity in general and can be allocated on a reasonable basis.

Construction profits are recognised on the stage of completion basis and measured using the proportion of costs incurred to date compared to expected actual costs. Where losses are anticipated they are provided for in full.

Construction revenue has been recognised on the basis of the terms of the contract adjusted for any variations or claims allowable under the contract.

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 profit or loss in the period in which they arise.

Notes to the Financial Statements

for the year ended 30 June 2012

Note 1. Statement of significant accounting policies (continued)

Available for sale financial assets

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

Other

Other financial instruments include trade and other receivables and financial liabilities which include trade and other payables and borrowings. Refer to note 1 e), 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, are recognised in profit or loss 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 swaps are accounted for on the basis that they are designated hedges and qualify as a cash flow hedge.

The forward 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 Statement of Comprehensive Income.

The derivative hedging instrument is included as an asset or liability in the statement of financial position 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 derivative are recognised through the hedging reserve until the anticipated underlying transaction occurs. Once the anticipated underlying transaction occurs amounts accumulated in equity are recycled in profit or loss.

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 reclassified to profit or loss.

j) Property, plant and equipment

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

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 profit or loss 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.

Note 1. Statement of significant accounting policies (continued)

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 payment for operating lease where substantially all the risks and benefit remain with the Lessor are charged as expenses on a straight line basis over the lease term.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

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 profit or loss.

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.

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 is 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 to 45 days of recognition.

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 two share-based compensation plans. These are an 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.

Notes to the Financial Statements

for the year ended 30 June 2012

Note 1. Statement of significant accounting policies (continued)

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.

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.

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, expense 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 statement of financial position 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 unless otherwise stated.

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 as detailed in Note 13.

Note 1. Statement of significant accounting policies (continued)

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.

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.

Discontinued operations and assets held for sale

On 29 May 2012, the company announced it would commence a process to sell Industrea Mining Services Pty Ltd (IMS). Whilst a process has commenced, the directors are of the view that a sale of this business is not highly probable as at the date of this report. Accordingly the business does not meet the definition of being held for sale and consequently is disclosed as a continuing operation.

In addition to this, Industrea Limited and its controlled entities have entered into a Scheme Implementation Agreement with General Electric Company (GE). This was announced on 16 May 2012. Under the Scheme, shareholders are offered $1.27 for the acquisition of each share in Industrea Limited which includes the IMS business. Notwithstanding the existence of this scheme, the directors are of the view that the group will operate on a business as usual approach until such time as the implementation of the Scheme.

aa) Segment report

From 1 July 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to and reviewed by the Group's chief operating decision maker, which for the Group is the Chief Executive Officer (CEO) and Managing Director.

An operating segment is a component of the consolidated entity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the consolidated entity's other components. All operating segments operating results are reviewed regularly by the consolidated entity's CEO and Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO and Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

bb) Standards, amendments and interpretations not yet effective.

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

(i) AASB 9 Financial Instruments (effective from 1 January 2015)

The AASB aims to replace AASB 139 Financial Instruments: Recognition and Measurement in its entirety. The replacement standard AASB 9 is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and recognition of financial assets have been issued. These chapters are effective for annual periods beginning 1 January 2015. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Whilst the Group currently does have financial assets and liabilities measured at fair value through profit and loss (i.e. derivatives), there is not likely to be any material impact on the financial statements when these amendments to AASB9 are first adopted.

(ii) Consolidation standards

A package of consolidation standards are effective for annual periods beginning on or after 1 January 2013. Information on these new standards is presented below. The Groups management are yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

AASB 10 Consolidated Financial Statements (AASB10)

AASB 10 supersedes the consolidation requirements in AASB127 Consolidated and Separate Financial Statements (AASB127) and interpretation 112 Consolidation – Special Purpose Entities. It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However the requirements and mechanics of consolidation and the accounting of any non-controlling interest and changes in control remain the same.

Notes to the Financial Statements

for the year ended 30 June 2012

Note 1. Statement of significant accounting policies (continued)

(iii) AASB 13 Fair value measure

AASB 13 does not affect which items are to be fair valued. But clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods on or after 1 January 2013. The Groups management are yet to assess the impact of this new standard.

(iv) AASB 2011-9 Amendments to Australian Accounting Standards Presentation of Items of Other Comprehensive Income (AASB 101 Amendments)

AASB 101 Amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit and loss when specific conditions are met. It is applicable for annual reporting periods beginning on or after 1 July 2012. The Group's management does not expect that this will change the presentation of items in other comprehensive income; in any event, it will not affect the measurement or recognition of such items.

(v) AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (AASB 124 amendments)

AASB 2011-4 makes amendments to AASB 124 Related Party Disclosures to remove key management personnel disclosure requirements, to achieve consistency with the international equivalent (which includes requirements to disclose aggregate, rather than individual, amounts of KMP compensation), and remove duplication with the Corporations Act 2001. The amendments are applicable for annual periods on or after 1 July 2013. The Group's management have yet to assess the impact of these amendments.

Note 2. Revenue

	Consolidated	
	2012 ($'000)	**2011 ($'000)**
Sales	88,289	151,022
Services	244,432	186,079
Construction revenue	38,844	19,517
Revenue from operating activities	371,565	356,618
Revenue from outside the operating activities		
Government grants	581	59
Damage recoveries	4	13
Miscellaneous Income	309	356
	894	428
Revenue	372,459	357,046

Note 3. Other Income

	Consolidated 2012 ($'000)	Consolidated 2011 ($'000)
Proceeds from Insurance Claim	1,000	9,900

2012:

The proceeds of the insurance claim in 2012 relates to debris removal subsequent to the flood events in early calendar year 2011.

2011:

The Mining Services business suffered material equipment losses during the period as a consequence of Queensland flood events in 2011. The group insurers accepted the claim and paid out the book value of assets net of deductible of $100K. The value of the assets written off was $10,042K. The recovery and the asset write off were brought to account in the period.

Note 4. Profit for the year

	2012	2011
(a) Expenses		
Depreciation on plant and equipment	45,101	30,803
Amortisation – acquired customer contracts	3,454	4,353
Amortisation – capitalised development costs	2,281	1,350
Total	50,836	36,506
(b) Financing costs		
Amortisation – finance costs	780	3,244
Amortisation – equity component of convertible bonds	-	(795)
Interest and finance charges paid/payable	18,165	16,993
Interest received	(225)	(1,141)
Total	18,720	18,301
(c) Other expenses		
Property related expenses	1,388	1,031
Travel and entertainment	6,305	4,813
Accounting, tax and audit expenses	617	475
Computer supplies	570	437
Printing and stationery	342	234
Repairs and maintenance	423	390
Legal Fees	1,022	609
Telephone costs	1,139	709
Insurance	3,539	2,724
Share registry costs	368	449
Other	5,345	2,671
Total	21,059	14,542
(d) Other expenses included in profit		
Superannuation contribution	5,652	4,283
Rental expenses in operating leases	2,931	2,416
	8,583	6,699

Notes to the Financial Statements

for the year ended 30 June 2012

Note 5. Income tax expense

	Consolidated 2012 ($'000)	Consolidated 2011 ($'000)
INCOME TAX		
(a) Income tax expense / (benefit)		
Income tax comprises		
Current tax expense / (benefit)	6,193	16,402
Deferred tax expense / (benefit)	9,670	2,459
Under / (over) provided in prior year	18,349	361
Income tax expense / (benefit)	34,212	19,222
(b) The Prima facie tax on profit before income tax is reconciled to the income tax provided in the financial report as follows:		
Prima facie tax payable on profit before income tax at 30% (2011: 30%):	14,359	20,145
Tax on Foreign Income	(55)	(76)
Add Tax effect of:		
Amortisation of intangible assets	1,036	1,306
Non-deductible amortisation of R & D and capitalised borrowing costs	94	405
Amortisation of conversion right	-	(238)
Other non-deductible items	343	650
Sub total	15,777	22,192
less Tax Effect of:		
Tax cost setting of intangible assets	-	(2,495)
Work in progress	(2,035)	1,609
Interest rate swap	(253)	421
Repairs and maintenance claims	(7,452)	(1,008)
Convertible Bonds	-	(1,375)
Other non-assessable income items	265	(1,791)
Prior period tax losses utilised in current year	(109)	(1,151)
	6,193	16,402
Under provided in prior year	18,349#	361
Net movement in opening and closing deferred tax asset and deferred tax liability	9,670	2,459
Income tax expense / (benefit)	34,212	19,222
(c) Tax effects relating to other comprehensive income		
Tax effect of derivative instruments: hedge accounted	(557)	342
	(557)	342

 # the under provision for the prior year includes an adjustment of $18.9 million that resulted from a retrospective change in taxation legislation with regard to the amortisation of Rights To Future Income (RTFI).

Note 5. Income tax expense (continued)

The Group has no unutilised tax losses at 30 June 2012 (2011: $0.2 million), with a tax effect (at a tax rate of 30%) of Nil (2011: $70k).

Note 6. Current assets – Cash and cash equivalents

	Consolidated	
	2012 ($'000)	2011 ($'000)
Cash at bank and on hand	31,999	21,342

Note 7. Current assets – Trade and other receivables

Trade receivables	72,000	72,187
Construction work in progress	43,735	23,732
Provision for impairment of receivables	(54)	(166)
	115,681	95,753

An impairment loss of $54,000 (2011: $166,000) has been provisioned for customers who were in receivership or under administration at the end of the financial year.

Construction work in progress		
Contract costs incurred	26,100	10,282
Recognised profits	17,635	13,450
Amounts due from customers for contract work	43,735	23,732
Retentions on construction contracts	9,554	14,521

As of 30 June 2012, trade receivables of $13.623 million (2011: $24.712 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	5,494	20,748
3 to 6 months	2,062	2,848
Over 6 months	6,067	1,116
	13,623	24,712

Collateral pledged

A floating charge over trade receivables has been provided for certain debt. Refer to Note 19 for further details.

Notes to the Financial Statements

for the year ended 30 June 2012

Note 8. Current assets – Inventories

	Consolidated 2012 ($'000)	Consolidated 2011 ($'000)
Raw materials and stores – at cost	17,063	21,378
Finished goods – at cost	30,762	23,364
	47,825	44,742

Collateral pledged

A floating charge over inventories has been provided for certain debt. Refer to Note 19 for further details.

Note 9. Derivatives

	2012 ($'000)	2011 ($'000)
Current assets		
Forward exchange contracts	766	1,544
	766	1,544
Non-current liabilities		
Interest Rate Swap Agreements	1,301	1,063
	1,301	1,063

Note 10. Current assets – Other assets

	2012 ($'000)	2011 ($'000)
Prepayments	1,896	1,331
	1,896	1,331

Note 11. Non-current assets – Trade and other receivables

	2012 ($'000)	2011 ($'000)
Other receivables	-	110
	-	110

Note 12. Non-current assets – Property, plant and equipment

	Consolidated 2012 ($'000)	2011 ($'000)
Land and buildings		
At cost	14,422	8,293
Accumulated depreciation	(762)	(607)
	13,660	7,686
Plant and equipment		
At cost	231,517	166,961
Accumulated depreciation	(83,777)	(53,841)
	147,740	113,120
Plant and equipment under hire purchase		
At cost	153,776	121,524
Accumulated amortisation	(37,768)	(33,256)
	116,008	88,268
Total plant and equipment	277,407	209,074

Non-current assets pledged as security

Refer to note 19 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.

	Land and Buildings ($'000)	Plant and equipment ($'000)	Hire Purchase plant & equipment ($'000)	Total ($'000)
2012 Consolidated				
Carrying amount at 1 July 2011	7,686	113,120	88,268	209,074
Additions	6,130	45,964	61,811	113,905
Disposals	-	(460)	(10)	(470)
Transfer between classes	-	19,052	(19,052)	-
Depreciation/Amortisation expense	(156)	(29,936)	(15,009)	(45,101)
Carrying amount at 30 June 2012	13,660	147,740	116,008	277,407
2011 Consolidated				
Carrying amount at 1 July 2010	6,988	82,613	91,767	181,368
Additions	45	28,421	34,940	63,406
Acquisitions through business combinations	738	5,171	-	5,909
Disposals	-	(765)	-	(765)
Written down of flood affected assets	-	(8,458)	(1,584)	(10,042)
Transfer between classes	-	25,419	(25,419)	-
Depreciation/Amortisation expense	(85)	(19,280)	(11,437)	(30,803)
Carrying amount at 30 June 2011	7,686	113,120	88,268	209,074

Notes to the Financial Statements

for the year ended 30 June 2012

Note 13. Non-current assets – Intangible assets

	Note	Consolidated 2012 ($'000)	Consolidated 2011 ($'000)
Goodwill		182,676	182,676
Development costs		11,952	9,457
Customer contracts		7,850	11,304
Total non-current assets		202,478	203,437
Goodwill			
Opening balance		182,676	169,622
Acquisition of Industrea Gas Management	31	-	12,582
Acquisition of Industrea Wadam (Shijiazhuang) Mining Equipment Co.,Ltd	31	-	472
Closing balance		182,676	182,676
Development costs			
Development costs		18,157	13,770
Accumulated amortisation		(6,205)	(4,313)
		11,952	9,457
Opening balance		9,457	3,776
Capitalised		4,776	7,031
Amortised		(2,281)	(1,350)
Closing balance		11,952	9,457
Customer contracts			
Customer contracts		11,304	11,304
Accumulated amortisation/impairment		(3,454)	-
		7,850	11,304
Opening balance		11,304	4,354
Amortisation of customer contracts		(3,454)	(4,354)
Acquired on acquisition		-	11,304
Closing balance		7,850	11,304

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense in profit or loss. Goodwill has an indefinite life.

Customer contracts are amortised over 36 months. Development costs are amortised over an estimated useful life of between 3 and 5 years.

Note 13. Non-current assets – Intangible assets (continued)

Impairment Disclosures

Goodwill

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

	2012 ($'000)	2011 ($'000)
Industrea Mining Services	139,067	139,067
Industrea Gas Management	12,582	12,582
Industrea Wadam Mining Equipment	472	472
Industrea Mining Equipment	6,542	6,542
Industrea Mining Technology	10,429	10,429
Industrea Wadam	12,895	12,895
Kade Engineering	689	689
Total	182,676	182,676

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 between 17.2% for all cash generating units except for Industrea Gas Management where a discount rate of 19.2% was used. The long-term growth rate used to extrapolate cash flows beyond the five year period is 2.5%. 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 cash generating unit.

Key assumptions included in the value in use calculations include:

- Increase in the proportion of dry hire as opposed to wet hire contracts for Industrea mining services;
- Sufficient maintenance capital expenditure required to maintain the fleet in Industrea mining services and Industrea Gas Management;
- Growth in international sources of income for Industrea Gas Management; and
- Significant increases in Industrea Mining Technology for sales of collision avoidance systems following declarations by Government and a general movement at improving mine safety by mandating the use of collision avoidance equipment.

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for the year ended 30 June 2012

Note 14. Deferred Tax

2012 – Consolidated	Opening Balance ($'000)	Net Charged to Profit or Loss ($'000)	Net Charged to Other Comprehensive Income ($'000)	Closing Balance ($'000)
Deferred tax asset				
Carried forward tax losses	70	(70)	-	-
Employee benefits	1,409	513	-	1,922
Interest Rate Swaps	319	(253)	324	390
Provisions	568	(357)	-	211
Gross deferred tax assets	2,366	(167)	324	2,523
Deferred tax liability				
Deferred tax liability recognised on customer contracts	2,127	228	-	2,355
Deferred tax recognised on Foreign exchange contracts	461	2	(233)	230
Property, plant and equipment	3,379	7,452	-	10,831
Development and government grants	2,663	(14)	-	2,649
Work in Progress	2,568	2,062	-	4,630
Borrowing costs	497	(204)	-	293
Other	122	(23)	-	99
Gross deferred tax liabilities	11,817	9,504	(233)	21,087
Total net deferred tax liabilities	9,450	9,670	(557)	18,564

2011 – Consolidated	Opening Balance ($'000)	Net Charged to Profit or Loss ($'000)	Net Charged to Other Comprehensive Income ($'000)	Closing Balance ($'000)
Deferred tax asset				
Carried forward tax losses	1,203	(1,133)	-	70
Employee benefits	867	542	-	1,409
Interest Rate Swaps	830	(511)	-	319
Provisions	286	(33)	315	568
Gross deferred tax assets	3,187	(1,135)	315	2,367
Deferred tax liability				
Deferred tax liability recognised on customer contracts	(1,590)	326	3,391	2,127
Deferred tax recognised on conversion right charged to equity	450	(450)	-	-
Deferred tax recognised on Foreign exchange contracts	119	-	342	461
Revaluations of financial assets	119	(119)	-	-
Property, plant and equipment	2,371	1,008	-	3,379
Development and government grants	1,734	929	-	2,663
Work in Progress	4,175	(1,607)	-	2,568
Borrowing costs	237	260	-	497
Other	-	(173)	297	122
Gross deferred tax liabilities	7,614	174	4,030	11,817
Prior period deferred tax expense	-	1,153	(1,153)	-
Total net deferred tax liabilities	4,429	2,459	2,562	9,450

Note 15. Current liabilities –Trade and other payables

	Consolidated 2012 ($'000)	Consolidated 2011 ($'000)
Unsecured		
Trade payables	29,529	33,658
Customer deposits recieved	8,397	-
Other payables and accrued expenses	23,725	12,355
	61,651	46,013

Note 16. Current liabilities – Financial liabilities

	2012 ($'000)	2011 ($'000)
Secured		
Hire purchase liabilities	22,708	20,425
Bank bills	31,300	-
Bank loans	15,000	15,000
Capitalised borrowing costs	(977)	(1,658)
Total Current Financial liabilities	68,031	33,767

Refer to Note 19 for terms and conditions.

Note 17. Short term provisions

	Short term employee benefits ($'000)	Warranties ($'000)	Total ($'000)
2012 – Consolidated			
Opening Balance at 1 July 2011	758	750	1,508
Increase/(decrease) in provision	362	(750)	(388)
Closing Balance at 30 June 2012	1,120	-	1,120

The warranties provision is no longer required as warranty costs are written off to profit or loss as incurred. The provision for warranty costs for 2011 was for known warranties at balance date that have subsequently been satisfied in 2012.

	Short term employee benefits ($'000)	Warranties ($'000)	Total ($'000)
2011 – Consolidated			
Opening Balance at 1 July 2010	483	1,000	1,483
Increase/(decrease) in provision	275	(250)	25
Closing Balance at 30 June 2011	758	750	1,508

Note 18. Convertible bonds - Unsecured

The convertible bond issue was settled pursuant to an agreement between the bond holders and Industrea limited on the 27th September 2010. The settlement was via a combination of cash and equity.

Notes to the Financial Statements

for the year ended 30 June 2012

Note 19. Non-current liabilities – Financial liabilities

	Consolidated 2012 ($'000)	Consolidated 2011 ($'000)
Secured		
Hire purchase liabilities	60,832	22,398
Bank loans	110,915	125,915
Total non-current interest bearing liabilities	171,747	148,313
Total secured liabilities		
Total secured liabilities (current and non-current) are:		
Bank bills	31,300	-
Hire purchase liabilities	83,540	42,823
Bank loans	125,915	140,915
Total secured liabilities	240,755	183,738

Credit standby arrangements

During the period some bank facilities were renegotiated and extended. This resulted in the working capital facility increasing to $40 million from $25 million. The HP facility was increased to $95.0 million from $75.0 million on a revolving lease basis.

	Consolidated 2012 ($'000)	Consolidated 2011 ($'000)
Bank Guarantee facilities		
Bank Guarantee facility	1,038	2,568
Utilised at balance date	1,015	2,493
Unutilised at balance date	23	74
Bank Working Capital facilities		
Total working capital facilities	38,962	22,432
Utilised working capital facility at balance date	36,025	8,355
Unutilised at balance date	2,937	14,077
Bank loan facilities		
Total Bank loan facilities	125,915	140,915
Utilised bank loan facility at balance date	125,915	140,915
Unutilised at balance date	-	-
Hire Purchase Facilities		
Total facility	95,000	75,000
Utilised at balance date	83,540	42,823
Unutilised at balance date	11,460	32,177

Note 19. Non-current liabilities – Financial liabilities (continued)

Bank Working Capital facilities

The utilised working capital facilities at 30 June 2012 comprise performance bonds raised in favour of offshore and local customers and a bill draw down to fund short term capital needs. The performance bonds are required to be in place, in accordance with contractual terms, during the build and warranty period of export and domestic sales. The value of the bill draw down at the end of June 2012 was $31.3 million. Utilised working capital facilities at 30 June 2011 comprise performance bonds raised in favour of offshore customers. There were no bills drawn down at the end of June 2011.

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. With the renegotiation of the banking facilities earlier in the financial year the HP facility was increased to a $95 million revolving lease facility.

Borrowing costs

Borrowing costs relate to expenses incurred in relation to the issue of the bank loans. These costs are being amortised over period to maturity of the bank loans.

Bank Loans and overdraft

The bank 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 the banking syndicate.

During 2012 Industrea successfully negotiated an increase in the hire purchase and working capital facilities. The hire purchase facility increasing from $75 million to $95 million and the working capital facility increasing from $25 million to $40 million. During 2011 the bank senior debt facilities were renegotiated with its syndicate of bankers, National Australia Bank, Commonwealth Bank of Australia and Caterpillar Finance. The renegotiation extends the term on senior debt to August 2013.

The group is required to fix the interest rate on 50% (refer to note 22b (iii) for interest rate swap information) of amortising and bullet term debt for the term of the facility.

The renegotiated facility includes a revolving equipment lease facility and an amortising term debt facility. The amortising portion of the debt facility amortises on a quarterly basis down to nil by the 30th June 2013.

The makeup of the facility is as follows:

	2012 Facility Limit ($'000)	2011 Facility Limit ($'000)
Revolving equipment lease facility	95,000	75,000
Amortising term debt	15,000	30,000
Bullet term debt	110,915	110,915
Revolving working capital facility	40,000	25,000
Total senior debt facility	260,915	240,915

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for the year ended 30 June 2012

Note 20. Issued Capital

	Consolidated Group		Consolidated Group	
	2012 Shares	**2012 ($'000)**	**2011 Shares**	**2011 ($'000)**
Share Capital				
Fully paid Ordinary shares	**370,268,218**	**209,812**	**364,733,566**	**203,966**

Movements in ordinary share capital - 2012

Date	Details	Number of shares	Issue price	($'000)
1-July-11	**Balance**	**364,733,566**		**203,966**
21 Nov 2011	Dividend reinvestment plan	4,258,869	1.09	4,636
24 May 2012	Dividend reinvestment plan	1,275,783	.95	1,210
30 June 2012		**370,268,218**		**209,812**

Movements in ordinary share capital - 2011

Date	Details	Number of shares	Issue price	($'000)
1-July-10	**Balance**	**318,889,626**		**148,160**
30 Sept 2010	Convertible bond conversion	3,928,290	1.17	4,600
22 Oct 2010	Shares Issued#	39,682,540	1.26	50,000
31 Oct 2010	Shares Issued	191,888	1.40	268
30 Nov 2010	Dividend reinvestment plan	1,186,281	1.26	1,502
23 Mar 2011	Dividend reinvestment plan	646,502	1.24	800
30 Jun 2011	Shares Issued	208,769	1.41	294
	Share issue costs			(1,658)
	Round down impact on consolidation	(330)	-	-
30 June 2011		**364,733,566**		**203,966**

On the 19th October 2010 Industrea completed an institutional capital raising exercise.

Ordinary Shares

Ordinary shares have no par value and the company does not have a limited amount of authorised share capital.

Ordinary shareholders are entitled to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. Every ordinary shareholder present at a meeting in person or by proxy is entitled to one vote on a show of hands and upon a poll each share is entitled to one vote.

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.

Note 20. Issued Capital (continued)

Movements in treasury shares – 2012

Date	Detail	Number of shares	($'000)
Open balance		1,374,803	607
30 Sep 2011	Employee Share Scheme	(356,168)	(176)
30 Mar 2012	Performance Rights	(663,165)	(327)
30 Mar 2012	Dividend		40
Closing balance		355,470	144

Movements in treasury shares – 2011

Date	Detail	Number of shares	($'000)
Open balance		1,374,803	662
30 Nov 2010	Dividend		(41)
30 Mar 2011	Dividend		(14)
Closing balance		1,374,803	607

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 capital includes ordinary share capital and financial liabilities, supported by 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:

	2012 ($'000)	2011 ($'000)
Total debt	239,779	182,080
Total assets	678,053	577,376
Gearing ratio	35%	31%

Note 21. Dividends

In accordance with the terms of the scheme implementation agreement with General Electric Company, no dividend has been declared by the Board as at the date of this report and neither has one been provided for (2011: 3.0 cents). The total amount of the final dividend for 2011 was $10.9 million. An interim dividend of 1 cent per share was paid during the year, on 5 April 2012 amounting to $3.7 million (2011: $3.6 million). The dividend was 100% franked.

A final dividend of 3.0 cents per share was paid during the prior year, on 7 November 2011. The dividend was 100% franked.

Franking credits available for subsequent years, based on a 30% tax rate, are $81.6 million (2011: $40.4 million). This balance includes franking credits that will arise from the payment of the provision for income tax.

Notes to the Financial Statements

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Note 22. Financial Risk Management

a. Financial Risk Management Policies

The group's financial instruments consist mainly of deposits with banks, bank 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 2012, 62% of group interest bearing debt is fixed (2011: 63%). For further details on interest rate risk refer to Note 22 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 (including the interest rate swap) are sensitive to movements in interest rates. At 30 June 2012, 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 after tax expense or benefit of $422,621, (2011: $330,941).

[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 functional currency.

The group's policy is to hedge all material foreign currency sale contracts at the time that contracts for purchase are in place. As such the sensitivity of profit and equity to foreign currency movements at 30 June 2012 would be an after tax expense or benefit of $44,963 (2011: immaterial).

[iii] Credit risk

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.

Credit risk is managed through the use of procedures ensuring, to the extent possible, that customers and counterparties to transactions are of sound creditworthiness. Such monitoring is used in assessing receivables for impairment. 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. Trade or other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed in Note 7. Included in trade receivables are significant customers located in China that account for 34% of trade receivables at 30 June 2012 (2011: 30%).

Credit risk exposures

The maximum exposure to credit risk, at the end of the reporting period, to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements. Cash and cash equivalents are held in financial institutions having an AA credit rating.

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 9. Information on significant customers can be found in the segment report, Note 26.

Note 22. Financial Risk Management (continued)

[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 19.

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.

[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 the end of the reporting period, the details of outstanding forward exchange contracts are:

	Sell USD/Buy AUD		Average Exchange Rate	
Notional amounts	**2012 ($'000)**	**2011 ($'000)**	**2012 (cents)**	**2011 (cents)**
Less than 6 months	35,871	34,153	99.29	98.95

[iii] Interest rate swaps - cash flow hedge

Interest rate swap transactions are entered into by the consolidated group to exchange variable for 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 are set in accordance with requirements of 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 has two swap contracts in place over principal debt of $64.8 million (2011: $72 million). The interest swaps have been entered into to ensure that at all times the Groups bank borrowings are approximately 50% fixed and 50% variable. The interest rate swaps are accounted for as designated hedges. Any movement in the two hedge instruments are recorded in the balance sheet. The first interest rate swap resets on a quarterly basis not exceeding 5.12 %. The second interest rate swap resets on a quarterly basis at a rate not exceeding 5.5%. The two swap contracts have the same maturity date as the bank facilities with all interest rate swap contracts maturing in the August 2013. Subsequent to the maturity date the Group will review its swap arrangements and transact a new interest rate swap agreement. At balance date the value of the cash flow hedge reserve was $1.3 million (2011: $0.2 million).

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Note 22. Financial Risk Management (continued)

(iv) Financial assets and liabilities 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 statement of financial performance. Derivative financial instruments have not been included in the maturity analysis as these contracts are settled on a net basis. Capitalised borrowing costs are also not included in the tables below:

	Note	Carrying amount ($'000)	Total Contractual cash flows ($'000)	Less than 1 year ($'000)	1 to 3 years ($'000)	Greater than 3 years ($'000)
2012 - Consolidated						
Financial liabilities						
Trade and other payables	15	62,121	62,121	62,121	-	-
Hire purchase liabilities	16/19	83,540	95,837	27,588	46,159	22,090
Bank Loans	16/19	157,215	168,239	24,903	143,336	-
Derivatives	9	1,301	1,301	1,301	-	-
		304,177	327,498	115,913	189,495	22,090
2011 – Consolidated						
Financial liabilities						
Trade and other payables	15	46,013	46,013	46,013	-	-
Hire purchase liabilities	16/19	42,822	47,974	23,151	24,824	-
Bank Loans	16/19	140,915	162,969	26,233	136,736	-
Derivatives	9	1,063	1,063	-	1,063	-
Vendor Liability	31	1,476	1,476	1,476	-	-
		232,289	259,495	96,872	162,623	-

The tables above reflect contractual maturities that existed as at 30 June 2012 and 2011.

(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. Financial Risk Management (continued)

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability , either directly (i.e., as prices) or indirectly (i.e., derived from prices); or
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	Level 1 ($'000)	Level 2 ($'000)	Level 3 ($'000)	Total ($'000)
2012				
Listed equity securities	-	-	-	-
Foreign exchange contracts	-	766	-	766
Interest rate swap (liability)	-	(1,301)	-	(1,301)
	-	(535)	-	(535)
2011				
Listed equity securities	43	-	-	43
Foreign exchange contracts	-	1,544	-	1,544
Interest rate swap (liability)	-	(1,063)	-	(1,063)
	43	481	-	524

Note 23. Auditors remuneration

	Consolidated 2012 ($)	Consolidated 2011 ($)
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 Audit Pty Ltd	240,219	183,187
Auditor of the Chinese subsidiary – BDO - China	27,104	7,604
	267,323	190,791

Note 24. Contingent Assets and Liabilities

Industrea Wadam and Industrea Mining Equipment, wholly owned subsidiaries of Industrea, have put in place performance bonds on equipment delivered into China and Australia and these are issued in the normal course of business. The value of performance bonds at 30 June 2012 was $5.25 million (2011:$8.1 million).

Notes to the Financial Statements

for the year ended 30 June 2012

Note 25. Leasing commitments

	Consolidated	
	2012 ($'000)	2011 ($'000)
Hire purchase		
Commitments in relation to hire purchase agreements are payable as follows:		
Within 1 year	27,587	23,151
Later than 1 year but not later than 5 years	68,249	24,823
Minimum lease payments	95,836	47,974
Less: Future finance charges	(12,296)	(5,152)
Total hire purchase liabilities	83,540	42,823
Representing hire purchase liabilities:		
Current (see Note 16)	22,708	20,424
Non-current (see Note 19)	60,832	22,398
	83,540	42,823

The Groups hire purchases arrangements are predominately over mining equipment. Terms range from 3 to 4 years. The finance is provided by a syndicate of financiers.

The weighted average interest rate implicit in the leases is 7.8 % (2011: 8.7 %).

	Consolidated	
	2012 ($'000)	2011 ($'000)
Commitments in relation to leases contracted for at the reporting date but not recognised liabilities payable:		
Operating leases		
Within 1 year	2,823	2,076
Later than 1 year but not later than 5 years	5,302	2,522
Later than 5 years	1,482	-
	9,607	4,598
Representing:		
Non-cancellable leases	9,607	4,598

The group leases various facilities, motor vehicles and items of plant and equipment under non-cancellable operating leases with terms of 1 to 10 years. The leases have varying terms, escalation clauses and renewal rights. On renewal the terms of the leases are renegotiated.

Note 26. Segment information

Identification of reportable segments

The group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer, who is the Group's chief operating decision maker, in assessing performance and determining the allocation of resources.

The group is managed primarily on the basis of product category and service offerings since the diversification of the group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- The product sold and services provided by the segment;
- The manufacturing process;
- The type or class of customer;
- The distribution method; and
- Regulatory environments.

The group has identified four operating segments on this basis. The Mining Services segment is involved in the provision of open cut mining and civil earthwork services including hire of equipment and operators, mine planning and design and mine management services. The Mining Technology segment provides for the design, manufacture, sales and support of collision avoidance systems, methane gas drainage systems and ancillary mining technology products that enhance mine safety and efficiency. The Mining Equipment segment manufactures sells and supports flame and explosion proof underground mining equipment and vehicles. The Gas Management segment provides services and expertise on all aspects of coal seam degasification comprising planning, extraction and treatment. The Mining Services division targets domestic customers and markets. The target markets for the Mining Technology and Mining Equipment and Gas Management segments include domestic and foreign customers.

In March 2011 the group acquired the assets of the AJ Lucas Limited in-seam drilling business. Given the relatively short period of reporting of post-acquisition revenues and profits, management reporting lines into Mining Equipment segment and the nature of the explosion proof underground equipment used in the business, this acquisition was reported in the Mining Equipment segment in 2011. In 2012 it has now been reported as a separate segment (Gas Management).

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, the accounting policies adopted with respect to operating segments are determined in accordance with accounting policies that are consistent to those applied in the annual financial statements of the group.

Inter-segment transactions

Corporate charges are allocated to reporting segments based on a review of services provided by Corporate staff in support of the operating and strategic activities of the segment. The allocation of Corporate charges is representative of the likely consumption of head office expenditure in assessing segment performance and cost recoveries.

An internally determined transfer price is set for all intersegment sales. This price is reset quarterly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Groups financial statements.

Intersegment loans payable and receivable are initially recognised at the consideration received / to be received net of transaction costs. If intersegment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

Segment assets

Segment assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Intangible assets are allocated to segments as indicated in the segment asset note. Derivative assets and deferred tax assets have not been allocated to operating segments.

Notes to the Financial Statements

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Note 26. Segment information (continued)

Segment liabilities

Segment liabilities are measured in a manner consistent with that of the financial statements. Segment liabilities are allocated based on the operations of the segment. Segment liabilities include trade and other payables and related hire purchase liabilities. Other borrowings and tax liabilities are generally considered to belong to the Group as a whole and are not allocated.

(i) Segment Performance

	Mining Services ($'000)	Mining Technology ($'000)	Mining Equipment ($'000)	Gas Management ($'000)	Other ($'000)	Total ($'000)
Year ended 30.06.2012						
Segment revenue	212,083	42,174	100,859	17,251	93	372,459
Insurance revenue	1,000	-	-	-	-	1,000
Total group revenue	**213,083**	**42,174**	**100,859**	**17,251**	**93**	**373,459**
Segment net profit before tax	**34,073**	**10,917**	**22,933**	**(305)**	**(2,845)**	**64,774**
Amount not included in segment result but reviewed by Chief Operating decision maker:						
Amortisation – customer contracts				(3,454)		(3,454)
Unallocated items:						
Finance costs						(13,319)
Movement in fair value of interest rate swap agreement						842
Other corporate expenses						(1,332)
Net profit before tax from continuing operations						47,511
Year ended 30.06.2011						
Segment revenue	159,197	114,483	67,597	5,790	78	347,146
Insurance revenue	9,900	-	-	-	-	9,900
Total group revenue	**169,097**	**114,483**	**67,597**	**5,790**	**78**	**357,046**
Segment net profit before tax	**33,277**	**37,534**	**18,168**	**1,224**	**(2,662)**	**87,541**
Amount not included in segment result but reviewed by Chief Operating decision maker:						
Amortisation – customer contracts	(4,353)					(4,353)
Unallocated items:						
Finance costs						(11,281)
Movement in fair value of interest rate swap agreement						1,925
Amortisation – equity component of convertible bonds						(3,244)
Other corporate expenses						(3,435)
Net profit before tax from continuing operations						67,153

Note 26. Segment information (continued)

(ii) Segment Assets

	Mining Services ($'000)	Mining Technology ($'000)	Mining Equipment ($'000)	IGM ($'000)	Other ($'000)	Total ($'000)
Year ended 30.06.2012						
Segment Assets	**433,799**	**55,278**	**111,750**	**33,187**	**43,273**	**677,287**
Unallocated assets:						
Derivative assets						766
Total group assets						**678,053**
Segment asset increase for the period						
Capital expenditure	97,714	2,283	3,040	3,598	6,792	113,427
Depreciation/Amortisation	41,955	945	3,197	4,435	304	50,836
Year ended 30.06.2011						
Segment Assets	**366,294**	**57,821**	**92,195**	**32,412**	**27,110**	**575,832**
Unallocated assets:						
Derivative assets						1,544
Total group assets						**577,376**
Year ended 30.06.2011						
Segment asset increase for the period						
Capital expenditure	52,390	3,337	6,884	5,018	670	68,300
Depreciation/Amortisation	33,084	912	1,981	333	196	36,506

(iii) Segment Liabilities

	Mining Services ($'000)	Mining Technology ($'000)	Mining Equipment ($'000)	IGM ($'000)	Other ($'000)	Total ($'000)
Year ended 30.06.2012						
Segment liabilities	**111,304**	**5,543**	**21,756**	**2,985**	**36,035**	**177,623**
Unallocated liabilities:						
Derivative liabilities						1,301
Deferred tax liability						18,563
Corporate borrowings						156,237
Total group liabilities						**353,726**
Year ended 30.06.2011						
Segment liabilities	**48,472**	**13,709**	**14,110**	**5,019**	**25,510**	**106,820**
Unallocated liabilities:						
Current tax liability						14,966
Derivative assets						1,063
Deferred tax liability						9,450
Corporate borrowings						124,257
Total group liabilities						**256,556**

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for the year ended 30 June 2012

Note 26. Segment information (continued)

(iv) Revenue by geographical region

Revenue attributable to external customers is disclosed below, based on the location of the external customer:

	2012 ($'000)	2011 ($'000)
Australia	299,608	238,460
Peoples Republic of China	57,210	93,708
South America	8,210	6,029
Russia	791	3,714
Other foreign countries	6,640	5,235
Total revenue	372,459	347,146

(v) Assets by geographical region

The assets of the Group are primarily located in Australia. The Group maintains sales and support offices in Beijing, China and Santiago, Chile. The Group also maintains a small manufacture and maintenance facility in Shujiazhuang China. Group assets located in these geographical regions are immaterial.

(vi) Major Customers

The Group has a number of customers to whom it provides both products and services. There are three customers across the Group contributed more than 10% of the entity's total Revenue during the year. These customers made up respectively 24%, 14% and 12% of total revenue for 2012 (2011: 38%, 25% and insignificant).

Note 27. Interests of Directors and Key Management Personnel (KMP)

Refer to the Remuneration Report contained in the Report of the Directors for details of the remuneration paid or payable to each member of the Groups key management personnel for the year ended 30 June 2012.

The totals of remuneration paid to KMP the Group during the year are as follows;

	Consolidated	
	2012 ($)	2011 ($)
Short-term benefits	3,804,841	4,187,721
Post-employment benefits	136,933	164,234
Share based payments	708,561	110,467
Total remuneration of KMP	4,650,335	4,462,422

Note 27. 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.

	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 exerciseable	Vested and unexercise-able
30 June 2012								
D Beddall	-	-	-	-	-	-	-	-
L McIntosh	-	-	-	-	-	-	-	-
A McDonald	-	-	-	-	-	-	-	-
T Netscher	-	-	-	-	-	-	-	-
R Levison	1,333,332	1,281,500	(492,167)	(400,000)	1,722,666	-	-	-
J Watson	123,000	141,000	-	-	264,000	-	-	-
D Cahill	272,666	-	(66,666)	(206,000)	-	-	-	-
P Hourigan	258,666	219,000	(104,333)	(100,000)	273,333	-	-	-
D McNamara	-	-	-	-	-	-	-	-
	1,987,664	1,641,500	(663,166)	(706,000)	2,259,999	-	-	-
30 June 2011								
D Beddall	-	-	-	-	-	-	-	-
L McIntosh	-	-	-	-	-	-	-	-
A McDonald	-	-	-	-	-	-	-	-
T Netscher	-	-	-	-	-	-	-	-
R Levison	666,666	666,666	-	-	1,333,332	-	-	-
J Watson	-	123,000	-	-	123,000	-	-	-
D Cahill	166,666	106,000	-	-	272,666	-	-	-
Dr C Doran	166,666	-	-	(166,666)	-	-	-	-
P Hourigan	166,666	92,000	-	-	258,666	-	-	-
D McNamara	-	-	-	-	-	-	-	-
D White	-	-	-	-	-	-	-	-
K Wallis	166,666	-	-	(166,666)	-	-	-	-
	1,333,330	987,666	-	(333,332)	1,987,664	-	-	-

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for the year ended 30 June 2012

Note 27. 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.

	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
30 June 2012					
D Beddall	578,799	-	-	-	578,799
L McIntosh	52,838	-	-	-	52,838
A McDonald	190,126	-	-	7,292	197,418
T Netscher	144,692	-	-	31,841	176,533
R Levison	6,720,597	-	492,166	23,170	7,235,933
D McNamara	2,794,267	-	-	(392,823)	2,401,444
P Hourigan	-	-	104,333	1,099	105,432
	10,481,320	-	596,499	(329,421)	10,748,398
30 June 2011					
D Beddall	578,799	-	-	-	578,799
L McIntosh	152,838	-	-	(100,000)	52,838
A McDonald	184,235	-	-	5,891	190,126
T Netscher	101,449	-	-	43,243	144,692
R Levison	6,666,666	-	-	53,931	6,720,597
D McNamara	3,673,931	-	-	(879,664)	2,794,267
K Wallis	3,030	-	-	(3,030)	-
	11,360,949	-	-	(879,629)	10,481,320

Other Related party transactions with directors and director-related entities

A director, L McIntosh is a director and shareholder of 22 Capital Pty Ltd. Industrea utilised the services of 22 Capital Pty Ltd during the year for specialist advice. The aggregate amount paid during the year was $33,985 (2011: $10,000). $16,845 remains unpaid at balance date. The contract was based on normal commercial terms and conditions.

A Director, D Beddall is a director of D Beddall and associates. D Beddall invoices Industrea from this entity for a portion of his directors fee. The aggregate amount paid during the year was nil (2011: $24,000).

Note 28. Investments in controlled entities

Name of entity	Country of incorporation	2012 (%)	2011 (%)
Parent company: Industrea Limited	Australia		
GPS Online Engineering Pty Ltd	Australia	100	100
GPS Online Technology Centres Pty Ltd	Australia	100	100
GPS Online NZ Limited	New Zealand	100	100
GPS Online Solutions Pty Ltd	Australia	100	100
Waste Watch Systems Pty Ltd	Australia	100	100
QVEN Limited	Australia	100	100
Industrea Mining Technology Pty Ltd	Australia	100	100
Industrea Wadam Pty Ltd	Australia	100	100
PJ Berriman & Co. Pty Ltd	Australia	100	100
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
Industrea Mining Services Pty Ltd	Australia	100	100
Industrea Hong Kong Limited China	Hong Kong	100	100
Industrea Hong Kong YL Limited China	Hong Kong	100	100
Industrea (Wadam) Beijing Mining Equipment Technical Services Co Ltd	China	100	100
Queensland Mining Developments Pty Ltd	Australia	100	100
Kade Engineering Pty Ltd	Australia	100	100
Industrea Gas Management Pty Ltd (formerly PJB Administration Pty Ltd)	Australia	100	100
Industrea Wadam (Shijiazhuang) Mining Equipment Co., Ltd	China	100	100

Deed of cross guarantee

A deed of cross guarantee between Industrea Ltd and the controlled entities listed below was enacted during the 2008 financial year and relief was obtained from preparing separate financial reports under ASIC Class Order 98/1418. Under the deed, Industrea Ltd guarantees to support the liabilities and obligations of those controlled entities.

Industrea Mining Services Pty Ltd (previously Huddy's Mining Services Pty Ltd)
Industrea Wadam Pty Ltd (previously Wadam Industries Pty Ltd)
QVen Ltd
Norbre Pty Ltd
Industrea Mining Technologies Pty Ltd (previously Advanced Mining Technologies Pty Ltd)
PJ Berriman & Co Pty Ltd
Industrea Mining Equipment Pty Ltd
Industrea Gas Management Pty Ltd
Industrea Properties Pty Ltd
Kade Engineering Pty Ltd
GPS Online Solutions Pty Ltd
Queensland Mining Developments Pty Ltd

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Note 28. 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	
	2012 ($'000)	2011 ($'000)
Statement of Comprehensive Income		
Profit before Income Tax	48,635	67,450
Income Tax	(34,035)	(19,197)
Profit after Income Tax	14,600	48,253
Comprehensive Income net of tax	(1,625)	582
Total Comprehensive Income	12,975	48,835
Statement of financial position		
Current Assets		
Cash & Cash Equivalents	30,510	19,419
Trade & Other Receivables	69,922	71,610
Work in progress and accrued profit	43,213	23,203
Inventories	45,675	44,742
Financial Assets at fair value through profit/loss	-	43
Other Assets	1,687	1,297
Derivatives	766	1,544
Non-Current Assets		
Trade & Other Receivables	-	75
Property, plant & equipment	276,389	208,099
Intangible assets	202,394	202,965
Total Assets	670,557	572,997
Current Liabilities		
Trade & Other Payables	58,871	45,020
Provision for income tax	31,312	14,948
Short term borrowings	68,031	33,767
Short term provisions	1,120	1,508
Vendor liability	-	1,476
Non-Current Liabilities		
Deferred tax liabilities	18,563	24,050
Long term borrowings	171,747	148,313
Derivative	1,301	1,063
Total Liabilities	350,945	270,146
Net Assets	319,613	298,980
Issue capital	209,812	203,966
Reserves	1,377	1,190
Retained earnings	108,424	93,824*
Total Shareholders' Equity	319,613	298,980

* Prior years retained earnings have been adjusted due to the push down this current year of prior year tax entries through opening retained earnings.

Note 29. Financial assets at fair value through profit or loss

	Consolidated	
	2012 ($'000)	2011 ($'000)
Shares in Australian and New Zealand listed securities	-	43

Note 30. Reconciliation of profit after income tax to net cash inflow from operating activities

(a) Reconciliation of cash

	2012	2011
Cash and cash equivalents	31,999	21,342

(b) Reconciliation of cash flows from operations with profit after income tax

	2012	2011
Operating Profit/Loss after income tax	13,299	47,931
Depreciation and intangible amortisation expenses	50,836	36,506
Amortisation of acquisition finance costs	780	3,244
Amortisation of convertible bonds	-	(795)
Flood affected assets written off	-	10,042
Unrealised gain on interest rate swap instrument	(842)	(1,925)
Unrealised foreign exchange (gain)/loss	(441)	1,330
Other non-cash movements	290	(179)
Change in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	75	(4,844)
(Increase)/decrease in work in progress	(19,928)	6,898
(Increase)/decrease in other assets	329	(630)
(Increase)/decrease in inventories	(3,083)	(21,828)
Increase/(decrease) in deferred tax liability	9,113	5,021
Increase/(decrease) in trade and other payables	16,108	6,139
Increase/(decrease) in provision for income tax	15,875	2,366
Increase/(decrease) in provisions	(388)	24
Increase/(decrease) in other payables	(51)	(746)
	81,972	88,554

(c) Non Cash Financing and Investing activities

2012

During the year $5.85 million of dividends were satisfied through the issue of shares under the dividend reinvestment plan and $59.99 million of acquisitions in Plant and equipment were financed by hire purchase contracts.

2011

During the year 3.93 million shares were issued from convertible bonds exercised to the scale of $4.6 million. In addition, $2.3 million of dividends were satisfied through the issues of shares under the dividend reinvestment plan and $33.9 million of acquisitions in Plant and Equipment were financed by hire purchases. Shares issued under the employee share scheme amounted to 191,888 for a consideration of $0.3 million. A detailed in Note 31, 208,769 shares have been issued to the Vendor of Auxon as part consideration. The value of these shares issued was $0.3 million.

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Note 31. Fair value of identifiable net assets of controlled entities acquired and disposed

2012

No entities were acquired or disposed in 2012.

2011

Industrea Gas Management Pty Ltd

The Group acquired the assets and undertakings of the AJ Lucas Limited in Seam Coal Drilling Business. The total consideration for the acquisition was $25.560 million. The acquisition was settled in cash on 15th March 2011 The acquisition is part of the group's overall strategy to expand its operation in underground methane gas drilling and extraction. The purchase was settled by the payment of cash from group cash balances. The assets were acquired in March 2011 and the revenue and profits attributed to the acquired assets for the period post acquisition have been reported in the Mining Equipment segment. Revenue and earnings before interest tax and amortisation (EBITA) amounting to $5.789 million & $1.224 million respectively are included in the Statement of Comprehensive Income for the period.

	Fair Value ($'000)
Plant & Equipment	5,004
Inventory	462
Customer Contracts	11,304
Deferred Tax on Customer Contracts	(3,391)
Employee Liabilities	(401)
Goodwill	12,582
Purchase Consideration Settled In Cash	25,560

Industrea Wadam (Shijiazhuang) Mining Equipment Co.,LTD

During the period, the Industrea Wadam (Shijiazhuang) Mining Equipment Co.,LTD (a Chinese registered entity and wholly owned subsidiary of Industrea Limited) acquired the assets of Auxon a Chinese based manufacturer. The total consideration for the business was $1.770 million. The amount owing at the end of June 2011 was $1.48 million. The acquisition is part of the groups China strategy to manufacture diesel equipment suitable for the Chinese market to secure sales growth from tier 2 miners who are restricted from dealing with foreign owned enterprises. The transaction is to be settled via a combination of cash and Group shares payable 50% on signing of the agreements and 50% 12 months after signing. The assets were acquired on 22 June 2011. No revenue or profits from the acquired assets have been reflected in the account at 30 June 2011 as any adjustment would not be material.

	Fair Value ($'000)
Plant & Equipment	167
Inventory	348
Cash	45
Premises	738
Goodwill	472
Purchase Consideration to be Settled In Cash and Shares	1,770

Note 32. Earnings per share

	2012 (cents)	2011 (cents)
Basic earnings per share	3.62	13.69
Diluted earnings per share	3.62	13.69

	2012 Number	2011 Number
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	367,830,262	350,167,226
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	367,830,262	350,167,226

There are no shares or share options on issue at 30 June 2012 that may cause a dilution to shareholders.

	2012 ($'000)	2011 ($'000)
Reconciliations of earnings used in calculating earnings per share		
Basic earnings per share		
Net Profit after tax	13,299	47,931
Earnings used in calculating basic earnings per share	13,299	47,931
Reconciliations of earnings used in calculating diluted earnings per share		
Diluted earnings per share		
Net Profit after tax	13,299	47,931
Earnings used in calculating adjusted basic earnings per share	13,299	47,931

Note 33. 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.

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Note 33. Share-based payments (continued)

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 currently granted will vest in 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 2012.	67%	1 July 2009 to 30 June 2012
2	On or shortly after the date on which the Company's financial results are announced for the financial year ended 30 June 2012.	33%	1 July 2010 to 30 June 2012
3	On or shortly after the date on which the Company's financial results are announced for the financial year ended 30 June 2013.	67%	1 July 2010 to 30 June 2013
4	On or shortly after the date on which the Company's financial results are announced for the financial year ended 30 June 2013.	33%	1 July 2011 to 30 June 2013
5	On or shortly after the date on which the Company's financial results are announced for the financial year ended 30 June 2014.	67%	1 July 2011 to 30 June 2014

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.

Note 33. Share-based payments (continued)

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

Grant Date	Date vested and exerciseable	Exercise Price	Balance at beginning of year	Granted during the year	Forfeited during the year	Exercised during the year	Balance at end of year
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	222,222	Nil	(133,333)	(88,889)	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	444,444	Nil	(266,666)	(177,778)	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	111,111	Nil	(66,666)	(44,444)	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 2012.	Nil	222,222	Nil	(133,334)	(88,888)	Nil
15 November 2010	On or shortly after the date on which the Company's financial results are announced for the financial year ended 30 June 2012.	Nil	222,222	Nil	Nil	Nil	222,222
15 November 2010	On or shortly after the date on which the Company's financial results are announced for the financial year ended 30 June 2013.	Nil	444,444	Nil	Nil	Nil	444,444
1 June 2011	On or shortly after the date on which the Company's financial results are announced for the financial year ended 30 June 2012.	Nil	107,000	Nil	(35,333)	Nil	71,667
1 June 2011	On or shortly after the date on which the Company's financial results are announced for the financial year ended 30 June 2013.	Nil	214,000	Nil	(70,667)	Nil	143,333
19 October 2011	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	263,167	Nil	(263,167)	Nil
19 October 2011	On or shortly after the date on which the Company's financial results are announced for the financial year ended 30 June 2012.	Nil	Nil	526,333	Nil	Nil	526,333
26 October 2011	On or shortly after the date on which the Company's financial results are announced for the financial year ended 30 June 2013.	Nil	Nil	284,000	Nil	Nil	284,000
26 October 2011	On or shortly after the date on which the Company's financial results are announced for the financial year ended 30 June 2014.	Nil	Nil	568,000	Nil	Nil	568,000

Performance Rights

	2012 Number	2011 Number
Balance at the beginning of the year	1,987,664	1,330,330
Granted as remuneration	1,641,500	987,666
Exercised during the year	(663,166)	-
Forfeited during the year or on resignation	(705,999)	(333,333)
Balance at the end of the year	2,259,999	1,987,664
Vested exercisable	-	-

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Note 33. Share-based payments (continued)

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 Monte Carlo Simulation 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 for the rights issued in the period from 1 July 2011 to 30 June 2012.

Series	Grant Date	Share Price at Grant ($)	Fair Value ($)	Dividend Yield (%)	Risk-free interest rate (%)	Term Months	Rights Outstanding 30/6/12
Oct'11 T1 TSR	19/10/11	$1.12	$0.88	2.8%	3.75%	8	-
Oct'11 T1 EPSG	19/10/11	$1.12	$0.91	2.8%	3.61%	8	-
Oct'11 T2 TSR	19/10/11	$1.12	$0.85	2.8%	3.75%	8	263,166
Oct'11 T2 EPSG	19/10/11	$1.12	$0.91	2.8%	3.61%	8	263,167
Oct'11 T1 TSR	27/10/11	$1.26	$0.54	2.8%	3.76%	32	142,000
Oct'11 T1 EPSG	27/10/11	$1.26	$0.88	2.8%	3.61%	32	142,000
Oct'11 T2 TSR	27/10/11	$1.26	$0.56	2.8%	3.76%	32	284,000
Oct'11 T2 EPSG	27/10/11	$1.26	$0.85	2.8%	3.61%	32	284,000

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	
	2012 ($'000)	2011 ($'000)
Employee share issue plan	176	268
Rights expensed under Industrea performance rights plan	220	108
	396	376

As at the date of this remuneration report, testing of the 2008 LTI Rights has been completed. Testing of tranche 1 of the 2009 rights has also been completed. In October 2010 the Board, following a recommendation by the Remuneration Committee, resolved to extend the date for testing of the 33% instalment of the 2008 rights for 12 months in accordance with the rules of the Industrea Performance Rights Plan. As a result testing of the 2008 LTI Rights in 2011 was on 100% of the rights. Performance under the 2008 LTI Rights was as follows:

Performance Hurdle	Result	% available to vest
EPSG from 1 July 2008 to 30 June 2011	4.81%	-
TSR from 1 July 2008 to 30 June 2011	65.4% quartile	80%

The impact of this is that 40% of the 2008 LTI Rights vested in November 2011. Any unvested 2008 LTI Rights have now lapsed.

Performance under tranche 1 of the 2009 LTI Rights was as follows:

Performance Hurdle	Result	% available to vest
EPSG from 1 July 2009 to 30 June 2011	57.83%	100%
TSR from 1 July 2009 to 30 June 2011	91.6% quartile	100%

The impact of this is that 100% of tranche 1 of the 2009 LTI Rights vested in November 2011.

Note 34. Parent entity disclosure

As at, and throughout the financial year ended 30 June 2012 the parent entity was Industrea Limited.

Parent Entity	2012 ($'000)	2011 ($'000)
Current assets	6,626	125
Non-current	393,996	224,226
Total assets	400,622	224,350
Current liabilities	82,314	(4,703)
Non-current liabilities	111,762	122,214
Total liabilities	194,076	117,511
Net assets	206,546	106,840
Issued Capital	209,812	203,966
Reserves and treasury shares	1,234	2,302
Accumulated losses	(4,500)*	(99,428)
Total shareholders' equity	206,546	106,840
Loss for the year	(11,051)	(13,246)
Total comprehensive income for the year	(12,676)	(12,664)

* During the year dividends were declared from subsidiaries up to the holding company and tax correctly reallocated to subsidiaries.

Parent entity guarantees in respect of its debts of its subsidiaries

The parent has entered into a Deed of Cross Guarantee with the effect that the company guarantees debts in respect of its subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed, are disclosed in Note 28.

Option Reserve

The option reserve records items recognised as expenses on valuation of employee share options and those arising from options relating to convertible bonds settled in financial year 2011.

Hedge Reserve

The hedge reserve records revaluations of items designated as hedges.

Note 35. 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.

Directors' Declaration

for the year ended 30 June 2012

The directors of the Company declare that:

1. The financial statements and notes are in accordance with the Corporations Act 2001 and:
   a) comply with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and
   b) give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the consolidated entity;
2. The financial statements also comply with International Reporting Standards as disclosed in note 1.
3. The directors have been given declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.
4. The remuneration disclosures contained in the Remuneration Report in the Directors' Report comply with section 300A of the Corporations Act 2001 ; and
5. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The company and a number of wholly-owned subsidiaries have entered into a deed of cross guarantee under which the company and those relevant subsidiaries guarantee the debts of each other. At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become subject to, by virtue of the deed.

This declaration is made in accordance with a resolution of the Board of Directors.

On behalf of the Board

Robin Levison

Managing Director & Chief Executive Officer

Dated this 24th day of September 2012

Independent Auditor's Report

for the year ended 30 June 2012

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Brisbane QLD 4000,
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Australia

INDEPENDENT AUDITOR'S REPORT

To the Members of Industrea Limited

Report on the Financial Report

We have audited the accompanying financial report of Industrea Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Independent Auditor's Report

for the year ended 30 June 2012

Opinion

In our opinion:

(a) the financial report of Industrea Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 38 to 50 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Industrea Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

BDO Audit Pty Ltd

BDO

C R JENKINS
Director

Brisbane, 24 September 2012

Additional information for listed public companies

The shareholder information set out below was applicable as at 1 September 2012

A. Distribution of Equity securities

[a] Analysis of numbers of equity security holders by size of holding.

	Holders	Units	% of Issued Capital
1 – 1,000	1,930	1,057,499	0.29
1,001 – 5,000	3,027	7,962,620	2.15
5,001 – 10,000	1,204	9,203,984	2.49
10,001 – 100,000	1,357	36,207,930	9.78
100,001 – and over	132	315,836,185	85.30
	7,650	370,268,218	100.00

[b] Unmarketable parcels

The number of unmarketable parcels of shares is 631.

B. Equity security holders

[a] 20 largest quoted shareholders

The names of the 20 largest holders of quoted securities are listed below:

	Ordinary Shares	
Name	Number held	Percentage of Issued Shares
JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	104,639,589	28.26
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	41,384,809	11.18
J P MORGAN NOMINEES AUSTRALIA LIMITED	33,181,763	8.96
NATIONAL NOMINEES LIMITED	24,478,316	6.61
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	13,354,040	3.61
MR JINPING ZHANG	8,000,000	2.16
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	5,544,265	1.50
CITICORP NOMINEES PTY LIMITED	5,351,458	1.45
BNP PARIBAS NOMS PTY LTD <BRED BQE POP/BB DRP>	5,217,261	1.41
MR DENNIS JOSEPH MCGILLICUDDY + MRS GRACIELA MCGILLICUDDY	5,088,885	1.37
IGNITION CAPITAL PTY LTD <THE IGNITION A/C>	4,368,389	1.18
UBS NOMINEES PTY LTD	4,234,210	1.14
WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED	3,936,508	1.06
MR BARRY SILVERSTEIN	3,573,885	0.97
EQUIPMENT COMPANY OF AUSTRALIA PTY LIMITED	3,023,490	0.82
QIC LIMITED	2,648,259	0.72
SHARE DIRECT NOMINEES PTY LTD <26885 ACCOUNT>	2,600,000	0.70
MR ROBERT GEORGE ANGEL <HAMILHAVEN P/L S/FUND A/C>	2,343,718	0.63
IGNITION CAPITAL PTY LTD <THE IGNITION A/C>	2,221,063	0.60
EQUIPMENT COMPANY OF AUSTRALIA PTY LIMITED	1,833,333	0.50
	277,023,241	74.82

Additional information for listed public companies

The shareholder information set out below was applicable as at 1 September 2012

[b] 20 largest quoted option holders

There are no listed options.

[c] Convertible Bond

There are no convertible bonds.

[d] Unquoted equity securities

There are no unquoted securities.

C. Substantial holders

The Substantial Shareholders in the company are set out below:

	Ordinary Shares	
Name	**Number held**	**Percentage of Issued Shares**
Deutsche Bank AG	34,076,206	9.20
Mitsubishi UFJ Financial Group Inc	18,619,399	5.03
Morgan Stanley & Co International Plc	18,619,399	5.03
Norges Bank	19,520,825	5.27
JP Morgan Chase & Co	18,851,212	5.09

D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

[a] Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote

[b] Options

No voting rights.

Corporate Directory

Directors

Hon David P Beddall (Chairman)

Robin Levison (Managing Director & CEO)

Lachlan S McIntosh (Non executive Director)

Anthony J McDonald (Non executive Director)

Timothy C Netscher (Non executive Director)

Secretary

Phillip A Hourigan

Executive Team

Robin Levison (Managing Director and CEO)

Dale McNamara (Deputy CEO)

Jeff Watson (Chief Financial Officer)

Phillip Hourigan (General Counsel/Company Secretary)

Tabatha Kattau (Chief Human Resources Officer)

Principal Registered office in Australia

Centenary Technology Park
532 Seventeen Mile Rocks Road
Sinnamon Park QLD 4073
Brisbane, Australia

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Fax: +61 7 3376 6702

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Share Registry

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Tel: 1300 552 270
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Fax: +61 7 3237 2152

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Auditor

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Brisbane QLD 4000 Australia

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227

Solicitors

Norton Rose

Grosvenor Place
255 George Street
Sydney NSW 2000 Australia

Tel: +61 2 9330 8000
Fax: +61 2 9330 8111

Banker

National Australia Bank

308-322 Queen Street
Brisbane QLD 4000 Australia

Tel: +61 7 3226 5400
Fax: +61 7 3234 5755

Listings

Industrea Limited shares are listed on the Australian Stock Exchange

ASX Code IDL

American Depositary Shares are listed on the International Prime QX Exchange of OTCQX

OTCQX Code IULTY

Industrea Corporate Head Office

Centenary Technology Park
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Subsidiary Offices

NSW

Industrea Mining Technology Pty Ltd

Industrea Mining Equipment Pty Ltd

Industrea Gas Management Pty Ltd

Industrea Wadam Pty Ltd

QLD

Emerald

Industrea Mining Equipment Pty Ltd

Mt Isa

Industrea Mining Services Pty Ltd

Sinnamon Park

Industrea Limited
Industrea Mining Technology Pty Ltd

China

Beijing

Industrea Wadam (Beijing) Mining Equipment Technical Services Co., Ltd.

Industrea Wadam Pty Ltd

Shijiazhuang

Industrea Wadam (Shijiazhuang) Mining Equipment Co., Ltd.

Chile

Santiago

Industrea Chile S.A.

South Africa

Johannesburg

Industrea South Africa (Pty) Ltd

industrea

www.industrea.com.au