Consolidated Statement of Comprehensive Income (Loss)

For the financial year ended 31 December 2010

	Note	2010 US$'000	2009 US$'000
Revenue	6	1,475,945	978,177
Cost of goods sold		(1,103,636)	(747,303)
Gross margin		372,309	230,874
Other income		4,183	4,365
General and administrative expenses		(186,723)	(143,329)
Selling and marketing expenses		(35,800)	(41,847)
Restructuring expenses and related impairments	10	(5,077)	(12,643)
Other expenses		(20,454)	(14,890)
Operating profit		128,438	22,530
Interest income	6	3,570	1,616
Finance costs	7	(8,733)	(46,752)
Profit (loss) before taxation		123,275	(22,606)
Income tax (expense) benefit	9	(38,762)	7,723
Profit (loss) for the year attributable to equity holders of the parent		84,513	(14,883)
Earnings (loss) per share:			
Basic earnings (loss) per share	26	18.5 cents	(6.1) cents
Diluted earnings (loss) per share		18.4 cents	(6.1) cents

Other comprehensive income (loss)	2010 US$'000	2009 US$'000
Profit (loss) for the year attributable to equity holders of the parent	84,513	(14,883)
Gains (losses) on cash flow hedges recorded in equity	(190)	(2,007)
Transfer to profit or loss on cash flow hedges	741	12,976
Interest rate swap expense - ineffective hedge	-	15,242
	551	26,211
Exchange differences on translation of foreign operations	58,791	121,179
Actuarial losses related to defined benefit plans	(14,558)	(3,113)
Income tax on income and expense recognised directly through equity	4,224	(9,805)
Other comprehensive income for the year (net of tax)	49,008	134,472
Total comprehensive income for the year attributed to equity holders of the parent	133,521	119,589

Consolidated Statement of Financial Position

	Note	2010 US$'000	2009 US$'000
Current assets			
Cash and cash equivalents	31a	94,944	87,557
Trade and other receivables	12	276,836	198,598
Inventories	13	283,115	159,460
Current tax receivable	9	21,705	21,215
Prepaid expenses and other assets		17,965	15,393
Total current assets		694,565	482,223
Non-current assets			
Property, plant and equipment	15	439,446	380,515
Goodwill	16	297,408	276,956
Other intangible assets	17	106,295	84,287
Deferred tax assets	9	147,322	122,100
Other assets		1,918	1,799
Defined benefit plan asset	21	20,335	17,958
Total non-current assets		1,012,724	883,615
Total assets		1,707,289	1,365,838
Current liabilities			
Trade and other payables	18	260,038	170,118
Provisions	20	18,398	13,973
Other financial liabilities	14	7,272	11,835
Current tax payable	9	46,338	41,221
Loans and borrowings	19	979	3,133
Total current liabilities		333,025	240,280
Non-current liabilities			
Loans and borrowings	19	247,490	132,486
Other financial liabilities	14	-	4,822
Deferred tax liabilities	9	11,468	5,323
Provisions	20	55,337	44,890
Total non-current liabilities		314,295	187,521
Total liabilities		647,320	427,801
Net assets		**1,059,969**	**938,037**
Equity			
Issued capital	22	1,132,051	1,136,347
Reserves	23	84,577	23,038
Other equity		(137,182)	(137,182)
Accumulated losses	24	(19,477)	(84,166)
Total equity		**1,059,969**	**938,037**

Consolidated Statement of Changes in Equity

	Issued Capital US$'000	Foreign Currency Translation Reserve US$'000	Equity Settled Compensation Reserve US$'000	Hedging Reserve US$'000	Other Equity US$'000	Accumulated Losses US$'000	Total Attributible to Owners of the Parent US$'000
Balance at 1 January 2009	478,036	(103,549)	2,592	(17,362)	(141,539)	(65,830)	152,348
Loss for the period	-	-	-	-	-	(14,883)	(14,883)
Other comprehensive income for the period	-	121,179	-	16,746	-	(3,453)	134,472
Issued under Capital Raising Program	662,297	-	-	-	-	-	662,297
Purchase of shares for LTIP	(3,986)	-	-	-	-	-	(3,986)
Share-based compensation expense	-	-	3,432	-	-	-	3,432
Capitalised transaction costs - GST refund *	-	-	-	-	4,357	-	4,357
Balance at 31 December 2009	**1,136,347**	**17,630**	**6,024**	**(616)**	**(137,182)**	**(84,166)**	**938,037**
Balance at 1 January 2010	1,136,347	17,630	6,024	(616)	(137,182)	(84,166)	938,037
Profit for the period	-	-	-	-	-	84,513	84,513
Other comprehensive income for the period	-	58,791	-	357	-	(10,140)	49,008
Payment of dividends	-	-	-	-	-	(9,684)	(9,684)
Vesting of LTIP rights, restricted shares	1,472	-	(1,472)	-	-	-	-
Purchase of shares for LTIP	(5,768)	-		-	-	-	(5,768)
Share-based compensation expense	-	-	3,863	-	-	-	3,863
Balance at 31 December 2010	**1,132,051**	**76,421**	**8,415**	**(259)**	**(137,182)**	**(19,477)**	**1,059,969**

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

	Note	2010 US$'000	2009 US$'000
Cash flows from operating activities			
Profit (loss) for the year		84,513	(14,883)
Adjustments provided by operating activities:			
Income tax expense (benefit) recognised in profit		38,762	(7,723)
Finance costs recognised in profit	**7**	8,733	46,752
Depreciation and amortisation	**8**	93,350	88,507
Investment revenue recognised in profit	**6**	(3,570)	(1,616)
Loss on sale or disposal of non-current assets	**8**	1,827	49
Loss on disposal of businesses	**8**	-	4,130
Impairment of current and non-current assets		1,695	1,318
Foreign exchange gain (loss)		916	(1,712)
Share-based compensation	**23**	3,863	3,432
Long term compensation - cash rights		1,954	690
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:			
(Increase) decrease in assets:			
Trade and other receivables		(66,726)	58,163
Inventories		(110,739)	56,114
Other assets		(1,784)	608
Increase (decrease) in liabilities:			
Trade and other payables		59,652	(35,882)
Provisions		132	(16,233)
Cash generated from operations		112,578	181,714
Interest paid		(17,143)	(28,396)
Interest received	**6**	3,570	1,616
Income taxes paid		(47,227)	(37,781)
Net cash flows from operating activities		**51,778**	**117,153**

	Note	2010 US$'000	2009 US$'000
Cash flows from investing activities			
Purchase of property, plant and equipment		(112,659)	(30,850)
Purchase of rods and casings		(6,234)	(5,979)
Proceeds from sale of property, plant and equipment		5,801	6,350
Development costs paid		(2,561)	(5,064)
Software costs paid		(18,771)	(10,294)
Payments for acquisitions of businesses	31b	-	(403)
Proceeds on disposal of subsidiary, net of cash disposed	31c	-	5,126
Payments for investments		-	-
Net cash flows used in investing activities		**(134,424)**	**(41,114)**
Cash flows from financing activities			
Proceeds from issuance of shares		-	697,702
Payments for share issuance costs		-	(49,549)
Payments for share buy-back for LTIP		(5,768)	(3,986)
Payments for debt issuance costs		(610)	(503)
Proceeds from borrowings		247,500	29,229
Repayment of borrowings		(134,558)	(710,861)
Dividends paid	25	(9,684)	-
GST refund on capitalized IPO costs		-	4,357
Net cash flows (used in) from financing activities		**96,880**	**(33,611)**
Net increase in cash and cash equivalents		**14,234**	**42,428**
Cash and cash equivalents at the beginning of the year		**87,557**	**50,603**
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(6,847)**	**(5,474)**
Cash and cash equivalents at the end of the year	31a	**94,944**	**87,557**

1. GENERAL INFORMATION

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

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

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

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

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

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

<u>Amendments to Australian Accounting Standards arising from the Annual Improvement Process</u>
AASB 2009-4 'Amendments to Australian Accounting Standards arising from the Annual Improvement Process' introduced amendments into Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are technical changes to other pronouncements as the result of AASB 3 'Business Combinations' (2008), to align the scope of the pronouncements or to implement other consequential amendments. The adoption of this amendment did not have a significant impact on the Company's financial results or statement of financial position.

AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process' introduced amendments into Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are largely technical, clarifying particular items, or eliminating unintended consequences. Other changes are more substantial, such as the amendment of AASB 8 'Operating Segments,' which now requires the disclosure of total assets by reportable segment only if such amount is regularly provided to the chief operating decision maker. As a result of this amendment, the Company revised Note 5 Segment Reporting to eliminate the disclosure of total assets by reportable segment.

<u>Group cash-settled share-based payments</u>
AASB 2009-8 'Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions' amends AASB 2 'Share-based Payment' to clarify the accounting for group cash-settled share-based payment transactions. An entity receiving goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The adoption of this amendment did not have a significant impact on the Company's financial results or statement of financial position.

Standards and Interpretations issued not yet effective

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

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

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

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

These amendments will be adopted for the year ending 31 December, 2013. Management has not yet assessed the impact of adoption of these amendments.

Related party disclosures
AASB 2009-12 'Amendments to Australian Accounting Standards – Related Party Disclosures' amends the requirements of the previous version of AASB 124 ' Related Party Disclosures' to clarify the definition of a related party and includes an explicit requirement to disclose commitments involving related parties. These amendments will be adopted for the year ending 31 December 2011. Management does not believe that the adoption of these amendments will have a significant impact on the Company's financial results or statement of financial position.

Prepayments of a Minimum Funding Requirement
AASB 2009-14 'Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement' makes limited-application amendments to Interpretation 14 'AASB 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.' The amendments apply when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements, permitting the benefit of such an early payment to be recognised as an asset. These amendments will be adopted for the year ending 31 December 2011. Management has not yet assessed the impact of adoption of these amendments.

Additional amendments of Australian Accounting Standards have been issued, the adoption of which management does not believe will have a significant impact on the Company's financial results or statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

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

The financial report is presented in United States dollars which is Boart Longyear Limited's functional and presentation currency. The financial statements were authorised for issue by the directors on 23 February 2011.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation

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

At the Company's annual general meeting on 11 May 2010, shareholders approved a 10 for 1 share consolidation. Trading in the consolidated shares commenced 13 May 2010. The Company's earnings (loss) per share information, as well as the number of shares and rights under the LTIP and restricted shares have been restated in this report using the consolidated share amounts.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the respective periods in which they are revised if only those periods are affected, or in the respective periods of the revisions as well as future periods if the revision affects both current and future periods.

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

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

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

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

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

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

The significant accounting policies set out below have been applied in the preparation and presentation of the financial report for the year ended 31 December 2010 and the comparative information.

(a) Presentation currency

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) **Cash and cash equivalents**

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

(c) **Trade and other receivables**

Trade receivables are recorded at amortised cost. The Company reviews collectability of trade receivables on an ongoing basis and provides allowances for credit losses when there is evidence that trade receivables are not collectible. These losses are recognised in the income statement within operating expenses. When a trade receivable is determined to be uncollectible, it is written off against the allowance account for doubtful debts. Subsequent recoveries of amounts previously written off are recorded in other income in profit or loss.

(d) **Inventories**

Products

Inventories are measured at the lower of cost or net realisable value. The cost of inventories is based on a standard cost method, which approximates actual cost on a first-in first-out basis, and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads (including depreciation) based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Drilling Services

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

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

(e) **Property, plant and equipment**

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

Subsequent costs related to previously capitalised assets are capitalised only when it is probable that they will result in commensurate future economic benefit and the costs can be reliably measured. All other costs, including repairs and maintenance, are recognised in profit or loss as expenses as incurred.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment (continued)

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

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

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

(f) Goodwill and other intangible assets

Goodwill

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

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

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

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

Trademarks and trade names

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Goodwill and other intangible assets (continued)

Contractual customer relationships

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

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

Patents

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

Research and development costs

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

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development costs are expensed when incurred.

Capitalised development costs are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the estimated useful lives, which on average is 15 years.

Subsequent costs related to previously capitalised assets are capitalised only when it is probable that they will result in commensurate future economic benefit and the costs can be reliably measured. All other expenditures, including expenditures on internally generated goodwill and brands, are expensed as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leased assets

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

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

Finance lease payments are apportioned between finance charges and reductions of the lease obligations so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are expensed, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs. Refer to Note 3(n).

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

Operating lease payments are recognised as expenses on a straight-line basis over the lease terms, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Contingent rentals are expensed as incurred.

Lease incentives

In the event that lease incentives are received at the inception of operating leases, such incentives are recognised as liabilities. The aggregate benefits of incentives are recognised as reductions of rental expense on a straight-line basis over the lease terms, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

(h) Current and deferred taxation

Income tax expense includes current and deferred tax expense (benefit). Income tax expense (benefit) is recognised in profit or loss except to the extent that amounts relate to items recognised directly in equity, in which case the income tax expense (benefit) is also recognised in equity, or amounts that relate to a business combination, in which case the income tax expense (benefit) is recognised in goodwill.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, in respect of all temporary differences for which transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred but have not reversed at the balance sheet date. Temporary differences are differences between the Company's taxable income and its profit before taxation, as reflected in profit or loss, that arise from the inclusion of profits and losses in tax assessments in periods different from those in which they are recognised in profit or loss.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Current and deferred taxation (continued)

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised concurrently with the liability to pay the related dividend.

Tax consolidation

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

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

(i) Derivative financial instruments

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

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

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

The fair values of hedging derivatives are classified as non-current assets/liabilities if the remaining maturities of the hedge relationships are more than 12 months and as current assets/liabilities if the remaining maturities of the hedge relationships are less than 12 months.

Derivatives not designated into an effective hedge relationship are classified as current assets/liabilities regardless of their remaining maturities.

Hedge accounting

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Derivative financial instruments (continued)

Fair value hedge

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

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

Cash flow hedge

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

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

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

Embedded derivatives

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

(j) Impairment

Non-financial assets

The Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the respective asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, a recoverable amount is estimated at each reporting date.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment (continued)

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

Financial assets

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss is not recognised directly for trade receivables because the carrying amount is reduced through the use of an allowance account.

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

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

(k) Trade and other payables

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

(l) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Warranties

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

Restructuring

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

Onerous contracts

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Employee benefits

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

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

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

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

Provisions are recognised for amounts expected to be paid under short-term cash bonus or profit-sharing plans if the Company has present legal or constructive obligations to pay these amounts as a result of past service provided by employees and the obligations can be reliably estimated.

Defined contribution pension plans and post-retirement benefits

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

Defined benefit pension plans

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Employee benefits (continued)

Share-based payment transactions

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

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

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

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

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

Earn-out and bonus agreements

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

(n) Loans and borrowings

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

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

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Financial instruments

Debt and equity instruments

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

Financial guarantee contract liabilities

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

Financial assets

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

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

Loans and receivables

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in Note 14.

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

(p) Transaction costs on the issue of equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Revenue recognition

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts, volume rebates and sales tax. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

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

Revenue from services rendered is recognised in the statement of comprehensive income (loss) in proportion to the stage of completion of the transaction at the reporting date. The stage of completion of the contract is determined as follows:

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

(r) Foreign currency

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

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

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

(s) Contingencies

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

(t) Business combinations

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

Where applicable, consideration for acquisitions includes assets or liabilities resulting from contingent consideration arrangements, measured at acquisition-date fair value. Subsequent changes in such fair values are adjusted against the costs of the acquisitions where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair values of contingent consideration classified as assets or liabilities are recognised in the statement of comprehensive income (loss) as incurred. Changes in the fair values of contingent consideration classified as equity are not recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Business combinations (continued)

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

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

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

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

(u) Goods and services tax

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

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

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

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

4. PARENT ENTITY DISCLOSURES

Financial position

	2010 US$'000	2009 US$'000
Assets		
Current assets	731,168	661,868
Non-current assets	2,237,753	2,244,039
Total assets	2,968,921	2,905,907
Liabilities		
Current liabilities	38,419	1,041
Non-current liabilities	2,646	690
Total liabilities	41,065	1,731
Equity		
Issued capital	2,886,462	2,890,807
Reserves	8,415	6,024
Retained earnings	32,979	7,345
Total equity	2,927,856	2,904,176

Financial performance

	2010 US$'000	2009 US$'000
Profit for the year	35,318	6,853
Other comprehensive income	-	-
Total comprehensive income	35,318	6,853

Guarantees entered into by the parent entity in relation to debs of its subsidiaries

As of 31 December 2010 and 2009 Boart Longyear Limited has not entered into any deed of cross guarantee with any of its wholly-owned subsidiaries, other than as described in Note 28.

Contingent liabilities

As of 31 December 2010 and 2009 Boart Longyear Limited did not have any contingent liabilities.

Contractual obligations

As of 31 December 2010 and 2009 Boart Longyear Limited did not have any contractual obligations.

5. SEGMENT REPORTING

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

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

Segment revenues and results

	Segment revenue		Segment profit	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Global Drilling Services	1,080,460	737,180	117,876	72,383
Global Products	395,485	240,997	85,034	16,232
	1,475,945	978,177	202,910	88,615
Unallocated [1]			(74,472)	(66,085)
Finance costs			(8,733)	(46,752)
Interest income			3,570	1,616
Profit (loss) before taxation			123,275	(22,606)

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

Other segment information

	Depreciation and amortisation of segment assets		Additions to non-current assets [2]	
	31 Dec 2010 US$'000	31 Dec 2009 US$'000	31 Dec 2010 US$'000	31 Dec 2009 US$'000
Global Drilling Services	73,591	69,450	115,712	38,145
Global Products	10,374	10,204	21,161	10,031
Total of all segments	83,965	79,654	136,873	48,176
Unallocated [1]	9,385	8,853	25,191	7,922
Total	93,350	88,507	162,064	56,098

(1) Unallocated additions to non-current assets relate to the acquisition of general corporate assets such as software.
(2) Non-current assets exclude deferred tax assets, post-employment assets and other financial assets.

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

5. SEGMENT REPORTING (CONTINUED)

Geographic Information

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

	Revenue from external customers		Non-current assets [1]	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
North America	621,092	463,085	347,222	311,259
Asia Pacific	403,230	275,856	340,023	307,577
Latin America	186,177	112,080	89,008	74,028
Africa	192,920	82,156	55,169	39,677
Europe	72,526	45,000	13,645	11,016
Total	1,475,945	978,177	845,067	743,557

(1) Non-current assets excluding deferred tax assets, post-employment assets and other financial assets.

6. REVENUE

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

	2010 US$'000	2009 US$'000
Revenue from the rendering of services	1,080,460	737,180
Revenue from the sale of goods	395,485	240,997
	1,475,945	978,177
Interest income:		
Bank deposits	3,306	1,314
Other loans and receivables	151	113
Other	113	189
	3,570	1,616
Total	1,479,515	979,793

7. FINANCE COSTS

	2010 US$'000	2009 US$'000
Interest on loans and bank overdrafts	4,370	11,752
Interest rate swap expense	3,730	15,556
Amortisation of debt issuance costs	420	2,352
Interest on obligations under finance leases	213	430
	8,733	30,090
Finance costs due to debt repayment		
Interest rate swap expense	-	15,242
Bank refinancing fee	-	1,050
Write-off of debt issuance costs	-	370
	-	16,662
Loss arising on derivatives in a designated fair value hedge accounting relationship	-	694
Gain arising on adjustment to hedged item in a designated fair value hedge accounting relationship	-	(694)
	-	-
Total finance costs	8,733	46,752

8. PROFIT FOR THE YEAR

(a) Gains and losses

Profit for the year includes the following gains and (losses):

	2010 US$'000	2009 US$'000
Loss on disposal of property, plant and equipment	(1,827)	(49)
Loss on disposal of businesses	-	(4,130)
Net foreign exchange losses	(7,159)	(2,512)
Change in fair value of financial assets carried at fair value through profit or loss	(1,076)	1,389
Impairment of non-current assets	(1,695)	(1,318)

8. PROFIT FOR THE YEAR (CONTINUED)

(b) Income and expenses relating to financial instruments

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

	2010 US$'000	2009 US$'000
Loans and receivables:		
Interest income	3,457	1,427
Reversal of allowance for doubtful accounts	1,002	91
	4,459	1,518
Financial liabilities at amortised cost:		
Interest expense	(4,370)	(11,752)
Interest rate swap expense	(3,730)	(15,556)
Amortisation of debt issuance costs	(420)	(2,352)
Finance costs due to debt repayment	-	(16,662)
Exchange loss	(19)	(74)
Interest on obligations under finance leases	(213)	(430)
	(8,752)	(46,826)

(c) Employee benefits expenses:

	2010 US$'000	2009 US$'000
Salaries and Wages	(423,098)	(294,343)
Post employment benefits:		
Defined contribution plans	(15,049)	(12,025)
Defined benefit plans	(1,666)	(632)
Long-term incentive plans:		
Equity-settled share-based payments	(3,863)	(3,432)
Cash rights compensation	(1,954)	(690)
Termination benefits (non-restructuring)	(493)	(416)
Termination benefits (restructuring)	(2,297)	(8,234)
Other employee benefits [1]	(75,392)	(52,666)
	(523,812)	(372,438)

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

8. PROFIT FOR THE YEAR (CONTINUED)

(d) Other:

	2010 US$'000	2009 US$'000
Depreciation of non-current assets	(84,222)	(79,865)
Amortisation of non-current assets	(9,128)	(8,642)
Operating lease rental expense	(35,910)	(34,440)
Impairment of inventory	(611)	(563)
Recovery of inventory previously imparied	-	1,706

9. INCOME TAXES

Income tax expense (benefit) is as follows:

	2010 US$'000	2009 US$'000
Income tax expense (benefit):		
Current tax expense	51,601	35,264
Adjustments recognised in the current year in relation to the current tax of prior years	2,402	1,762
Deferred tax benefit	(15,241)	(44,749)
	38,762	(7,723)

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

	2010 US$'000	2009 US$'000
Profit (loss) before taxation	123,275	(22,606)
Income tax (benefit) expense calculated at Australian rate of 30%	36,982	(6,782)
Impact of higher rate tax countries	2,701	(7,796)
Impact of lower rate tax countries	(6,334)	(1,487)
Net nondeductible/nonassessable items	(1,108)	(6,560)
Unrecognised tax losses	1,231	1,148
Income subject to double taxation in the U.S.	(1,653)	2,607
Unutilised foreign tax credits	6,634	4,978
Recognition of deferred tax assets arising in prior years	(132)	(638)
Deduction of foreign taxes	(1,005)	(1,304)
Other	(957)	6,349
	36,359	(9,485)
Under provision	2,403	1,762
	38,762	(7,723)

9. INCOME TAXES (CONTINUED)

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

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

	2010 US$'000	2009 US$'000
Deferred tax:		
Actuarial movements on defined benefit plans	4,418	(340)
Share issue costs	-	12,437
Cash flow hedges	(194)	(9,465)
	4,224	2,632

(c) Current tax assets and liabilities

	2010 US$'000	2009 US$'000
Current tax assets:		
Income tax receivable attributable to:		
Parent	23,164	19,060
Other entities in the tax consolidated group	(15,373)	(8,042)
Other entities	13,914	10,197
	21,705	21,215
Current tax liabilities:		
Income tax payable attributable to:		
Parent	-	-
Other entities in the tax consolidated group	-	-
Other entities	46,338	41,221
	46,338	41,221

(d) Deferred tax balances

	2010 US$'000	2009 US$'000
Deferred tax comprises:		
Temporary differences	87,483	72,147
Tax losses	48,371	44,630
	135,854	116,777

9. INCOME TAXES (CONTINUED)

2010	Opening balance US$'000	Credited to income US$'000	FX Differences US$'000	Acquired/ disposed US$'000	Adj. to PY acquisitions US$'000	Credited to equity US$'000	Closing balance US$'000
Deferred tax assets (liabilities)							
Property, plant and equipment	(14,067)	5,276	(51)	-	-	-	(8,842)
Provisions	4,549	(2,097)	(23)	-	-	-	2,429
Doubtful debts	630	(224)	(3)	-	-	-	403
Intangibles	(9,302)	(351)	48	-	-	-	(9,605)
Acquisitions and restructuring costs	7,463	(4,249)	(38)	-	-	-	3,176
Share-issue expenses	17,678	(6,496)	-	-	-	-	11,182
Accrued liabilities	9,470	(7,346)	(49)	-	-	-	2,075
Pension	5,146	(522)	(27)	-	-	4,418	9,015
Debt and interest	8,816	4,782	(75)	-	-	-	13,523
Hedge loss	6,323	(3,355)	-	-	-	(194)	2,774
Unearned revenues	23,488	(4,275)	(123)	-	-	-	19,090
Inventory	6,782	7,127	(35)	-	-	-	13,874
Investments in subsidiaries	(597)	(903)	-	-	-	-	(1,500)
Foreign tax credit carryforward	6,723	1,479	-	-	-	-	8,202
Unrealised foreign exchange	(3,519)	19,424	-	-	-	-	15,905
Other	2,564	3,229	(11)	-	-	-	5,782
	72,147	11,499	(387)	-	-	4,224	87,483
Unused tax losses and credits:							
Tax losses	44,630	3,741	-	-	-	-	48,371
	116,777	15,240	(387)	-	-	4,224	135,854

Presented in the statement of financial position as follows:

Deferred tax liability	(11,468)
Deferred tax asset	147,322
	135,854

9. INCOME TAXES (CONTINUED)

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

Presented in the statement of financial position as follows:	
Deferred tax liability	(5,323)
Deferred tax asset	122,100
	116,777

Unrecognised deferred tax assets	2010 US$'000	2009 US$'000
Tax losses - revenue	3,151	2,789
Unused tax credits	61,829	48,951
	64,980	51,740

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

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

10. RESTRUCTURING

The Company initiated a restructuring plan in 2010 to reduce or eliminate certain operations. These activities include:

- reduction of drilling services staff levels in certain locations;
- exiting unprofitable contracts
- discontinuing certain retail drilling supply sales operations

In 2008 the Company initiated a restructuring and cost reduction plan for related activities that continued through 2009 and 2010. These activities include:

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

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

	2010 US$'000	2009 US$'000
Employee separation costs	2,297	8,234
Contract termination costs	1,570	-
Occupancy	424	3,436
Impairment of inventory	611	563
Impairment of property, plant and equipment	67	1,318
Recovery of inventory previously impaired	-	(1,706)
Other	108	798
	5,077	12,643

Restructuring expenses relate to the following expense categories:

	2010 US$'000	2009 US$'000
Cost of goods sold	290	3,541
General and administrative expenses	3,186	5,162
Selling and marketing expenses	1,601	3,940
	5,077	12,643

11. RECLASSIFICATION

For 2010, the Company performed a review of selling and marketing expenses and general and administrative expenses and determined that certain costs would be more appropriately classified as general and administrative expenses or costs of goods sold. As a result, the accounts were reclassified. In order to present comparable financial results, the related accounts for the year ended 31 December 2009 have been reclassified as follows:

	2009 Selling and marketing US$'000	2009 Cost of goods sold US$'000	2009 General and administrative US$'000
Amounts originally reported	(70,549)	(744,670)	(117,260)
Reclassification	28,702	(2,633)	(26,069)
Restated amounts	(41,847)	(747,303)	(143,329)

Additionally, certain other amounts have been reclassified in the 2009 statement of financial position and consolidated statement of cash flows to conform to 2010 presentation.

12. TRADE AND OTHER RECEIVABLES

	2010 US$'000	2009 US$'000
Trade receivables	245,842	177,442
Allowance for doubtful accounts	(3,619)	(5,940)
Goods and services tax receivable	23,978	14,901
Other receivables	10,635	12,195
	276,836	198,598

The ageing of trade receivables is detailed below:

	2010 US$'000	2009 US$'000
Current	172,930	128,700
Past due 0 - 30 days	43,050	32,235
Past due 31 - 60 days	13,710	6,771
Past due 61-90 days	6,302	3,086
Past due 90 days	9,850	6,650
	245,842	177,442

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2010 US$'000	2009 US$'000
Opening Balance	5,940	8,100
Additional provisions	2,651	4,989
Amounts used	(1,271)	(2,664)
Amounts reversed	(3,653)	(5,080)
Foreign currency exchange differences	(48)	595
Closing balance	3,619	5,940

The average credit period on sales of goods is 54 days (2009: 60 days). No interest is presently charged on trade receivables.

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

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

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

13. INVENTORIES

	2010 US$'000	2009 US$'000
Raw materials	31,631	16,327
Work in progress	3,437	5,194
Finished products	248,047	137,939
	283,115	159,460

14. FINANCIAL INSTRUMENTS

Capital risk management

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

The capital structure of the Company consists of debt, which includes the borrowings disclosed in Note 19, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves, and accumulated losses as disclosed in Notes 22, 23, and 24 respectively.

Significant accounting policies

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

14. FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments

Financial Assets	**2010 US$'000**	**2009 US$'000**
Current		
Cash and cash equivalents	94,944	87,557
Trade and other receivables	276,836	198,598
Other financial assets	362	1,818
	372,142	287,973

Financial Liabilities	**2010 US$'000**	**2009 US$'000**
Current		
Amortised cost:		
Trade and other payables	260,038	170,118
Restructuring Provisions	4,462	2,256
Loans and borrowings	979	3,133
	265,479	175,507
Other financial liabilities - Derivative instruments	7,272	11,835
Non-current		
Amortised cost:		
Loans and borrowings	247,490	132,486
	247,490	132,486
Other financial liabilities - Derivative instruments	-	4,822

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

Financial risk management objectives

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

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

Market risk

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

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

14. FINANCIAL INSTRUMENTS (CONTINUED)

Foreign currency risk management

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

The most significant carrying amounts of monetary assets and monetary liabilities that: (1) are denominated in currencies other than the functional currency of the respective Company subsidiary; (2) cause foreign exchange rate exposure; and (3) may include intercompany balances with other subsidiaries, at the reporting dates is as follows:

	Assets		Liabilities	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Australian Dollar	421,867	429,090	12,094	77,391
Canadian Dollar	10,629	79,700	62,556	42,631
Euro	5,715	35,944	18,915	118,378
US Dollar	296,142	346,502	397,356	368,349

Foreign currency sensitivity

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

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

14. FINANCIAL INSTRUMENTS (CONTINUED)

	AUD Impact		CAD Impact	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Net profit	384	(24)	(2,505)	6,165
Net assets	(37,252)	(31,973)	4,721	(3,370)
Change in currency	10%	10%	10%	10%

	EUR Impact		USD Impact	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Net profit	(1,204)	97	12,520	15,737
Net assets	1,204	7,494	9,201	1,986
Change in currency	10%	10%	10%	10%

The Company's sensitivity to certain foreign currency denominated loans has decreased during the current period mainly due to the retirement of these instruments and due to current hedging activity.

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

Forward foreign exchange contracts

There were no open forward foreign currency contracts as of 31 December 2010 or 2009.

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

Interest rate risk management

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

Interest rate sensitivity

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

14. FINANCIAL INSTRUMENTS (CONTINUED)

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

- profit before tax would increase/decrease by $854,000 (2009: decrease/increase by $2,774,000). $2,362,000 of the increase/decrease is attributable to the Company's exposure to interest rates on its variable rate borrowings. An offsetting $1,508,000 is attributable to the fair value change in the ineffective portion of the Company's interest rate swap contract.
- In addition, other equity reserves would increase/decrease by $95,000 (2009: increase/decrease by $247,000) mainly as a result of the Company's exposure to interest rates on its interest rate swap contracts that are in a cash flow hedge relationship.

Interest rate swap contracts

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

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

Outstanding floating for fixed contracts	Average contracted fixed interest rate 2010 %	Average contracted fixed interest rate 2009 %	Notional principal amount 2010 US$'000	Notional principal amount 2009 US$'000	Fair value 2010 US$'000	Fair value 2009 US$'000
1 year	5.1825%	5.1825%	200,000	275,000	(7,272)	(16,657)

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

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

Credit risk management

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

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The Company holds security for a number of trade receivables in the form of letters of credit, deposits, and advanced payments.

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

14. FINANCIAL INSTRUMENTS (CONTINUED)

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

	Maximum credit risk	
	2010	2009
Financial assets and other credit exposures	**US$'000**	**US$'000**
Performance guarantees provided, including letters of credit	20,350	28,557

Liquidity risk management

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

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 19 is a listing of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

14. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity and interest risk tables

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

	Weighted average effective interest rate %	Less than 1 month US$'000	1 to 3 months US$'000	3 months to 1 year US$'000	1 - 5 years US$'000	5+ years US$'000	Adjust-ment US$'000	Total US$'000
2010								
Non-interest bearing payables	-	133,308	126,730	-	-	-	-	260,038
Restructuring provision	-	372	743	3,347	-	-	-	4,462
Finance lease liability	8.9%	115	230	1,032	320	-	(184)	1,513
Variable interest rate instruments	1.0%	199	398	1,790	248,651	-	(3,038)	248,000
		133,994	128,101	6,169	248,971	-	(3,222)	514,013
2009								
Non-interest bearing payables	-	109,326	60,792	-	-	-	-	170,118
Restructuring provision	-	188	376	1,692	-	-	-	2,256
Finance lease liability	8.4%	274	548	2,464	570	-	(381)	3,475
Variable interest rate instruments	1.3%	146	293	1,317	134,240	-	(3,996)	132,000
Fixed interest rate instruments	3.1%	1,000	-	-	-	-	-	1,000
		110,934	62,009	5,473	134,810	-	(4,377)	308,849

14. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity and interest risk tables (continued)

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

	Less than 1 month US$'000	1 to 3 months US$'000	3 months to 1 year US$'000	1 - 5 years US$'000	5+ years US$'000	Total US$'000
2010						
Non-interest bearing receivables	135,550	108,440	32,846	-	-	276,836
Cash	94,944	-	-	-	-	94,944
	230,494	108,440	32,846	-	-	371,780
2009						
Non-interest bearing receivables	86,348	86,348	25,902	-	-	198,598
Cash	87,557	-	-	-	-	87,557
	173,905	86,348	25,902	-	-	286,155

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

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

	Less than 1 month US$'000	1 to 3 months US$'000	3 months to 1 year US$'000	1 - 5 years US$'000	5+ years US$'000	Total US$'000
2010						
Interest rate swaps	-	(2,469)	(4,803)	-	-	(7,272)
2009						
Interest rate swaps	-	(3,418)	(8,417)	(4,822)	-	(16,657)

14. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of financial instruments

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

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

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

Fair value measurements recognised in the statement of financial position

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

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

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
2010				
Financial liabilities at fair value				
Derivative instruments	-	7,272	-	7,272
2009				
Financial assets at fair value				
Held for trading	1,494	-	-	1,494
Financial liabilities at fair value				
Derivative instruments	-	16,657	-	16,657

15. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings US$'000	Plant and Equipment US$'000	Total US$'000
Balance at 1 January 2009	47,092	502,158	549,250
Additions	12	34,243	34,255
Adjustments to business combinations accounted for on a provisional basis in 2008	-	(6,554)	(6,554)
Disposal of assets	(9,363)	(19,093)	(28,456)
Transfer from intangible assets		655	655
Currency movements	3,431	80,709	84,140
Balance at 1 January 2010	41,172	592,118	633,290
Additions	2,964	133,566	136,530
Disposal of assets	(62)	(41,915)	(41,977)
Transfer from intangible assets	-	802	802
Currency movements	1,118	34,709	35,827
Balance at 31 December 2010	45,192	719,280	764,472
Accumulated depreciation and impairment:			
Balance at 1 January 2009	(4,556)	(141,001)	(145,557)
Depreciation for the year	(1,622)	(78,243)	(79,865)
Impairment of non-current assets	-	(1,318)	(1,318)
Disposal of assets	1,377	15,226	16,603
Currency movements	(1,803)	(40,835)	(42,638)
Balance at 1 January 2010	(6,604)	(246,171)	(252,775)
Depreciation for the year	(1,860)	(82,362)	(84,222)
Impairment of non-current assets	-	(867)	(867)
Disposal of assets	38	34,311	34,349
Currency movements	(675)	(20,836)	(21,511)
Balance at 31 December 2010	(9,101)	(315,925)	(325,026)
Net book value at 31 December 2009	**34,568**	**345,947**	**380,515**
Net book value at 31 December 2010	**36,091**	**403,355**	**439,446**

Tangible property, plant and equipment includes machinery equipment, office equipment, furniture and fixtures, and vehicles, which are substantially freehold. The net book value of property, plant and equipment at 31 December 2010 and 2009 includes an amount of $2,740,000 and $3,424,000 respectively, related to assets held under finance leases.

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

16. GOODWILL

	US$'000
Gross carrying amount:	
Balance at 1 January 2009	234,571
Adjustments to business combinations accounted for on a provisional basis in 2008	7,947
Currency movements	34,438
Balance at 31 December 2009	276,956
Balance at 1 January 2010	276,956
Currency movements	20,452
Balance at 31 December 2010	297,408

Allocation of goodwill to cash-generating units

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

	2010 US$'000	2009 US$'000
Asia Pacific	155,731	136,943
Latin America	34,602	33,884
North America	107,075	106,129
	297,408	276,956

The carrying amount of goodwill is tested for impairment annually at 31 October and whenever there is an indicator that the asset may be impaired. If an asset is impaired, it is written down to its recoverable amount.

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

- a global discount rate of 11.5% adjusted on a case by case basis for regional variations in the required equity rate of return based on independent data (the adjusted rates ranged from 9.2% to 19.8%)
- expected future profits and future annual growth rates consistent with internal forecasts and expected performance of the specific business line being tested for impairment over the cycle. The growth rates do not exceed forecasts for the long term industry averages.

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

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

Based on the impairment testing performed, the recoverable amount from each cash generating unit exceeded the goodwill carrying amount. Consequently, no impairments were recorded in 2010.

17. OTHER INTANGIBLE ASSETS

	Trademarks US$'000	Patents US$'000	Customer relationships US$'000	Software US$'000	Develop-ment assets US$'000	Total US$'000
Gross carrying amount:						
Balance at 1 January 2009	3,258	1,090	51,973	15,890	9,709	81,920
Adjustments to business combinations accounted for on a provisional basis in 2008	-	-	(990)	-	-	(990)
Additions	505	607	-	7,065	5,719	13,896
Disposals	-	-	-	-	(363)	(363)
Transfer to PP&E	-	-	-	-	(655)	(655)
Currency movements	-	-	6,745	-	2,459	9,204
Balance at 31 December 2009	3,763	1,697	57,728	22,955	16,869	103,012
Balance at 1 January 2010	3,763	1,697	57,728	22,955	16,869	103,012
Additions	121	1,250	-	20,799	3,364	25,534
Disposals	-	-	-	-	-	-
Transfer to PP&E	-	-	-	-	(802)	(802)
Currency movements	-	-	3,826	3,580	1,289	8,695
Balance at 31 December 2010	3,884	2,947	61,554	47,334	20,720	136,439
Accumulated amortisation:						
Balance at 1 January 2009	(164)	(457)	(5,606)	(1,340)	(897)	(8,464)
Amortisation for the period	(423)	(190)	(5,398)	(2,187)	(444)	(8,642)
Currency movements	-	-	(1,559)	-	(60)	(1,619)
Balance at 31 December 2009	(587)	(647)	(12,563)	(3,527)	(1,401)	(18,725)
Balance at 1 January 2010	(587)	(647)	(12,563)	(3,527)	(1,401)	(18,725)
Amortisation for the period	(423)	(200)	(5,757)	(2,200)	(548)	(9,128)
Impairment for the period	-	-	-	-	(828)	(828)
Currency movements	-	-	(1,463)	-	-	(1,463)
Balance at 31 December 2010	(1,010)	(847)	(19,783)	(5,727)	(2,777)	(30,144)
Net book value at 31 December 2009	3,176	1,050	45,165	19,428	15,468	84,287
Net book value at 31 December 2010	2,874	2,100	41,771	41,607	17,943	106,295

18. TRADE AND OTHER PAYABLES

	2010 US$'000	2009 US$'000
Current		
Trade payables	169,697	86,391
Accrued payroll and benefits	47,157	40,226
Goods and services tax payable	17,675	19,530
Professional fees	4,420	3,992
Other sundry payables and accruals	21,089	19,979
	260,038	170,118

The average credit period on purchases of certain goods is 51 days (2009: 37 days). No interest is charged on the trade payables for this period. Thereafter, various percentages of interest may be charged on the outstanding balance based on the terms of the specific contracts. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

19. BORROWINGS

Unsecured - at amortised cost	2010 US$'000	2009 US$'000
Current		
Term bank loans	-	1,000
Debt issuance costs	-	(381)
Non-current		
Term bank loans	65,000	65,000
Revolver bank loans	183,000	67,000
Debt issuance costs	(1,044)	(475)
Secured - at amortised cost		
Current - finance lease liabilities	979	2,514
Non-current - finance lease liabilities	534	961
	248,469	135,619
Disclosed in the financial statements as:		
Current borrowings	979	3,133
Non-current borrowings	247,490	132,486
	248,469	135,619
A summary of the maturity of the Group's borrowings is as follows:		
Less than 1 year	979	3,133
Between 1 and 2 years	247,289	458
Between 2 and 3 years	194	132,028
Between 3 and 4 years	7	-
	248,469	135,619

19. BORROWINGS (CONTINUED)

Term Bank Loans

At 31 December 2010 and 2009, outstanding bank term loans consist primarily of a $65,000,000 variable rate loan with a scheduled maturity date of 10 April 2012. The interest rates on the loans are based on a base rate plus applicable margin. The base rate is generally based upon USD LIBOR rates, while the margin is determined based upon leverage according to a pricing grid. At 31 December 2010, the rates were based upon USD LIBOR + 0.65%, which totaled 0.9625%. At 31 December 2009, the rates were based upon USD LIBOR + 1.05%, which totaled 1.36%.

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

The Company hedges its exposure to floating rates under the loans via interest rate swaps, exchanging variable rate interest payments for fixed rate interest payments. The interest swap contracts were largely entered into in 2006 and reflect notional amounts and maturities assuming (a) a portion of the variable interest loans would be hedged and (b) that bank term loans would be repaid largely according to original, scheduled maturity dates. As of 31 December 2010, the notional amount of interest rate swap contracts was $200,000,000, which exceeded outstanding bank term loans. At 31 December 2010 and 2009, interest rate swap contracts with notional value of $16,250,000 are deemed effective and are accounted for as cash flow hedges. At 31 December 2010 and 2009, $183,750,000 and $258,750,000, respectively, of the notional value of the interest rate swap contracts are deemed ineffective as cash flow hedges due to the repayment of the $585,000,000 bank term loan in late 2009.

As of 31 December 2010, the $200,000,000 of interest rate swap contracts outstanding swapped variable rates (as noted above) to fixed at a base rate 5.18%. As of 31 December 2009, $275,000,000 notional amount of floating rate interest rates were swapped to fixed at a base rate of 5.18%.

Revolver Bank Loans

Bank facilities include two revolving loans. A $200,000,000 facility has $183,000,000 drawn as of 31 December 2010 with interest rates of 0.9625% and has a scheduled maturity date of 10 April 2012. $67,000,000 is drawn as of 31 December 2009 with interest rates of 1.30%. Outstanding letters of credit of $2,205,000 and $11,405,000 as of 31 December 2010 and 2009, respectively, reduce the amount available to draw under the revolver.

In December 2010, the Company executed an $85,000,000 facility with a scheduled maturity date of 10 February 2012, which is undrawn as of 31 December 2010.

The interest rates on the revolver loans are based on a base rate plus applicable margin. The base rate is generally based upon USD LIBOR rates, while the margin is determined based upon leverage according to a pricing grid.

Loan Covenants - Term and Revolver Bank Loans

The Company's borrowings contain covenants and restrictions requiring the Company to meet certain financial ratios and reporting requirements, as well as minimum levels of subsidiaries that are guarantors of the borrowings. These covenants include maintaining a debt to EBITDA ratio of not more than 3.75:1 for the facility that comprises the $200,000,000 revolver and $65,000,000 term bank loan and 3.50:1 for the $85,000,000 revolver facility. An EBITDA to interest ratio of not less than 3.0:1 is required for both facilities. The agreement for the $200,000,000 revolver and $65,000,000 term bank loan also requires that borrowers and guarantors represent at least 75% of Company EBITDA and total tangible assets of the Company. The $85,000,000 term bank loan facility requires that borrowers and guarantors represent at least 70% of Company EBITDA and has no tangible asset covenant. See Note 28 for a list of subsidiary guarantors which guarantee one or more of the facilities. Testing of covenant compliance takes place twice-yearly for the trailing 12 month periods to 30 June and 31 December. Noncompliance with one or more of the covenants and restrictions could result in the full or partial principal balance of the associated debt becoming immediately due and payable. The Company is in compliance with the debt covenants as of 31 December 2010 and 2009 as well as 30 June 2010 and 2009.

19. BORROWINGS (CONTINUED)

Finance Leases

The finance lease liabilities were assumed largely as part of acquiring certain businesses prior to 2008. The leases are secured by the assets leased. The borrowings have interest rates ranging from 7.10% to 13.08%, with repayment periods not exceeding 4 years.

20. PROVISIONS

	2010 US$'000	2009 US$'000
Current		
Employee benefits	13,323	11,103
Restructuring and termination costs [1]	4,462	2,256
Warranty [2]	613	614
	18,398	13,973
Non-current		
Employee benefits	4,993	1,942
Pension and post-retirement benefits (Note 21)	50,344	42,948
	55,337	44,890
	73,735	58,863

The changes in the provisions for the year ended 31 December 2010 are as follows:

	Restructuring and termination costs [1] US$'000	Warranty [2] US$'000
Balance at 1 January 2010	2,256	614
Additional provisions recognised	3,140	585
Reductions arising from payments/other sacrifices of future economic benefits	(966)	(427)
Increase (reductions) resulting from remeasurement or settlement without cost	76	(212)
Foreign exchange	(44)	53
Balance at 31 December 2010	4,462	613

(1) The provision for restructuring and termination costs represents the present value of management's best estimate of the costs directly and necessarily caused by the restructuring that are not associated with the ongoing activities of the entity, including termination benefits and onerous leases.
(2) The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Company's warranty program.

21. PENSION AND POST-RETIREMENT BENEFITS

Pension and Post-retirement Medical Commitments

The Company operates defined contribution and defined benefit pension plans for the majority of its employees. It also operates post-retirement medical arrangements in North America. The policy for accounting for pensions and post-retirement benefits is included in Note 3(m).

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

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

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

Defined Contribution Plans

Pension costs represent actual contributions paid or payable by the Company to the various plans. At 31 December 2010, and 2009, there were no significant outstanding/prepaid contributions. Company contributions to these plans were $15,049,000 and $12,025,000 for the years ended 31 December 2010 and 2009, respectively.

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

Defined Benefit Pension Plans

Full actuarial valuations of the defined benefit pension plans were performed as of various dates and updated to 31 December 2010 by qualified independent actuaries. The estimated market value of the assets of the funded pension plans was $194,620,000 and $178,854,000 at 31 December 2010, and 2009, respectively. The market value of assets was used to determine the funding level of the plans. The market value of the assets of the funded plans was sufficient to cover 93% in both 2010 and 2009, of the benefits that had accrued to participants after allowing for expected increases in future earnings and pensions. Entities within the Company are paying contributions as required by statutory requirements and in accordance with local actuarial advice.

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

Company contributions to these plans were $7,115,000 and $5,310,000 in the years ended 31 December 2010 and 2009, respectively. Contributions in 2011 are expected to be $9,046,000.

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

21. PENSION AND POST-RETIREMENT BENEFITS (CONTINUED)

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

	2010			2009		
	Southern Africa [1]	The Americas	Europe	Southern Africa	The Americas	Europe
Discount rates	8.8%	5.3%	5.3%	9.5%	5.9%	5.5%
Expected average rate of increase in salaries	-	3.8%	4.0%	6.8%	4.0%	4.0%
Expected average rate of increase of pensions in payment	-	-	1.5%	5.8%	-	1.5%
Expected average long term rate of return on plan assets	7.3%	7.4%	5.3%	7.5%	7.4%	6.4%
Expected average increase in healthcare costs (initial)	-	7.8%	-	7.8%	7.5%	-
Expected average increase in healthcare costs (ultimate)	-	5.0%	-	7.8%	5.0%	-

(1) The Southern Africa pension and post-retirement medical plans were settled with participants in 2009.

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

	2010			2009		
	Pension Plan US$'000	Post-retirement medical Plan US$'000	Total US$'000	Pension Plan US$'000	Post-retirement medical Plan US$'000	Total US$'000
Current service cost	1,443	581	2,024	2,126	509	2,635
Interest cost on plan liabilities	10,859	646	11,505	11,145	636	11,781
Past service cost	759	-	759	122	-	122
Expected return on plan assets	(12,622)	-	(12,622)	(11,396)	-	(11,396)
Effects of settlement and curtailment gains	-	-	-	(2,510)	-	(2,510)
Total charge (credit) to profit and loss account	439	1,227	1,666	(513)	1,145	632

For the financial years ended 31 December 2010 and 2009, charges of $1,180 and $412,000, respectively, have been included primarily in cost of goods sold and the remainder in general and administrative or sales and marketing expenses.

21. PENSION AND POST-RETIREMENT BENEFITS (CONTINUED)

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

	2010			2009		
	Pension Plan US$'000	Post-retirement Medical Plan US$'000	Total US$'000	Pension Plan US$'000	Post-retirement Medical Plan US$'000	Total US$'000
Actuarial losses during the year, net of taxes	(7,787)	(2,353)	(10,140)	(2,786)	(667)	(3,453)

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

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

	2010			2009		
	Pension Plan US$'000	Post-retirement Medical Plan US$'000	Total US$'000	Pension Plan US$'000	Post-retirement Medical Plan US$'000	Total US$'000
Present value of funded defined benefit obligations	205,183	-	205,183	188,455	-	188,455
Fair value of plan assets	(194,620)	-	(194,620)	(178,854)	-	(178,854)
	10,563	-	10,563	9,601	-	9,601
Present value of unfunded defined benefit obligations	4,567	14,879	19,446	4,901	10,488	15,389
Deficit	15,130	14,879	30,009	14,502	10,488	24,990
Net liability arising from defined benefit obligations	15,130	14,879	30,009	14,502	10,488	24,990

21. PENSION AND POST-RETIREMENT BENEFITS (CONTINUED)

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

	2010			2009		
	Pension Plan US$'000	Post-retirement Medical Plan US$'000	Total US$'000	Pension Plan US$'000	Post-retirement Medical Plan US$'000	Total US$'000
Opening defined benefit obligation	193,355	10,488	203,843	171,312	9,411	180,723
Current service cost	1,443	581	2,024	2,126	509	2,635
Interest cost	10,859	646	11,505	11,145	636	11,781
Contributions from plan participants	-	353	353	2	299	301
Actuarial losses	14,632	3,793	18,425	15,857	601	16,458
Past service cost	759	-	759	122	-	122
Gains on curtailments	-	-	-	(2,510)	-	(2,510)
Liabilities extinguished on settlements	-	-	-	(1,185)	(266)	(1,451)
Exchange differences on foreign plans	(574)	27	(547)	12,167	103	12,270
Benefits paid	(10,724)	(1,009)	(11,733)	(15,681)	(805)	(16,486)
Closing defined benefit obligation	209,750	14,879	224,629	193,355	10,488	203,843

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

	2010			2009		
	Pension Plan US$'000	Post-retirement Medical Plan US$'000	Total US$'000	Pension Plan US$'000	Post-retirement Medical Plan US$'000	Total US$'000
Opening fair value plan of assets	178,854	-	178,854	150,626	-	150,626
Expected return on plan assets	12,622	-	12,622	11,396	-	11,396
Actuarial gains	3,867	-	3,867	13,345	-	13,345
Assets distributed on settlements	-	-	-	(1,185)	(266)	(1,451)
Exchange differences on foreign plans	2,886	-	2,886	15,041	-	15,041
Contributions from the employer	7,115	656	7,771	5,310	830	6,140
Contributions from plan participants	-	353	353	2	299	301
Benefits paid	(10,724)	(1,009)	(11,733)	(15,681)	(863)	(16,544)
Closing fair value of plan assets	194,620	-	194,620	178,854	-	178,854

21. PENSION AND POST-RETIREMENT BENEFITS (CONTINUED)

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

	2010						
	Southern Africa		The Americas		Europe		
	Rate of Return %	Fair Value US$'000	Rate of Return %	Fair Value US$'000	Rate of Return %	Fair Value US$'000	Total Fair Value US$'000
At 31 December 2010							
Equity	-	-	9.3%	62,679	7.0%	26,599	89,278
Bonds	8.8%	11,470	4.6%	56,547	3.3%	12,198	80,215
Property	-	-	-	-	5.5%	2,028	2,028
Cash	7.8%	11,096	3.7%	9,499	2.0%	223	20,818
Other	-	-	3.9%	2,281	-	-	2,281
Total market value	7.3%	22,566	7.4%	131,006	5.3%	41,048	194,620

	2009						
	Southern Africa		The Americas		Europe		
	Rate of Return %	Fair Value US$'000	Rate of Return %	Fair Value US$'000	Rate of Return %	Fair Value US$'000	Total Fair Value US$'000
At 31 December 2009							
Equity	-	-	9.3%	57,752	7.8%	24,654	82,406
Bonds	9.5%	9,876	4.6%	53,039	3.8%	12,933	75,848
Property	-	-	-	-	6.3%	2,425	2,425
Cash	7.5%	10,700	3.7%	4,714	2.0%	404	15,818
Other	-	-	3.7%	2,357	-	-	2,357
Total market value	7.5%	20,576	7.4%	117,862	6.4%	40,416	178,854

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

	31 December 2010				31 December 2009			
	Southern Africa	The Americas	Europe	Total	Southern Africa	The Americas	Europe	Total
Postretirement medical plan deficit	-	14,879	-	14,879	-	10,488	-	10,488
Pension plan (surplus) deficit	(20,335)	19,202	16,263	15,130	(17,958)	14,275	18,185	14,502
Total (surplus) deficit	(20,335)	34,081	16,263	30,009	(17,958)	24,763	18,185	24,990

On 8 December 2003, the Medicare Prescription Drug Improvement and Modernisation Act of 2003 was signed into law in the U.S. The Act introduced a prescription drug benefit beginning 2006 under Medicare ("Medicare Part D") as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. Based on an actuarial analysis of the levels of benefits provided under the Company's Post-retirement Welfare Plan, the plan's actuary has concluded that beneficiaries receive drug coverage at least actuarially equivalent to Medicare Part D. The federal subsidy was reflected in costs, reducing the accumulated post-retirement benefit obligation by approximately $773,000 and $905,000 at 31 December 2010 and 2009, respectively. The expense was reduced by approximately $66,000 and $29,000 at 31 December 2010 and 2009, respectively.

21. PENSION AND POST-RETIREMENT BENEFITS (CONTINUED)

	2010			2009		
	Pension Plan US$'000	Post-retirement Medical Plan US$'000	Total US$'000	Pension Plan US$'000	Post-retirement Medical Plan US$'000	Total US$'000
Fair value of plan assets	194,620	-	194,620	178,854	-	178,854
Present value of defined benefit obligation	(209,750)	(14,879)	(224,629)	(193,355)	(10,488)	(203,843)
Deficit	(15,130)	(14,879)	(30,009)	(14,502)	(10,488)	(24,990)
Experience adjustments on plan liabilities	(643)	106	(537)	(570)	(166)	(736)
Experience adjustments on plan assets	3,867	-	3,867	13,345	-	13,345

	2008			2007		
	Pension Plan US$'000	Post-retirement Medical Plan US$'000	Total US$'000	Pension Plan US$'000	Post-retirement Medical Plan US$'000	Total US$'000
Fair value of plan assets	150,626	-	150,626	257,362	-	257,362
Present value of defined benefit obligation	(171,312)	(9,411)	(180,723)	(246,669)	(11,481)	(258,150)
Deficit	(20,686)	(9,411)	(30,097)	10,693	(11,481)	(788)
Experience adjustments on plan liabilities	(635)	63	(572)	(36,668)	2,688	(33,980)
Experience adjustments on plan assets	(49,714)	-	(49,714)	8,974	-	8,974

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

	2010 US$'000	2009 US$'000
One percentage point increase		
Effect on the aggregate of the service cost and interest cost	184	168
Effect on accumulated post-employment benefit obligation	1,790	1,362
One percentage point decrease		
Effect on the aggregate of the service cost and interest cost	(156)	(142)
Effect on accumulated post-employment benefit obligation	(1,521)	(1,160)

22. ISSUED CAPITAL

	2010		2009	
	Shares '000 [1]	US$'000	Shares '000 [1]	US$'000
Share Capital				
Ordinary shares, fully paid	456,360	1,132,051	458,594	1,136,347
Movements in ordinary shares				
Balance at beginning of year	458,594	1,136,347	149,762	478,036
Issued under capital raising program	-	-	310,873	697,702
Share issuance costs	-	-	-	(49,549)
GST receivable on share issuance costs	-	-	-	1,707
Deferred tax on share issuance costs	-	-	-	12,437
Vesting of LTIP rights, restricted shares	26	1,472	-	-
Purchase of shares for LTIP	(2,260)	(5,768)	(2,041)	(3,986)
Balance at end of the year	456,360	1,132,051	458,594	1,136,347

(1) The number of shares is adjusted for the 13 May 2010 share consolidation (see Note 3).

During 2009, the Company executed a capital raising program which raised $697,702,000. Proceeds from the capital raising were used to repay $585,000,000 of the Company's Term Loan A facility, to repay approximately $62,000,000 of amounts previously drawn on its existing revolver facility, and to pay $49,549,000 of costs directly related to the capital raising.

23. RESERVES

	2010 US$'000	2009 US$'000
Foreign currency translation	76,421	17,630
Equity-settled employee benefits	8,415	6,024
Unrealised losses related to hedging instruments	(259)	(616)
	84,577	23,038

During the years ended 31 December 2010 and 2009 the changes in each of the respective reserve accounts were as follows:

Foreign currency translation	2010 US$'000	2009 US$'000
Balance at beginning of year	17,630	(103,549)
Exchange differences arising on translation of foreign operations	58,791	121,179
Balance at end of the year	76,421	17,630

23. RESERVES (CONTINUED)

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

Equity-settled employee benefits	2010 US$'000	2009 US$'000
Balance at beginning of year	6,024	2,592
Share-based compensation expense	3,863	3,432
Vesting of LTIP rights, restricted shares	(1,472)	-
Balance at end of the year	8,415	6,024

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

Unrealised losses related to hedging instruments	2010 US$'000	2009 US$'000
Balance at beginning of year	(616)	(17,362)
Unrealised gain (loss) on cash flow hedges	(190)	(2,007)
Transfer to profit or loss on cash flow hedges	741	12,976
Interest rate swap expense	-	15,242
Related income tax	(194)	(9,465)
Balance at end of the year	(259)	(616)

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy. During the 2009 financial year, the Company executed a capital raising program which raised approximately $697,702,000. Proceeds from the capital raising were used to repay loans that were being hedged thus making a portion of the hedge ineffective. As a result, the mark to market balance of $15,242,000 associated with the ineffective portion of the hedge was transferred to profit or loss.

24. ACCUMULATED LOSSES

During the years ended 31 December 2010 and 2009, the changes in accumulated losses consisted of:

	2010 US$'000	2009 US$'000
Balance at beginning of year	(84,166)	(65,830)
Profit (loss) for the period attributable to equity holders of the parent	84,513	(14,883)
Dividends paid	(9,684)	-
Actuarial losses on defined benefit plans (net of tax)	(10,140)	(3,453)
Balance at end of the year	(19,477)	(84,166)

25. DIVIDENDS

Dividends declared and paid during the year ended 31 December 2010 are as follows:

	2010	
	US cents per share	Total US$'000
Fully paid ordinary shares		
Dividend 35% franked	2.1	9,684

On 23 February 2011, the directors determined to pay a dividend of US 3.4 cents (total of approximately $16,000,000) on each of the issued ordinary shares of the Company. The dividend is payable on 15 April 2011 to shareholders of record on 18 March 2011. The dividend will be 35% franked at the Australian corporate taxation rate of 30%. The dividend was not included as a liability in the 31 December 2010 financial statements. Franking credits available after payment of this dividend will be $12,822,000.

There were no dividends declared or paid for the year ended 31 December 2009.

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

	2010 US$'000	2009 US$'000
Adjusted combined franking balance	15,149	7,995

26. EARNINGS (LOSS) PER SHARE

	2010 US cents per share	2009 US cents per share
Basic earnings (loss) per share	18.5	(6.1)
Diluted earnings (loss) per share	18.4	(6.1)

Basic earnings (loss) per share

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

	2010 US$'000	2009 US$'000
Earnings (loss) used in the calculation of basic EPS	84,513	(14,883)

	2010 '000	2009 '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	457,397	243,680

Diluted earnings per share

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

	2010 US$'000	2009 US$'000
Earnings used in the calculation of diluted EPS	84,513	(14,883)

	2010 '000	2009 '000
Weighted average number of ordinary shares used in the calculation of basic EPS	457,397	243,680
Shares deemed to be issued for no consideration in respect of: LTIP share rights	1,553	726
Weighted average number of ordinary shares used in the calculation of diluted EPS	458,950	244,406

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

27. COMMITMENTS FOR EXPENDITURE

Commitments

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

	2010 US$'000	2009 US$'000
Capital Commitments		
Purchase commitments for capital expenditures	9,786	3,930

Operating leases

Non-cancellable future operating lease commitments as at 31 December 2010 and 2009 consist of the following:

	31 December 2010		31 December 2009	
	Land and Buildings US$'000	Plant and Equipment US$'000	Land and Buildings US$'000	Plant and Equipment US$'000
Payments due within:				
One year	10,153	19,313	8,876	20,402
Two to five years	29,280	40,134	19,922	43,618
After five years	10,159	146	9,462	2,655
	49,592	59,593	38,260	66,675

Description of operating leases

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

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

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

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

The Company has no significant operating leases that are considered onerous other than those included in the restructuring provision in the amounts of $1,238,000 and $1,933,000 as of 31 December 2010 and 2009, respectively.

28. CONTINGENT LIABILITIES

Letters of credit

Standby letters of credit primarily issued in support of commitments or other obligations as of 31 December 2010 are as follows.

- The Company's subsidiary in Zambia has a letter of credit in the amount of $1,800,000 to support products inventory, which expires December 2011.
- The Company's subsidiary in the U.S. has a letter of credit in the amount of $405,000 to secure a Workers Compensation program which expires January 2012.

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

	2010 US$'000	2009 US$'000
Less than one year	1,800	11,405
One to three years	405	-
	2,205	11,405

28. CONTINGENT LIABILITIES (CONTINUED)

Guarantees

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

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

Country	Entity
Canada	Longyear Canada ULC
	Boart Longyear Alberta Limited
	Boart Longyear Canada
United States	Longyear Holdings, Inc.
	Longyear TM, Inc.
	Boart Longyear Company
	Boart Longyear Consolidated Holdings Inc
	Boart Longyear International Holdings Inc
	Longyear Global Holdings, Inc.
	Resources Services Holdco, Inc.
	Boart Longyear Global Holdco, Inc.
	Prosonic Corporation
	Boart Longyear Nevada
Australia	Boart Longyear Limited
	Boart Longyear Management Pty Limited
	Boart Longyear Investments Pty Limited
	Votraint No. 1609 Pty Limited
	North West Drilling Pty Limited
	Drillcorp Pty Limited
	Grimwood Davies Pty Limited
	Boart Longyear Australia Pty Limited
	Boart Longyear Australia Holdings Pty Limited
	A.C.N. 066 301 531 Pty Limited
	Aqua Drilling & Grouting Pty Ltd.
New Zealand	Boart Longyear (NZ) Limited
Netherlands	Cooperatief Longyear Holdings
	Longyear Calulo Holdings BV
	Boart Longyear International BV
	Boart Longyear BV
Germany	Boart Longyear GmbH & Co Kg
Switzerland	Votraint Switzerland SARL
South Africa	Longyear South Africa (Pty) Limited
Chile	Boart Longyear S.A.
	Boart Longyear Chile Limitada
Peru	Boart Longyear SAC

28. CONTINGENT LIABILITIES (CONTINUED)

Legal Contingencies

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

Other Contingencies

Other contingent liabilities as at 31 December 2010 and 2009 consist of the following:

	2010 US$'000	2009 US$'000
Contingent Liabilities		
Guarantees/counter-guarantees issued to outside parties	18,145	17,152

29. COMPANY SUBSIDIARIES

The Company's percentage ownership of the principal subsidiaries follows:

Subsidiaries	Country of Incorporation	Business	31 Dec 2010	31 Dec 2009
A.C.N. 066 301 531 Pty Ltd	Australia	Tools and Equipment	100	100
Aqua Drilling & Grouting Pty Ltd.	Australia	Drilling Services	100	100
BLI Zambia Ltd.	Zambia	Drilling Services	100	100
BLY Gabon S.A.	Gabon	Drilling Services	100	-
BLY Ghana Limited	Ghana	Drilling Services	100	100
BLY Mali S.A.	Mali	Drilling Services	100	100
BLY Mexico Servicios S.A. de C.V.	Mexico	Drilling Services	100	100
BLY Senegal S.A.	Senegal	Drilling Services	100	-
BLY Sierra Leone Ltd.	Sierra Leone	Drilling Services	100	-
Boart Longyear (Cambodia) Ltd.	Cambodia	Drilling Services	100	100
Boart Longyear (D.R.C.) SPRL	Dem. Rep. of Congo	Drilling Products & Services	100	100
Boart Longyear (Germany) GmbH [1]	Germany	Tools and Equipment	-	100
Boart Longyear (Holdings) Ltd.	United Kingdom	Holding Company	100	100
Boart Longyear (Hong Kong) Limited	Hong Kong	Drilling Services	100	100
Boart Longyear (Investments) Ltd.	United Kingdom	Dormant	100	100
Boart Longyear (NZ) Limited	New Zealand	Drilling Services	100	100
Boart Longyear (Pty) Ltd	Botswana	Drilling Products	100	100
Boart Longyear (Vic) No. 1 Pty Ltd (Australia)	Australia	Holding Company	100	100
Boart Longyear (Vic) No. 2 Pty Ltd (Australia)	Australia	Holding Company	100	100
Boart Longyear Alberta Limited	Canada	Holding Company	100	100
Boart Longyear Argentina S.A.	Argentina	Drilling Services	100	100
Boart Longyear Australia Holdings Pty Limited	Australia	Holding Company	100	100
Boart Longyear Australia Pty Ltd	Australia	Drilling Services	100	100
Boart Longyear Bermuda Limited	Bermuda	Holding Company	100	100
Boart Longyear Burkina Faso Sarl	Burkina Faso	Drilling Services	100	100
Boart Longyear BV	Netherlands	Drilling Products	100	100
Boart Longyear Canada	Canada	Drilling Products & Services	100	100
Boart Longyear Chile Limitada [2]	Chile	Drilling Products & Services	100	100
Boart Longyear Company	USA	Tools, Equipment and Drilling	100	100
Boart Longyear Consolidated Holdings, Inc.	USA	Holding Company	100	100
Boart Longyear de Mexico, S.A. de C.V. [3]	Mexico	Drilling Services	100	100
Boart Longyear Drilling Products Company (Wuxi) Ltd.	China	Drilling Products and Services	100	100
Boart Longyear Drilling Services KZ LLP	Kazakhstan	Drilling Services	100	100
Boart Longyear EMEA Cooperatief U.A.	Netherlands	Holding Company	100	100
Boart Longyear Eritrea Ltd.	Eritrea	Drilling Services	100	-
Boart Longyear Global Holdco, Inc	USA	Holding Company	100	100
Boart Longyear GmbH & Co Kg	Germany	Drilling Products and Services	100	100
Boart Longyear Holdings (Thailand) Co., Ltd.	Thailand	Drilling Services	100	100
Boart Longyear India Private Ltd	India	Tools and Equipment	100	100
Boart Longyear International BV	Netherlands	Holding Company	100	100
Boart Longyear International Holdings, Inc.	USA	Holding Company	100	100
Boart Longyear Investments Pty Ltd	Australia	Holding Company	100	100

29. COMPANY SUBSIDIARIES (CONTINUED)

Subsidiaries	Country of Incorporation	Business	31 Dec 2010	31 Dec 2009
Boart Longyear Liberia Corporation	Liberia	Drilling Services	100	-
Boart Longyear Limitada	Brazil	Drilling Products	100	100
Boart Longyear Limited	Ireland	Drilling Products	100	100
Boart Longyear Limited	Laos	Drilling Services	100	100
Boart Longyear Limited	Thailand	Drilling Services	100	100
Boart Longyear LLC	Russia Federation	Drilling Services	100	100
Boart Longyear Ltd	Ghana	Dormant	100	100
Boart Longyear Management Pty Ltd	Australia	Holding Company	100	100
Boart Longyear Netherlands BV	Netherlands	Holding Company	100	100
Boart Longyear Nevada	USA	Drilling Services	100	100
Boart Longyear Poland Spolka Z.o.o.	Poland	Drilling Products and Services	100	100
Boart Longyear Products KZ LLP	Kazakhstan	Drillings Products	100	100
Boart Longyear RUS	Russia Federation	Drilling Services	100	100
Boart Longyear S.A.	Chile	Tools, Equipment and Drilling S	100	100
Boart Longyear S.a.r.l.	France	Holding Company	100	100
Boart Longyear SAC	Peru	Drilling Products and Services	100	100
Boart Longyear Vermogensverwaltung GmbH	Germany	Dormant	100	100
Boart Longyear Zambia Ltd.	Zambia	Drilling Services	100	100
Connors SA [4]	Chile	Drilling Services	100	100
Cooperatief Longyear Holdings UA	Netherlands	Holding Company	100	100
Drillcorp Pty Ltd	Australia	Drilling Services	100	100
Dongray Industrial Limited [6]	United Kingdom	In Liquidation	100	-
Geoserv Pesquisas Geologicas S.A.	Brazil	Drilling Services	100	100
Grimwood Davies Pty Ltd	Australia	Drilling Services	100	100
Inavel S.A.	Uruguay	Drilling Services	100	100
J&T Servicios, S.C.	Mexico	Drilling Services	100	100
Longyear Calulo Holdings BV	Netherlands	Drilling Services	100	100
Longyear Canada, ULC	Canada	Tools and Equipment Services	100	100
Longyear Global Holdings, Inc.	USA	Holding Company	100	100
Longyear Holdings New Zealand, Ltd.	New Zealand	Holding Company	100	100
Longyear Holdings, Inc.	USA	Holding Company	100	100
Longyear South Africa (Pty) Ltd	South Africa	Drilling Products and Services	100	100
Longyear TM, Inc.	USA	Holding Company	100	100
North West Drilling Pty Limited	Australia	Drilling Services	100	100
P.T. Boart Longyear	Indonesia	Drilling Services	100	100
Patagonia Drill Inversiones Mineras S.A. [5]	Chile	Drilling Services	-	100
Patagonia Drill Mining Services S.A.	Argentina	Drilling Services	100	100
Portezuelo S.A.	Paraguay	Dormant	100	100
Professional Sonic Drillers (Pty) Limited T/A Prosonic Africa	South Africa	Dormat	100	100
Prosonic Corporation	USA	Drilling Services	100	100

29. COMPANY SUBSIDIARIES (CONTINUED)

Subsidiaries	Country of Incorporation	Business	31 Dec 2010	31 Dec 2009
Prosonic International, Inc.	USA	Drilling Services	100	100
Rentas de Exploracion I Limitada	Chile	Holding Company	100	100
Rentas de Exploracion II Limitada	Chile	Holding Company	100	100
Resources Services Holdco, Inc	USA	Holding Company	100	100
Votraint No. 1609 Pty Ltd	Australia	Drilling Services	100	100
Votraint Switzerland SARL	Switzerland	Holding Company	100	100

(1) Boart Longyear Germany GmbH merged into Boart Longyear GmbH & Co. KG in 2010
(2) This entity changed its name from Rentas de Exploracion III Limitada
(3) This entity changed its name from Britton Hermanos Perforaciones de Mexico, S.A., C.V.
(4) Connors SA has been dissolved by operation of law as of Nov 30 2010. All of its rights and obligations are succeeded by Boart Longyear Chile Limitada (formerly Rentas III)
(5) Dissolved on 11 February 2010
(6) Dissolved in 2008. Restored on 26 October 2010 in an "in liquidation" status to collect a debt.

30. DISPOSAL OF OPERATIONS

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

The net assets disposed of are as follows:

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

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

31. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of cash and cash equivalents

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

	2010 US$'000	2009 US$'000
Cash and cash equivalents	94,944	87,557

(b) Businesses acquired

During the financial years ended 31 December 2010 and 2009 there were no acquisitions. In 2009, the Company paid additional cash of $403,000 for the Eklund and Westrod acquisitions.

(c) Businesses disposed

During the financial year ended 31 December 2009 the Company disposed of its Sub Saharan manufacturing operation. Details of the disposition are as follows:

	2009 US$'000
Book value of net assets sold	
Inventories	539
Property, plant and equipment	5,487
Intangible assets	363
Prepaids and other assets	628
Trade and other payables	(444)
Foreign currency translation reserve	2,683
Net assets disposed	9,256
Working capital adjustment	1,388
Disposal costs	1,069
Gain (loss) on disposal	(3,910)
Total proceeds	7,803
Cash paid - closing costs and working capital adjustment	(2,457)
Net cash inflow on disposal	5,346

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

32. SHARE-BASED PAYMENTS

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

Under the terms of the LTIP, the performance share rights vest upon the achievement of performance targets set by the Board. For awards granted prior to 2010, the performance targets were based on cumulative EPS over a three-year performance period. Awards granted beginning in 2010 have performance targets based on three-year average ROE targets. The Board will set threshold and maximum targets for both the EPS and ROE performance awards during the respective three-year performance periods. Vesting will be determined by the Company’s actual performance against targets for the relevant three-year period. Partial vesting occurs on a pro-rata basis if the three-year threshold target is surpassed. Full vesting occurs only if the Company’s actual performance meets or exceeds the maximum target for the three-year period. Participants must also remain continuously employed with the Company during the performance period. The retention share rights vest upon continuous employment with the Company from the grant date until the third anniversary of the grant date. The Company may acquire shares underlying the grants which will be held in trust. The participant will receive dividends paid on those shares from the time of acquisition until vesting.

At the Company’s annual general meeting on 11 May 2010, shareholders approved a 10 for 1 share consolidation. Trading in the consolidated shares commenced 13 May 2010. The number of shares and rights under the LTIP and restricted shares has been restated in this report using the consolidated share amounts.

During the years ended 31 December 2010 and 2009, there were several grants of share rights made under the Long-Term Incentive Plan (“LTIP”). The total share-based expense associated with share rights for the years ended 31 December 2010 and 2009 was $2,976,000 and $2,460,000, respectively.

The Company grants share options to certain senior management in order to attract, retain and properly incentivise those individuals. During 2010, the Company granted 25,000 share options to an employee with an exercise price of A$3.20 per share. During 2009, the Company granted 345,000 share options to employees. The share-based expense associated with share options for the years ended 31 December 2010 and 2009 was $778,000 and $661,000 respectively.

In addition, prior to the IPO, there were 64,324 restricted shares granted to Board members in consideration of services performed. The share-based expense recorded relating to the restricted shares during the years ended 31 December 2010 and 2009 was $109,000 and $311,000, respectively.

32. SHARE-BASED PAYMENTS (CONTINUED)

The following table shows the share-based payment arrangements that were in existence at 31 December 2010:

Series	Number	Effective Grant Date	Vesting Date	Fair Value at Grant Date US$
(1) Issued 11 April 2008	273,475	11-Apr-08	11-Apr-11	17.70
(2) Issued 28 April 2008	100,000	28-Apr-08	1-Jan-13	6.87
(3) Issued 1 January 2009 [1]	150,000	28-Apr-08	1-Jan-14	14.50
(4) Issued 26 June 2008	36,897	26-Jun-08	11-Apr-11	21.00
(5) Issued 23 July 2008	1,400	23-Jul-08	23-Jul-11	20.50
(6) Issued 23 October 2008	48,750	23-Oct-08	23-Oct-11	4.00
(7) Issued 14 January 2009	1,250	14-Jan-09	14-Jan-12	1.78
(8) Issued 25 March 2009	1,202,500	25-Mar-09	25-Mar-12	0.74
(9) Issued 18 June 2009	317,500	18-Jun-09	18-Jun-12	1.43
(10) Issued 2 July 2009	5,000	2-Jul-09	2-Jul-12	3.41
(11) Issued 1 March 2010	1,981,763	1-Mar-10	1-Mar-13	2.78
(12) Issued 15 March 2010	104,600	15-Mar-10	15-Mar-13	2.93
(13) Issued 15 March 2010	25,000	15-Mar-10	15-Mar-13	2.24
(14) Issued 26 August 2010	30,000	26-Aug-10	26-Aug-13	3.29

(1) The second grant of options Mr. Kipp received in conjunction with his appointment as CEO was issued as of 1 January 2009. For purposes of compliance with Australian Accounting Standards, the effective grant date was determined to be 28 April 2008.

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

	Grant date share price US$	Expected volatility	Life of rights	Dividend yield	Risk-free interest rate
Series 1	17.70	49.62%	36 months	0.00%	5.43%
Series 2 *	16.30	49.86%	56 months	0.86%	5.58%
Series 3 *	16.30	49.86%	68 months	0.86%	5.58%
Series 4	21.00	50.34%	34 months	0.00%	5.67%
Series 5	20.50	50.62%	36 months	0.00%	5.81%
Series 6	4.00	56.68%	36 months	0.00%	6.11%
Series 7	1.80	73.10%	36 months	0.00%	4.84%
Series 8	0.70	86.74%	36 months	0.00%	5.55%
Series 9 *	1.90	97.29%	60 months	0.00%	5.59%
Series 10	3.41	98.23%	36 months	0.00%	5.40%
Series 11	2.78	92.72%	36 months	0.00%	5.22%
Series 12	2.93	92.14%	36 months	0.00%	5.25%
Series 13	2.93	92.14%	60 months	0.00%	5.25%
Series 14	3.29	88.91%	36 months	0.00%	4.24%

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

	Original exercise price	Modified exercise price
Series 2	A$19.50	A$18.95
Series 3	A$ 2.10	A$ 1.55
Series 9	A$ 3.00	A$ 2.45

32. SHARE-BASED PAYMENTS (CONTINUED)

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

	2010		2009	
	Number of restricted shares, rights and options '000	Weighted average exercise price US$	Number of restricted shares, rights and options '000	Weighted average exercise price US$
Balance at beginning of financial year	2,451	1.10	829	2.50
Granted during the financial year	2,309	0.03	1,818	0.50
Forfeited during the financial year	(394)	0.00	(196)	(0.30)
Exercised during the financial year	(88)	0.00	-	0.00
Balance at end of the financial year	4,278	0.60	2,451	1.10
Exercisable at end of the financial year	-	-	-	-

The following rights were exercised during 2010:

Grant date	Date of exercise	Number of shares '000	Fair Value at date of exercise US$
12-Apr-07	12-Apr-10	61	3.60
17-Sep-07	1-Jul-10	22	2.88
11-Apr-08	1-Jul-10	5	2.88

33. KEY MANAGEMENT PERSONNEL COMPENSATION

Details of key management personnel

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

- David McLemore – Chairman, non-executive director (appointed Chairman effective 23 August 2010)
- Graham Bradley - Chairman, non-executive director (resigned 23 August 2010)
- Bruce Brook - Non-executive director
- Roger Brown - Non-executive director
- Roy Franklin - Non-executive director
- David Grzelak - Non-executive director
- Peter St George - Non-executive director
- Craig Kipp - Chief Executive Officer and Executive Director
- Joseph Ragan III - Chief Financial Officer
- Fabrizio Rasetti - Senior Vice President, General Counsel and Company Secretary
- Brad Baker - Senior Vice President, Human Resources
- Michael Birch - Vice President, Global Drilling Services (formerly Vice President, Global Products)
- Alan Sides – Vice President, Global Products (employment commenced 15 March 2010)

33. KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

The aggregate compensation made to key management personnel of the Company is set out below.

	2010 US$	2009 US$
Short-term employee benefits	5,665,932	5,752,835
Post-employment benefits	121,184	128,681
Other long-term benefits	666,019	360,545
Termination benefits	-	324,487
Share-based payment	2,082,199	1,549,832
	8,535,334	8,116,380

34. RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

(i) Key management personnel compensation

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

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

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

(iii) Key management personnel equity holdings

The number of shares held by directors and other members of key management personnel are disclosed below.

	Balance 1 January	Net change during year	Balance 31 December	Balance held nominally
2010				
David McLemore	115,861	-	115,861	-
Bruce Brook	104,422	-	104,422	-
Roger Brown	-	30,000	30,000	
David Grzelak	1,000	-	1,000	-
Peter St. George	107,449	-	107,449	-
Craig Kipp	521,463	-	521,463	-
Fabrizio Rasetti	106,612	-	106,612	-
Michael Birch	66,460	-	66,460	-

	Balance 1 January	Net change during year	Balance 31 December	Balance held nominally
2009				
Graham Bradley	261,026	243,378	504,404	-
Bruce Brook	50,405	54,017	104,422	-
David McLemore	115,861	-	115,861	-
David Grzelak	1,000	-	1,000	-
Peter St. George	51,919	55,530	107,449	-
Craig Kipp	521,463	-	521,463	-
Scott Alexander	58,892	-	58,892	-
Fabrizio Rasetti	106,612	-	106,612	-
Michael Birch	66,460	-	66,460	-

34. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Share Rights and Shares

Details of the number of rights under the LTIP and restricted shares that have been granted as compensation to the KMP, and the activity during the financial year are as follows:

2010	Held at the beginning of the Financial Year	Granted as Remun-eration	Vested during the year [1]	Forfeited during the year	Held at the end of the Financial Year	Vested and Exercisable as at 31 December 2010
Graham Bradley	49,189	-	(49,189)	-	-	-
Bruce Brook	4,595	-	(4,595)	-	-	-
Peter St George	7,297	-	(7,297)	-	-	-
Craig Kipp	229,471	429,820	-	-	659,291	-
Joseph Ragan III	105,000	103,000	-	-	208,000	-
Fabrizio Rasetti	72,850	82,578	-	-	155,428	-
Brad Baker	70,000	72,150	-	-	142,150	-
Michael Birch	75,000	82,900	-	-	157,900	-
Alan Sides	-	104,600	-	-	104,600	-

(1) Restricted shares vested in 2010 were awarded on the Company's initial public offering in April 2007 in respect of work performed prior to the Company's listing.

2009	Held at the beginning of the Financial Year	Granted as Remun-eration	Vested during the year	Forfeited during the year	Held at the end of the Financial Year	Vested and Exercisable as at 31 December 2009
Graham Bradley	49,189	-	-	-	49,189	-
Bruce Brook	4,595	-	-	-	4,595	-
Peter St George	7,297	-	-	-	7,297	-
Craig Kipp	49,471	180,000	-	-	229,471	-
Joseph Ragan III	30,000	75,000	-	-	105,000	-
Fabrizio Rasetti	17,850	55,000	-	-	72,850	-
Scott Alexander	8,500	55,000	-	(63,500)	-	-
Brad Baker	15,000	55,000	-	-	70,000	-
Michael Birch	20,000	55,000	-	-	75,000	-

34. RELATED PARTY TRANSACTIONS (CONTINUED)

Cash Rights

Details of the cash rights that have been granted as compensation to the KMP, and the activity during the financial year are as follows:

2010	Held at the beginning of the Financial Year US$	Granted as Remun-eration US$ [1]	Vested during the year US$	Forfeited during the year US$	Held at the end of the Financial Year US$	Vested and Exercisable as at 31 December 2010 US$
Craig Kipp	550,000	450,000	-	-	1,000,000	-
Joseph Ragan III	275,000	100,000	-	-	375,000	-
Fabrizio Rasetti	225,000	80,000	-	-	305,000	-
Brad Baker	225,000	80,000	-	-	305,000	-
Michael Birch	225,000	80,000	-	-	305,000	-
Alan Sides	-	80,000	-	-	80,000	-

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

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

34. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Options

2010	Held at the beginning of the Financial Year	Granted as Remun-eration	Vested during the year	Forfeited during the year	Held at the end of the Financial Year	Vested and Exercisable as at 31 December 2010
Craig Kipp	340,000	-	-	-	340,000	-
Joseph Ragan III	37,500	-	-	-	37,500	-
Fabrizio Rasetti	27,500	-	-	-	27,500	-
Brad Baker	27,500	-	-	-	27,500	-
Michael Birch	27,500	-	-	-	27,500	-
Alan Sides	-	25,000	-	-	25,000	-

2009	Held at the beginning of the Financial Year	Granted as Remun-eration	Vested during the year	Forfeited during the year	Held at the end of the Financial Year	Vested and Exercisable as at 31 December 2009
Craig Kipp	250,000	90,000	-	-	340,000	-
Joseph Ragan III	-	37,500	-	-	37,500	-
Fabrizio Rasetti	-	27,500	-	-	27,500	-
Brad Baker	-	27,500	-	-	27,500	-
Michael Birch	-	27,500	-	-	27,500	-

During the year ended 31 December 2010, the Board awarded Mr. Sides 25,000 stock options. The stock options granted in 2010 will vest in full and become exercisable on 15 June 2015 if the executive remains continuously employed with the Company until that date. At the date of grant, the options had an original exercise price of A$3.20 per option and a fair market value of US$2.24 per option.

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

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

Analysis of Movements in Rights, Options and Shares

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

	Value granted in year			Value forfeited in year		
Name	Entitlement to share rights US$	Entitlement to cash rights US$	Share options US$	Entitlement to share rights US$	Entitlement to cash rights US$	Share options US$
Craig Kipp	1,192,878	450,000	-	-	-	-
Joseph Ragan III	285,855	100,000	-	-	-	-
Fabrizio Rasetti	229,178	80,000	-	-	-	-
Brad Baker	200,237	80,000	-	-	-	-
Michael Birch	230,072	80,000	-	-	-	-
Alan Sides	306,323	80,000	-	-	-	-

34. RELATED PARTY TRANSACTIONS (CONTINUED)

The value (based upon the fair value at the time of issuance) of outstanding rights, options and shares in the Company held by KMP as at 31 December 2010 is detailed below:

Name	Share rights value as of period end US$	Cash rights value as of period end US$	Options value as of period end US$	Total rights and option value as of period end US$
Craig Kipp	2,201,409	1,000,000	2,990,983	6,192,392
Joseph Ragan III	461,235	375,000	53,615	889,850
Fabrizio Rasetti	585,735	305,000	39,317	930,052
Brad Baker	506,349	305,000	39,317	850,666
Michael Birch	654,218	305,000	39,317	998,535
Alan Sides	306,323	80,000	53,813	440,136

35. REMUNERATION OF AUDITORS

	2010 US$	2009 US$
Audit or review of the financial report		
Auditor of the parent entity	1,217,000	1,139,000
Related practice of the parent entity auditor	1,020,000	1,254,000
Other auditors	196,000	-
	2,433,000	2,393,000
Non-audit services		
Tax services	2,493,000	826,000
Review of tax returns	681,000	415,000
Capital raising	-	420,000
Due diligence and other non-audit services	11,000	13,000
	3,185,000	1,674,000

The auditor of Boart Longyear Limited is Deloitte Touche Tohmatsu.

36. SUBSEQUENT EVENTS

The directors have not become aware of any matter or circumstance that has arisen since 31 December 2010 that has affected or may affect the operations of the consolidated entity, the results of those operations, or the state of the consolidated entity in subsequent years.