Emeco

Earthmoving equipment solutions

Annual Report 2010

Emeco
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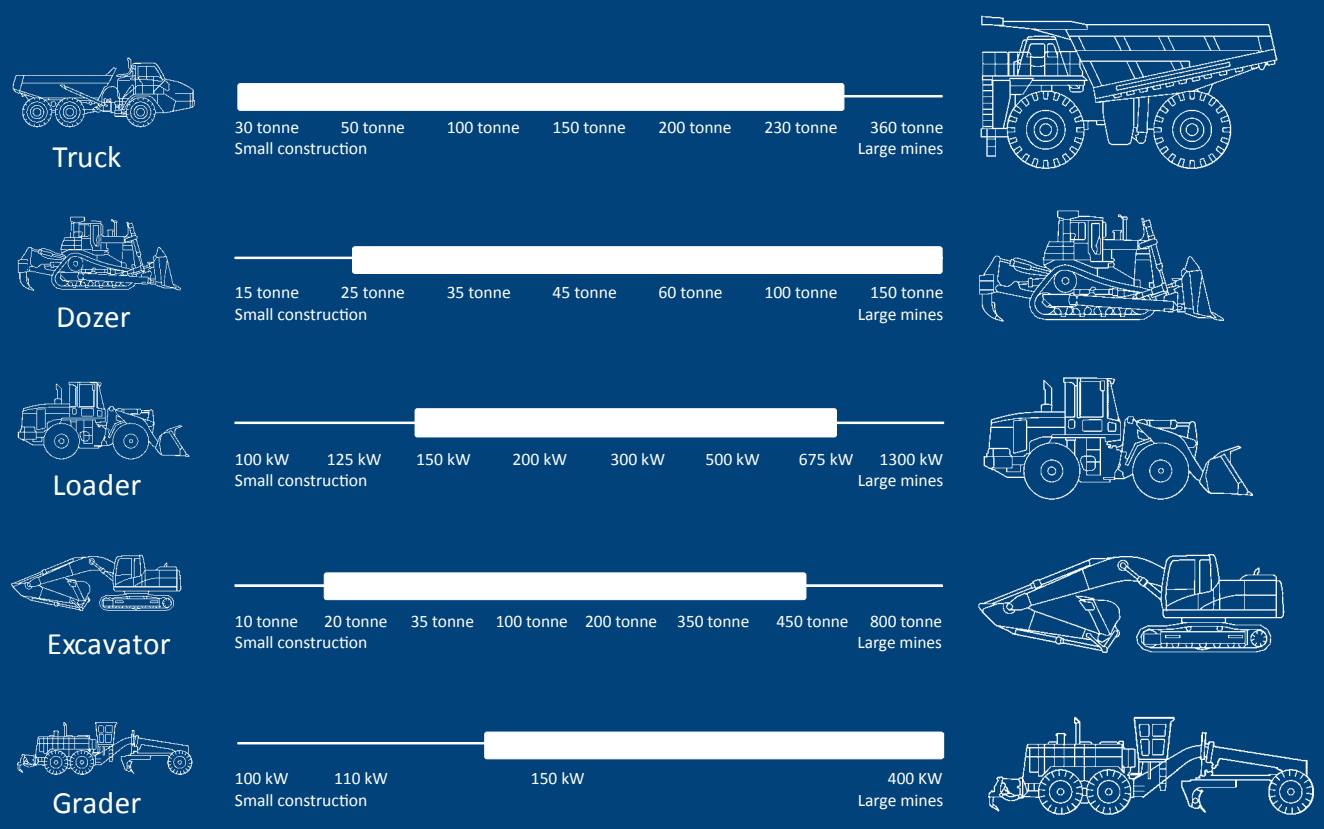
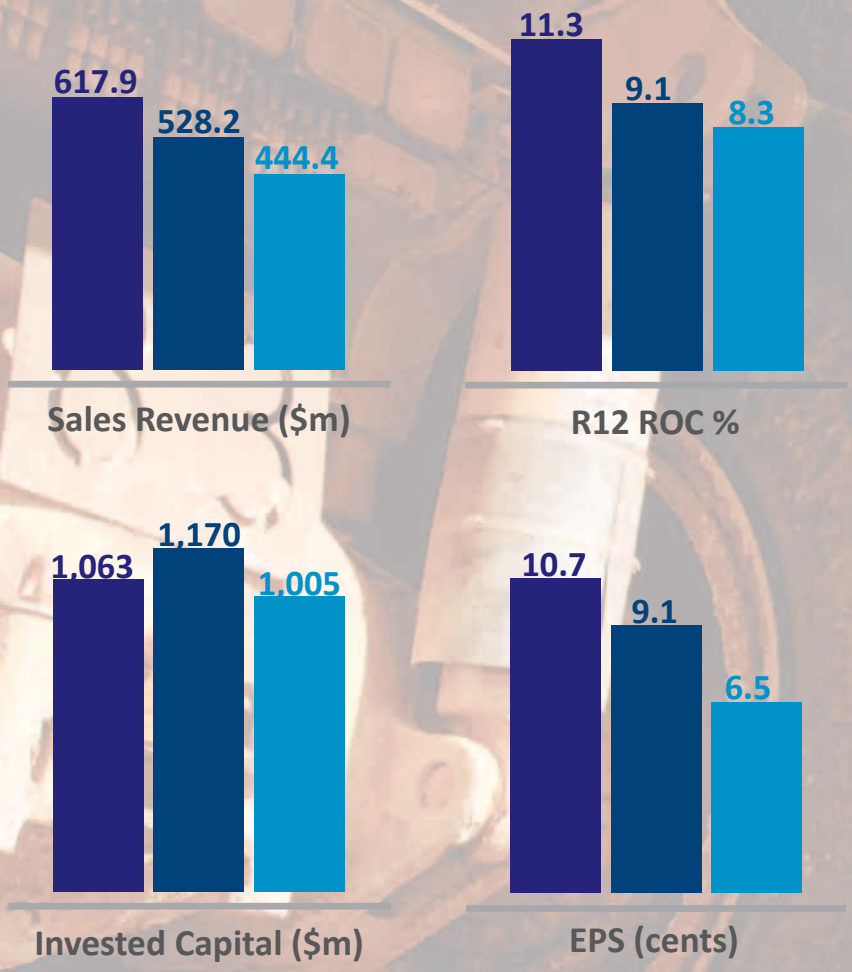
Emeco is a leading independent supplier of heavy earthmoving equipment solutions for the global mining industry, with operations in Australia, Indonesia and North America.

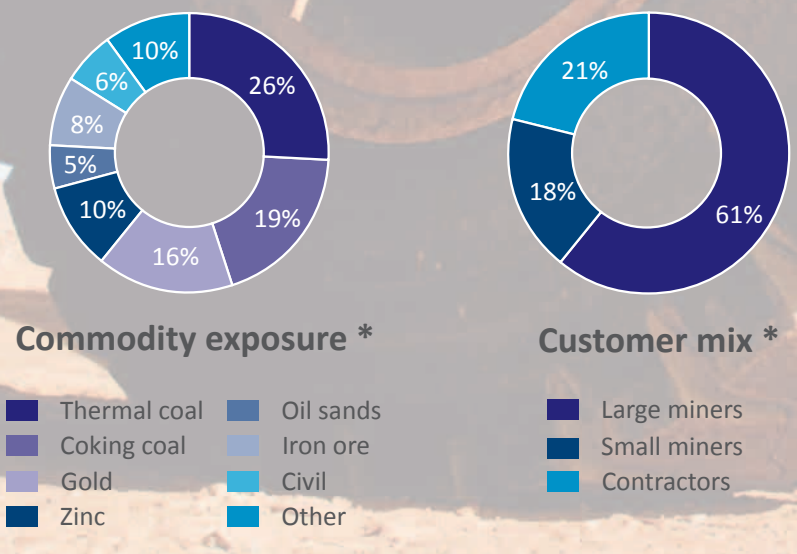


"The progressive implementation of our fleet strategy will result in a greater weighting of large mining equipment in the fleet over time."

Keith Gordon
Managing Director & Chief Executive Officer

Financial Summary





*Measured as a percentage of FY10 revenue.
(The information above is based on operating results)

Highlights

- Strategic review complete, clear direction set
- Improved safety performance
- Restructure of underperforming businesses
- Focus on core customers in growing mining markets
- Evolution of fleet towards large mining equipment
- Increasing exposure to production phase of mining cycle

Chairman's Report

Dear Shareholder

On behalf of the Directors I am pleased to present Emeco Holdings Ltd's annual report to shareholders for the 2009/2010 financial year.

Performance for the year

The 2009/2010 financial year (FY10) has been a year of recovery for the Company. While stability returned to markets early in the financial year, there was still significant uncertainty and fragility in the global economy. Gradually improving confidence across our mining markets over the course of the year resulted in increasing activity levels with particularly strong momentum achieved in the second half. Emeco's revenues reflected this slow but positive recovery in the mining sector and this is reflected in our full year results. Net profit after tax (NPAT) before significant items was $41.1 million for the year.

Despite FY10 earnings being impacted by the lingering effects of the financial crisis, Emeco continued its focus on balance sheet flexibility and cash flow. We maintained a disciplined approach to capital expenditure and working capital and this resulted in positive cash flow and further debt reduction over the year. As a result of this, we are starting the 2010/2011 financial year (FY11) with a comfortable gearing level and balance sheet capacity to pursue growth opportunities.

Although the fundamentals in Emeco's core mining markets improved throughout the year, we have made some long-term decisions as a result of a strategic review of the business and these decisions have adversely affected our short-term financial performance. Our decision to rationalise our businesses in USA, Europe and Victoria and downsize the Australian Sales and Parts businesses has given rise to impairment and restructuring charges of $90.4 million in FY10. While these significant items are disappointing, these strategic decisions are a key step in allowing Emeco to deliver superior shareholder returns in the future.

Dividend

The dividend policy of the Board is to distribute to shareholders approximately 35% to 45% of annual NPAT and to frank dividends to the fullest extent possible.

In February 2010, the Board resolved not to pay an interim dividend in order to preserve cash and maintain balance sheet flexibility until it was satisfied that the recovery in the resources industry was flowing through to the mining services sector. The Board stated it would resume payment of dividends if earnings recovered over the balance of FY10.

The Group's Operating NPAT of $41.1 million, which excludes the significant one-off impairment and restructuring charges given they are largely non-cash in nature, has satisfied the Board that the expected earnings recovery has been delivered. In considering an appropriate dividend, the Board has also considered the extent of available retained profits and franking credits, the robust operating cash flow and strong balance sheet.

Accordingly, the Directors have declared a final dividend of 2.0 cents per share. The final dividend will be 100% franked.

Our people

Central to the future success of Emeco are our talented and dedicated employees. On behalf of the Board, I want to take this opportunity to thank everyone for their significant contribution in positioning Emeco as a world class service provider to the global mining industry.

We have not wavered in our commitment to ensuring the safety of our employees, contractors and visitors. During the year, we devoted considerable time and attention to improving the safety performance of all our operations around the world. Whilst this is an area that requires constant vigilance and continuous improvement, I believe Emeco made significant progress in FY10 toward ensuring its safety management practices are uniformly world class. Our ultimate safety objective remains "zero harm" and this objective continues to guide us in how we manage and think about safety in the workplace.

Board changes

In December 2009 Laurie Freedman stepped down as Emeco's CEO and Managing Director. Laurie's contribution to Emeco during his 10 year tenure as CEO has been very substantial. His vision and his commitment to Emeco have been fundamental to Emeco's growth and success. On behalf of my fellow Directors I thank Laurie for his contribution; he has left behind a Board and Executive Leadership Team who are ready to embark upon the next phase of the Company's development.

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In addition, Executive Director Robin Adair departed Emeco in November 2009. Robin made a significant contribution at both the Board level and to the Executive Leadership Team during his 8 years with the Company and we thank Robin for his contribution.

We were very pleased to have achieved a smooth leadership transition during the year and welcome our new CEO and Managing Director, Keith Gordon. The Board was delighted that Keith has agreed to bring his extensive corporate and commercial experience to bear on Emeco. In his short time with the business, Keith and the management team have successfully delivered a revised strategic direction for Emeco and have already made positive steps in executing this strategy. I look forward to working closely with Keith and the management team in the future to deliver improved shareholder returns.

Finally, the Directors announced the appointment of Peter Richards as an independent Non-Executive Director in June 2010. Peter has worked at senior executive levels within the resources and broader industrial sectors. We are fortunate to have attracted a Director of his quality and Emeco is already benefiting from the extensive experience he brings to the Company.

The future

While some uncertainty remains around the global economic outlook, we believe the momentum of our core businesses in the second half of FY10 provides a solid foundation for continued improvement in financial performance into the future. In the year ahead, we will focus on optimising our core businesses to improve returns while continuing to position the business for longer term growth, with the overriding objective of consistent value creation for our shareholders.

Alec Brennan
Chairman

"In the year ahead, we will focus on optimising our core businesses to improve returns while continuing to position the business for longer term growth, with the overriding objective of consistent value creation for our shareholders."

Managing Director's Report

Year in Review

Following continued subdued activity in the first half of the year, a return to more normal trading conditions over the course of the second half allowed Emeco to finish the year strongly and to be well placed to capitalise on the growing demand for earth moving equipment from the resources sector in FY11.

The Emeco Group operating NPAT of $41.1 million for FY10 was a credible result given operating NPAT in the first half was $13.6 million. Statutory NPAT for the full year was a loss of $(49.3) million reflecting the impairment and one-off restructuring charges associated with business restructuring activities and a deterioration in market values of small civil construction equipment held for sale. Net tangible assets (NTA) per share were $0.70 at 30 June 2010, down from $0.74 at 30 June 2009.

During the year, Emeco completed a strategic review of operations which resulted in exiting its European and USA Rental operations. The Company also intends to exit its Victorian civil equipment Rental business and its USA Parts business and will restructure the Australian Sales and Parts businesses to align them with the customers serviced by the mining Rental business. These business decisions are the first steps towards delivering acceptable shareholder returns.

In the Australian Rental business, average utilisation increased from 68% in the first half to 77% in the second half of FY10. Utilisation was maintained at high levels throughout the year in New South Wales, primarily due to exposure to the thermal coal market where activity amongst Emeco's customers continued at historically high levels. Notwithstanding the impact of rain in the third quarter, fleet utilisation improved in Queensland across the second half reflecting the recovery in the coking coal sector over that period. In Western Australia, increased demand from the gold and iron ore sectors also drove an improvement in utilisation in the second half of the year.

Towards the end of the first half, two fleets of 190 and 240 tonne mining trucks became available in Queensland and Western Australia. Due to the Company's strong balance sheet position, we were able to acquire these trucks and they were all deployed in their respective markets early in the second half.

In Indonesia, demand for mining equipment was consistent over the course of FY10 reflecting steady thermal and metallurgical coal production by Emeco's customers. Our new maintenance facility in Balikpapan, Kalimantan was completed during the year and this provides further impetus for growth through its excellent location from an equipment servicing and logistics perspective.

FY10 was a year of transition for the Canadian business. This commenced with the acquisition of a fleet comprising eleven 190 tonne mining trucks followed by $26 million of mining equipment being transferred from the USA business to Canada. At the same time, significant progress was made in disposing of surplus civil equipment with 137 pieces of equipment sold. With this reconfigured fleet, the Canadian business is now well positioned to exploit mining market opportunities across the region. Operationally, the business delivered improved results in the second half following a first half severely impacted by a downturn in activity in the oil sands market.

The Australian Sales and Parts businesses both recorded lower contributions than the previous year with demand being affected by customers deferring expenditure as a result of depressed activity and economic uncertainty.

People & Safety

The last financial year was extremely challenging operationally. Along with preparing a large volume of equipment to go back to work following the economic downturn, our teams had to deal with some unseasonal weather events across our business which made execution even more challenging. The progress made in returning the Company to more acceptable levels of performance would not have been possible without the commitment and passion demonstrated everyday by Emeco's employees. I would like to thank each and every one of our employees for their tireless efforts in very challenging circumstances.

Over the course of the year, we continued to make progress in enhancing Emeco's safety management systems and capability. Pleasingly, the implementation of a new web based safety reporting system has made our safety performance more transparent and dynamic. We saw a significant reduction in Lost Time Injury Frequency Rate (LTIFR) over the year. Our Medical Treatment Injuries (MTI) have not shown the same degree of improvement so progress in this area is a priority.

"Over the course of the year we continued to make progress in enhancing Emeco's safety management systems and capability. We also saw a significant reduction in Lost Time Injury Frequency Rate."

Emeco continues to invest in its human resource management systems. During the year, we recruited new personnel into senior human resource and safety roles in Australia and Canada. Along with these additional resources, we are now considering enhancements to our training and development program as well as our performance management and succession planning systems. We firmly believe that investment in our people is key to Emeco's future success.

The future

Together with the improvement in the external market over the second half, the Company's strategic review will underpin its future activity and growth.

Our strategy must revolve around our customers. An analysis of our markets, our businesses and our customer relationships has led to the conclusion that the customers we are best placed to service are those that operate in the mining sector in geographies that have growing resources industries. All of our efforts, and the capital we invest in our business, will be targeted at servicing these customers in order to generate satisfactory returns for our shareholders. Our strategy is simple and has three pillars:

Consistent value creation for shareholders

Creating value for shareholders has two dimensions – achieving a satisfactory return on our invested capital and achieving consistent returns over time. Central to this pillar of our strategy is the disciplined investment of capital over time to generate returns above Emeco's WACC. To support this, we will continually evaluate our capital structure to ensure that it is optimised to deliver value to our shareholders and to support growth in the Company.

Optimise the core

The strategic review identified a number of businesses which are not aligned with Emeco's strategic direction. We have completed or are in the process of exiting our European, USA and Victorian Rental businesses and we are repositioning our Australian Sales and Parts businesses. All of these restructuring activities will convert underperforming capital into cash.

Within our core mining Rental businesses in Australia, Canada and Indonesia, which are characterised by growing mining industries, we will look to embed and further enhance our customer-centric business model. This will be supported by the progressive implementation of our fleet strategy which will result in a greater weighting of large mining equipment in the fleet over time. It is this equipment in particular that is in high demand from our customers.

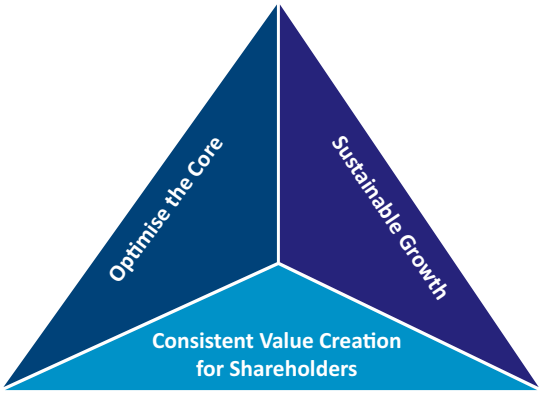
Sustainable growth

The third pillar of our strategy is sustainable growth. This will be achieved by building our internal capability to deliver longer term growth as well as expanding our offer into areas such as maintenance services. We will look to invest additional capital in our businesses where it is clear that the returns will exceed our cost of capital. In time, we will evaluate the addition of other products, services and geographies to our customer offering.

Despite challenging and volatile market conditions in the first half of FY10, Emeco enters FY11 with strong momentum. Fleet utilisation was 86% at 30 June 2010 and the Company's balance sheet is in good shape with gearing comfortably within our target range. The Company has a clearly articulated focus on consistent value creation for shareholders and with a strong presence and committed teams in our key markets of Australia, Indonesia and Canada, I am confident that we will make further progress in delivering on this goal in FY11.

Lastly, I would like to thank the Chairman and other Non-Executive Directors, as well as the Executive Leadership Team, for the terrific support I have received since joining Emeco in December 2009.

Keith Gordon
Managing Director & Chief Executive Officer



Emeco strategic framework

"The progress made in returning the Company to more acceptable levels of performance would not have been possible without the commitment and passion demonstrated everyday by Emeco's employees."

Chief Financial Officer's Review

Our focus in FY10 from a financial perspective was to deliver strong operating cash flows, liberate underperforming capital, install balance sheet flexibility by way of debt reduction and make strategic investments in the early stages of the recovery cycle. The achievement of these objectives has ensured Emeco is now ready to sustainably grow the business in the coming years.

The decline in headline earnings in FY10 was due to a slow recovery in our underlying markets and charges from significant items arising from business closures and restructures. However, underlying the full year financial results was an encouraging trend in operating earnings over the second half of FY10 as our idle rental fleet was redeployed into new opportunities across the business.

Financial results

	Operating (pre significant items)			Statutory (post significant items)		
A$ million	**FY09**	**FY10**	**YOY %**	**FY09**	**FY10**	**YOY %**
Revenue	528.2	444.4	(15.9)	528.2	461.7	(12.6)
EBITDA	210.9	190.4	(9.7)	185.3	139.0	(25.0)
EBIT	105.9	83.6	(21.1)	67.7	(6.1)	(109.0)
NPAT	**57.7**	**41.1**	(28.8)	**13.3**	**(49.3)**	(470.7)

Operating results

Group operating revenue was $444.4 million in FY10, 15.9% lower than FY09, primarily due to lower average Rental fleet utilisation and a significant decline in equipment sales in Australia. Despite continuing revenue from contracts in the second half of financial year 2008/2009 (2H09), a rapid reduction in utilisation followed by a slow recovery in the first half of financial year 2009/2010 (1H10) resulted in a reduction in full year revenue in FY10.

Despite this reduction, revenue from the Rental businesses was $235.9 million in the second half FY10, up 13.1 % on the first half highlighting the positive trend in revenue going into FY11. This reflected a step-change in activity across all core markets in thermal coal, metallurgical coal, gold, iron ore and oil sands.

The impact of lower utilisation on revenue was partially compensated by lower direct operating costs, particularly equipment repairs and maintenance. This factor, in combination with an increased contribution from higher margin Rental income to the overall revenue mix, led to a relatively smaller reduction in EBITDA of 9.7 % as compared to the reduction in revenue over the same period. Furthermore, EBITDA margins have remained robust notwithstanding a volatile economic environment due to stable pricing, cost flexibility and improved revenue mix.

Operating EBIT in FY10 was down 21.1% to $83.6 million. The greater relative reduction in EBIT as compared to EBITDA is due to the fixed cost component of depreciation in a lower fleet utilisation environment which ensures carrying values of our fleet are preserved across the economic cycle. As utilisation improves going forward, we would expect EBIT margins to expand due to this fixed cost leverage.

Profit on sale of Rental assets (POSA) contributed $2.9 million post tax to operating profit before significant items in FY10 (FY09: $3.9 million) on asset disposals of $31.6 million (FY09: $21.3 million).

As a result of the above factors NPAT before significant items declined 28.8% from $57.7 million to $41.1 million in FY10.

Further in-depth analysis is provided in the Review of Operations section.

Significant items

Emeco incurred significant one-off impairment and restructuring charges totalling $90.4 million after tax ($74.9 million being non-cash), resulting in a statutory NPAT of $(49.3) million for FY10. These charges are comprised of:

- Australian impairment and restructuring charges related to the divestment and restructuring of underperforming Australian businesses (Victoria Rental, Sales and Parts) totalled $44.2 million post tax ($42.4 million non-cash).

  Comprising:

  Fixed asset and inventory impairment charges of $8.7 million;

  Goodwill impairment charges of $37.0 million;

  Closure and restructure charges of $1.7 million; and

  Tax effect offsetting by $3.2 million.

- Europe and USA impairment and closure costs (including exiting USA Parts business) of $35.2 million post tax ($21.5 million non-cash).

  Comprising:

  Fixed asset and inventory impairment charges of $5.5 million; and

  Closure and restructure charges of $29.7 million.

- Impairment of small civil equipment in Canada of $5.6 million post tax (non-cash).
- In addition to the impairment and restructuring charges, statutory NPAT also includes a non-cash accounting transfer of $5.4 million from the foreign currency translation equity reserve (FCTR) to Retained Earnings relating to the elimination of Emeco's investment in the USA and Europe businesses.

The impairment and restructuring charges can be summarised as follows:

	1H10	2H10					
A$ million	Tangible asset impairment	Tangible asset impairment	Goodwill impairment	Closure & restructure costs	FCTR	Tax effect	TOTAL $M (NPAT)
Operating NPAT							**41.1**
Continuing Operations:							
Australia	(4.5)	(1.1)	(20.1)	(1.0)	-	2.0	(24.7)
Canada	(7.8)	-	-	-	-	2.2	(5.6)
Discontinued Operations:							
Australia	-	(3.1)	(16.9)	(0.7)	-	1.2	(19.5)
United States	(5.5)	-	-	(23.1)	(4.2)	-	(32.8)
Europe	-	-	-	(6.6)	(1.2)	-	(7.8)
Statutory NPAT	**(17.8)**	**(4.2)**	**(37.0)**	**(31.4)**	**(5.4)**	**5.4**	**(49.3)**

Cash flow and balance sheet

During FY10, we further enhanced our balance sheet flexibility through improving operating cash flow, releasing working capital, liberating underperforming capital through asset disposals, and maintaining a disciplined approach to capex. The Company generated free cash flow before dividends of $37.6 million which included working capital release of $5.6 million and rental fleet disposals of $47.5 million.

Notwithstanding our focus on cash flow and balance sheet management, we continued to make strategic capex investments in high quality assets with a view to long-term growth. We took advantage of our balance sheet position and invested $84.4 million in three fleets of 190 and 240 tonne trucks (39 assets) to meet emerging demand in Australia and Canada in FY10.

The Company's net debt reduced by $31 million to $300 million over the twelve months to 30 June 2010. This decrease was driven by net debt repayment of $26 million and $5 million due to the translation effect of the AUD appreciation. The Group's gearing is 1.6 times (Net Debt : EBITDA) at 30 June 2010 and within our target range of 1.5 – 2.0 times. We currently have undrawn facilities headroom of $328.4 million via the $595 million debt facility (maturity in August 2011) and $33.4 million working capital facility. With the credit markets having improved since 2009, we expect to secure new debt facilities to meet our medium term capital needs during FY11.

Due to the impairment and restructuring charges in FY10, net tangible assets (NTA) per share has reduced to $0.70 at 30 June 2010 ($0.74 at 30 June 2009). The asset impairments in FY10 related to smaller civil construction equipment, whereas market values for larger mining equipment, which comprise approximately 90% of the Emeco fleet, have remained robust during this period, particularly in the Asia Pacific region.

Return on capital

Operating Return on Capital (ROC) and Return on Funds Employed (ROC less goodwill) was 8.3 % and 10.5 % respectively at 30 June 2010. Delivering an improved ROC for shareholders is our primary strategic focus going forward. In the past six months, we have taken meaningful steps to improve returns through the closure of the Europe and USA operations, divestment of the Victorian Rental business and downsizing and realigning the Australian Sales and Parts businesses.

We expect recent improvements in underlying earnings in Emeco's core businesses and the business rationalisation strategies will drive an improvement in ROC over FY11. Coupled with our focus on disciplined allocation of incremental capital into our core businesses and sustainable capital management strategies, we will deliver value to our shareholders.

Stephen Gobby
Chief Financial Officer

Review of Operations

The Emeco Group

	Operating (pre significant items)			Statutory (post significant items)		
A$ million	FY09	FY10	YOY %	FY09	FY10	YOY %
Revenue	**528.2**	**444.4**	**(15.9)**	**528.2**	**461.7**	**(12.6)**
Rental	391.3	352.6	(9.9)	391.3	363.9	(7.0)
Sales	110.2	71.3	(35.3)	110.2	77.3	(29.9)
Parts	26.7	20.5	(23.2)	26.7	20.5	(23.2)
EBIT	**105.9**	**83.6**	**(21.1)**	**67.7**	**(6.1)**	**(109.0)**
Rental	94.7	85.6	(9.6)	87.4	28.8	(67.0)
Sales	6.5	(2.0)	(130.8)	(20.4)	(28.4)	39.2
Parts	4.7	0.0	(100.0)	0.7	(6.5)	(1,028.6)

The Company's FY10 operating revenue of $444.4 million and operating EBIT of $83.6 million were down 15.9% and 21.1% respectively compared to FY09. The lower earnings were attributable to commencing the year from a low utilisation base due to a rapid decline in utilisation toward the end of FY09 and significant reduction in earnings contribution from the Sales and Parts businesses.

Whilst the uncertainty created by the global economic crisis subsided during FY10, redeployment and commissioning of the Rental fleet was slow in 1H10, creating a time lag between executing contracts and revenue contribution. The Company's FY10 utilisation profile illustrates the earnings trajectory for the year with 60% utilisation (measured as % of $WDV deployed) at the start of the period and finishing the financial year at 86%, with an accelerating ramp-up profile particularly in 2H10.

Geographic highlights

Australia

	Operating (pre significant items)			Statutory (post significant items)		
A$ million	FY09	FY10	YOY %	FY09	FY10	YOY %
Revenue	363.5	337.1	(7.3)	363.5	337.1	(7.3)
EBITDA	148.1	144.2	(2.6)	148.1	133.8	(9.7)
EBIT	80.6	69.2	(14.1)	80.6	21.8	(73.0)
Rental machines	561 units	580 units	3.4	561 units	580 units	3.4
Machine sales	169 units	152 units	(10.1)	169 units	152 units	(10.1)

Activity across the Australian mining industry rebounded over the course of FY10, however meaningful levels of activity did not commence until 2H10 and hence full year earnings did not recover to FY09 levels.

Utilisation in Western Australia improved from 55% at the start of the year to 85% at 30 June 2010 due to increased activity in the iron ore and gold sectors. The region also invested in ten 240 tonne dump trucks which were deployed in 2H10 to iron ore and coal customers.

Thermal coal activity in the Hunter Valley region of New South Wales (NSW) remained at historically high levels, underpinning consistent utilisation at around 90% over FY10. Some idle fleet was redeployed from other regions into NSW during the period to meet strong demand levels which benefited the Comapny's global fleet utilisation.

The global financial crisis and the uncertainty around medium term global steel demand had a significant impact on production and overburden volumes in the metalliferous coal market in Queensland throughout 2009. This had a resultant impact on activity for Emeco in 1H10. However, as markets stabilised and confidence returned to the coal sector in Queensland, utilisation increased from 58% in early FY10 to 90% at 30 June 2010. As part of a targeted investment program in FY10, a fleet of seventeen 190 tonne dump trucks were acquired through 1H10 which contributed to improved earnings in 2H10 for this business.

The Australian Sales and Parts businesses recorded significantly lower contributions than the prior year due to customers deferring expenditure as a result of depressed activity and economic uncertainty. These businesses together with Victorian Rental incurred impairment and restructuring charges totalling $44.2 million post tax ($42.4 million non cash) in FY10 ($3.2 million was recognised in 1H10).

Indonesia

	Operating (pre significant items)			Statutory (post significant items)		
A$ million	FY09	FY10	YOY %	FY09	FY10	YOY %
Revenue	50.5	49.7	(1.6)	50.5	49.7	(1.6)
EBITDA	33.4	31.7	(5.1)	33.4	31.7	(5.1)
EBIT	18.6	13.7	(26.3)	18.6	13.7	(26.3)
Rental machines	203 units	196 units	(3.4)	203 units	196 units	(3.4)

Emeco's Indonesian subsidiary, PT Prima Traktor IndoNusa (PTI) achieved relatively consistent fleet utilisation of 76% across the period, however maximum operating hours were not achieved on deployed equipment due to customer productivity issues related to weather. The lower EBIT contribution in FY10 compared to FY09 was influenced by a bad debt expense of $1.9 million in FY10 and the adverse effect of a stronger AUD on translated earnings. Despite these particular items impacting EBIT in FY10, underlying activity related to thermal coal production remained robust throughout the global financial crisis.

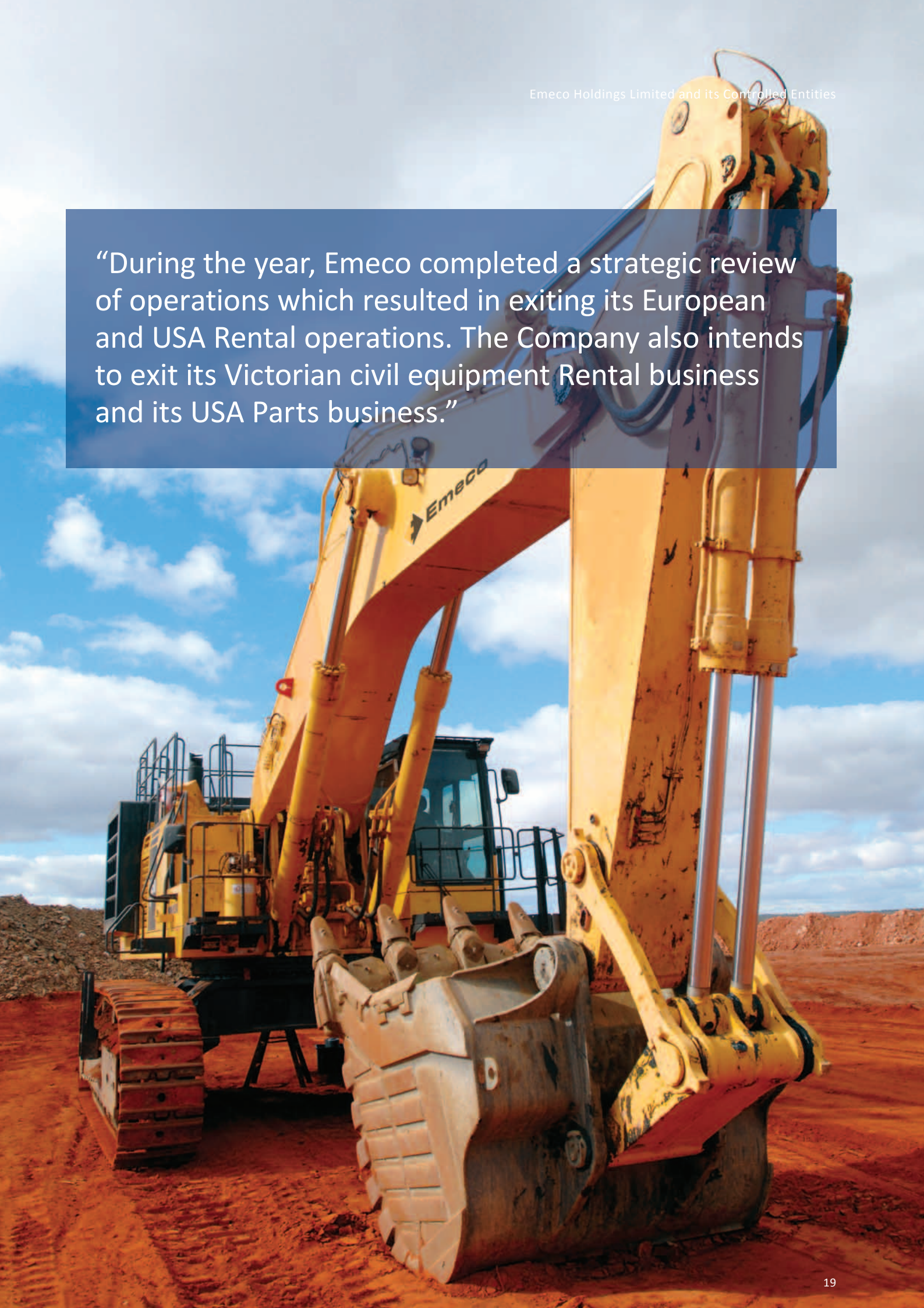
Canada

	Operating (pre significant items)			Statutory (post significant items)		
A$ million	FY09	FY10	YOY %	FY09	FY10	YOY %
Revenue	49.8	37.9	(23.9)	49.8	37.9	(23.9)
EBITDA	25.6	14.5	(43.4)	19.8	5.2	(73.7)
EBIT	9.5	2.7	(71.6)	3.7	(6.6)	(278.4)
Rental machines	264 units	155 units	(41.3)	264 units	155 units	(41.3)

The Canadian rental business was particularly hard hit by the global economic downturn due to the collapse in the oil price and Emeco's significant exposure to construction related activity in the oil sands sector. Rental fleet utilisation was depressed until December 2009 at which time broad activity recommenced in the oil sands.

Significant progress was however made over the year, in repositioning the Canadian fleet toward a full mining fleet ensuring greater exposure to mining related activity in the oil sands. This fleet repositioning was partly attributable to purchase of eleven 190 tonne trucks and the disposal of 137 units of small civil equipment. Despite protracted weather events in the second half, profitability gained momentum into the end of the financial year with utilisation finishing at 84%.

The decision to accelerate the fleet reconfiguration strategy in conjunction with the North American restructure resulted in $7.8 million (pre-tax) of impairment charges on the Canadian small civil equipment.



"During the year, Emeco completed a strategic review of operations which resulted in exiting its European and USA Rental operations. The Company also intends to exit its Victorian civil equipment Rental business and its USA Parts business."

"Within our core mining Rental businesses in Australia, Canada and Indonesia, we will look to embed and further enhance our customer-centric business model."

United States of America (USA)

	Operating (pre significant items)			Statutory (post significant items)		
A$ million	FY09	FY10	YOY %	FY09	FY10	YOY %
Revenue	46.6	12.4	(73.4)	46.6	23.7	(49.1)
EBITDA	6.4	(0.1)	(101.6)	2.9	(25.7)	(986.2)
EBIT	1.8	(1.7)[1]	(194.4)	(7.3)	(28.4)	289.0
Rental machines	74 units	0 units	(100.0)	74 units	0 units	(100.0)

[1] Relates to the operating earnings / (loss) incurred in 1H10 prior to the decision to exit the USA business in January 2010.

After a comprehensive review, the USA and Canadian businesses were restructured into a single North American business unit. This decision was driven by fundamentals of the Appalachian coal market not supporting an ongoing presence for Emeco's unique service proposition within the region. With the exception of the USA Parts business, the USA business was successfully wound down by 30 June 2010. The reduction in market values for assets and the closure of the business gave rise to impairment and restructuring charges of $32.8 million after tax in FY10 ($5.5 million was recognised in 1H10).

Europe

	Operating (pre significant items)			Statutory (post significant items)		
A$ million	FY09	FY10	YOY %	FY09	FY10	YOY %
Revenue	17.8	7.3	(59.0)	17.8	13.4	(24.7)
EBITDA	(2.6)	0.1	(103.8)	(18.9)	(6.0)	(68.3)
EBIT	(4.5)	(0.4)[1]	(91.1)	(27.7)	(6.8)	(75.5)
Rental machines	17 units	0 units	(100.0)	17 units	0 units	(100.0)
Machine sales	114 units	60 units	(47.4)	114 units	60 units	(47.4)

[1] Relates to the operating earnings / (loss) incurred in 1H10 prior to the decision to exit the European business in January 2010.

In August 2009, Emeco announced that it was in the process of downsizing its European operations. Following continued underperformance, the decision was taken to exit this business as the European operations were deemed unlikely to meet the Company's required rate of return in the foreseeable future, and a presence in Europe offered no material advantage in terms of Emeco's international procurement activities. The closure of the business gave rise to impairment and restructuring charges of $7.8 million after tax in FY10 (2H10).

The Emeco Board

(L-R) **Stephen Gobby** (Chief Financial Officer), **Peter Johnston** (Independent Non-Executive Director), **Peter Richards** (Independent Non-Executive Director), **John Cahill** (Independent Non-Executive Director), **Alec Brennan** (Chairman and Independent Non-Executive Director), **Robert Bishop** (Independent Non-Executive Director), **Keith Gordon** (Managing Director and Chief Executive Officer), **Michael Kirkpatrick** (Company Secretary and General Manager Corporate Services).

Executive Leadership Team

(L-R) **David Tilbrook** (General Manager South East Asia), **Mike Kirkpatrick** (General Manager Corporate Services), **Mick Turner** (General Manager Global Asset Group), **Hamish Christie- Johnston** (General Manager Australian Sales & Parts), **Guido Gadomsky** (General Manager Strategy & Business Development), **Stephen Gobb**y (Chief Financial Officer), **Tony Halls** (General Manager Australian Rental), **Keith Gordon** (Managing Director and Chief Executive Officer), **Ian Testrow** (President Emeco North America).

Financial Report

Directors' Report

The Directors of Emeco Holdings Limited (Emeco or the Company) present their report together with the financial reports of the consolidated entity, being Emeco and its controlled entities (the Group) for the financial year ended 30 June 2010 ("FY10").

Current Directors

The current Directors of the Company are:

Alec Brennan, (Age 63), Chairman and Independent Non-Executive Director

Alec was appointed an Independent, Non-Executive Director in August 2005 and has held the position of Chairman since 28 November 2006.

Alec was Chief Executive Officer of CSR until March 2007. Alec holds an MBA from City University, London, and a BSc from the University of New South Wales. He is Chair of Tomago Aluminium Pty Ltd and PPI Corporation Pty Ltd, a Fellow of the Senate of Sydney University and a member of the ASIC Advisory Panel.

Alec is Chairman of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee.

Robert ("Bob") Bishop, (Age 65), Independent Non-Executive Director

Bob was appointed as an Independent, Non-Executive Director on 22 June 2009. He holds a Master of Science Degree in Production Engineering from the University of Birmingham, United Kingdom, and is a Member of the Institute of Engineers Australia and a Fellow of the Australian Institute of Company Directors.

Bob is a former Managing Director of Joyce Corporation Ltd (1989 to 1994) and Dorsogna Ltd (1994 to 1997). Most recently Bob was the Chief Executive Officer of the global mining and tunnelling division of DYWIDAG Systems International GmbH (DSI), a position he held from 2003 to 2008. Bob has extensive international business experience having worked in the United Kingdom, South Africa, and Europe.

Bob is a member of the Audit and Risk Committee.

John Cahill, (Age 54), Independent Non-Executive Director

John was appointed as an Independent, Non-Executive Director on 15 September 2008.

John is the former Chief Executive Officer of Alinta Infrastructure Holdings and Chief Financial Officer of Alinta Ltd and has over 25 years experience working in the energy utility sector in treasury, finance, accounting and risk management. He is a Non-Executive Director and Deputy Chairman of Electricity Networks Corporation which trades as Western Power and chairs its Finance and Risk Committee and is a member of the People and Performance Committee. John is also a Non-Executive Director of Silver Chain Nursing Association Inc and the Silver Chain Foundation. John is a Graduate Member of the Australian Institute of Company Directors and a Fellow, Deputy President and Director of CPA Australia Ltd.

John is Chairman of the Audit and Risk Committee and a member of the Remuneration and Nomination Committee.

Keith Gordon, (Age 46), Managing Director and Chief Executive Officer

Keith was appointed as Managing Director of Emeco Holdings Limited on 1 December 2009.

Keith has had an extensive career in the industrials sector with significant senior leadership experience. He joined Emeco with more than 10 years experience with Wesfarmers Limited, where he held a number of very senior roles. He has a strong record of achieving value creating growth through innovation and disciplined strategies.

Keith holds a Bachelor of Agricultural Science with Honours and a Master of Business Administration from the University of Western Australia.

Peter Johnston, (Age 59), Independent Non-Executive Director

Peter was appointed as an Independent, Non-Executive Director on 1 September 2006.

Peter is currently Managing Director and Chief Executive Officer of Minara Resources Limited, a position he has occupied since December 2001. He previously held senior executive positions with WMC and Alcoa.

Peter is a graduate from the University of Western Australia. He is a Fellow of the Australian Institute of Mining and Metallurgy and a Fellow of the Australian Institute of Company Directors. He is a past Chairman of the Nickel Institute and is Senior Vice Chairman of the Minerals Council of Australia. Peter is on the Executive Council of The Chamber of Minerals and Energy WA and a Director of the Australian Mines and Metals Association. He is also on the Board of Directors of Silver Lake Resources Limited.

Peter is a member of the Remuneration and Nomination Committee.

Peter Richards, (Age 51), Independent Non-Executive Director

Peter was appointed as an Independent, Non-Executive Director on 14 June 2010.

Peter is a former Chief Executive Officer of Dyno Nobel Limited in Australia and held this position from December 2005 until June 2008. Prior to this, Peter held a number of senior executive positions at Dyno Nobel North America and Dyno Nobel Asia Pacific Limited. Peter was at Wesfarmers Limited from 1990 until 1995.

Currently, Peter holds Non-Executive Directorships in the following public companies, namely Bradken Limited (ASX code: BKN), Norfolk Group Limited (ASX code: NFK) and NSL Consolidated Limited (ASX code: NSL). He is the Chairman of Kangaroo Resources Limited (ASX code: KRL) and Minbos Resources Limited (unlisted public company).

Peter holds a Bachelor of Commerce from the University of Western Australia, majoring in accounting and economics.

Former Directors

Former Directors of the Company during the financial year were:

Laurie Freedman, (Age 61), Managing Director

Laurie was appointed Managing Director of Emeco Holdings Limited in January 2005 and was Managing Director of Emeco's business from 1999 until November 2009.

Laurie has over 39 years experience in the building, construction materials and contracting industries both in Australia and overseas, including senior management roles with CSR in Hong Kong, China and the United States. Laurie was a Director and Chief Executive Officer of AWP Contractors for five years before joining Emeco in April 1999. Laurie holds a Bachelor of Civil Engineering from Curtin University, is an Associate of the Australian Institute of Management and a Member of the Australian Institute of Company Directors.

Laurie resigned as Managing Director of Emeco Holdings Limited on 30 November 2009 and no longer holds any position with the Company.

Robin Adair, (Age 49), Executive Director, Corporate Strategy & Business Development

Robin held the role of Executive Director, Corporate Strategy and Business Development from March 2008 until November 2009.

Robin has 15 years commercial experience across a breadth of business units within the CSR Group. After spending 12 months as Chief Financial Officer of Beltreco, he joined Emeco's business as Chief Financial Officer in October 2000. Robin was responsible for a number of business evaluations, start-ups, acquisitions, joint ventures, disposals, and business and system improvements over this period. His international experience includes engagements in Taiwan, Indonesia, Thailand, Europe and the United States. Robin holds a Bachelor of Business (Accountancy) from the University of South Australia and a Master of Business Administration from Deakin University and is a Certified Practising Accountant.

Robin resigned as a Director of the Company on 18 November 2009 and no longer holds any position with the Company.

Company Secretary

Michael Kirkpatrick was appointed Company Secretary in April 2005. Michael has previously worked as legal counsel and Company Secretary of a large industry superannuation fund and as a corporate lawyer with several national law firms. Michael holds bachelor degrees in Arts and Economics from the University of Western Australia and a Law Degree with merit honours from Murdoch University.

Directors' Meetings

The number of meetings of the Directors held during the year and the number of meetings attended by each of the Directors of the Board and Committees are outlined in the table below.

Table 1 – Directors' attendance

Director	Board Meetings		Audit & Risk Management Committee		Remuneration & Nomination Committee	
	A	B	A	B	A	B
Alec Brennan	11	11	4	4	2	2
Peter Johnston	11	11	1**	4**	1	2
John Cahill	11	11	4	4	2	2
Robert Bishop	11	11	4	4	1**	2**
Keith Gordon	6	6	3**	3**	1**	1**
Peter Richards	1	1	**	**	**	**
Laurie Freedman	5	5	1**	1**	1**	1**
Robin Adair	5	5	**	**	**	**

A – Number of meetings attended

B – Number of meetings held during the time the Director held office during the year

** Not a member of this Committee

Mr Keith Gordon was appointed a Director on 1 December 2009.

Mr Peter Richards was appointed a Director on 14 June 2010.

Mr Laurie Freedman resigned as a Director on 30 November 2009.

Mr Robin Adair resigned as a Director on 18 November 2009.

Corporate Governance Statement

Under ASX Listing Rule 4.10.3, the Company is required to include in its annual report a statement disclosing the extent to which it has followed the principles of good corporate governance (ASX Principles) and associated recommendations set by the ASX Corporate Governance Council (ASX Recommendations).

This corporate governance statement reports on the Group's current corporate governance practices and policies by reference to the revised ASX Principles and ASX Recommendations adopted by the ASX Corporate Governance Council which took effect in their revised form from 1 January 2008.

Emeco is pleased to report that it has followed each of the ASX Recommendations as set out in the Corporate Governance Statement below.

Principle 1 Lay solid foundations for management and oversight

Roles and responsibilities of the Board and management

Board Charter

The Board has adopted a Charter that details its functions and responsibilities.

The Charter sets out the responsibilities of:

- the Board;
- individual Directors; and
- the Chairman.

Under the Charter the Board is accountable to the shareholders for the overall performance of the Company and the management of its affairs. Key responsibilities of the Board include:

- developing, providing input into, and final approval of corporate strategy;
- evaluating, approving and monitoring the strategic and financial plans and performance objectives of the Company;
- determining dividend policy and the amount and timing of all dividends;
- evaluating, approving and monitoring major capital expenditure, capital management and all major acquisitions, divestitures and other corporate transactions, including the issue of securities;
- reviewing, ratifying and monitoring systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- evaluating and monitoring annual budgets and business plans;
- ensuring appropriate resources are available to senior executives;
- approving all accounting policies, financial reports and external communications by the Group;
- appointing, re-appointing or removing the Company's external auditors (on recommendation from the Audit and Risk Committee); and
- appointing, monitoring and managing the performance and remuneration of Executive Directors.

The Charter sets a minimum number of Board meetings and provides for the establishment of the Audit and Risk Committee and the Remuneration and Nomination Committee. The Charter also sets minimum standards of ethical conduct of the Directors, which are further elaborated on in the Company's Code of Conduct, and specifies the terms on which Directors are able to obtain independent professional advice at the Company's expense.

A copy of the Board Charter and a copy of the Company's Code of Conduct are available on the Emeco website.

Delegated Financial Authority

Under the terms of the Board Charter, the Managing Director and Chief Executive Officer is responsible to the Board for the day-to-day management of the Group. As noted in the Board Charter, the Board has formally adopted a structured Delegated Financial Authority (DFA) which outlines the specific financial authority limits delegated to the Managing Director and Chief Executive Officer. The Board approves and monitors this delegation of financial authority.

The DFA ensures that contract commitments and expenditure is limited to:

- contractual commitments in the ordinary course of business;
- operational expenditure (those costs incurred in the day-to-day running of the business); and
- capital expenditure (the purchase of assets for the purpose of deriving income).

The DFA sets levels of permitted contract and expenditure commitment for employees across the Group. Authority limits have been set as a risk management tool to ensure adequate controls are in place when committing the Group to a contract or incurring costs.

Evaluating the performance of senior executives

The performance of the Managing Director is regularly monitored by the Non-Executive Directors.

Formal reviews of the performance of each senior executive within the Emeco Group are conducted by the Managing Director in August/ September each year. These performance reviews provide the Managing Director and each senior executive with the opportunity not only to review the executive's performance against a range of financial and operational benchmarks, but also to review and assess the senior executive's personal and professional development objectives. A review of the performance of each senior executive was undertaken during FY10.

The Group has formal induction procedures in place to introduce new senior executives to the Group and gain an understanding of the Group's financial position, strategies, operations and risk management and other policies and responsibilities.

Principle 2 Structure the Board to add value

Skills, experience and expertise of the Directors

The Board is currently comprised of six Directors, with five Non-Executive Directors, including the Chairman, and one Executive Director. The Directors consider that collectively they have the relevant skills, experience and expertise to fulfil their obligations to the Company, its shareholders and other stakeholders.

All Directors are expected to maintain the skills required to discharge their duties to the Company. Directors are provided, on an "as needed" basis, with papers, presentations and briefings on Group businesses and on matters which may affect the operations of the Group.

The Directors and a brief description of their skills and experience are set out at pages 24 and 25 of this report.

In June 2010, Mr Peter Richards was appointed as a new Non-Executive Director (refer page 25 for details on qualifications and experience).

Status of the Directors

The table below sets out details of the status of each of the current Directors as Independent or Non-Executive Directors, their date of appointment and whether they are seeking election or re-election or at the 2010 annual general meeting of the Company.

Table 2 – Status of the Directors

Director	Date of appointment	Independent	Non-Executive	Seeking election or re-election at 2010 AGM
Mr Alec Brennan	16 August 2005	Yes	Yes	No
Mr Keith Gordon	1 December 2009	No	No	No
Mr Peter Johnston	1 September 2006	Yes	Yes	No
Mr John Cahill	15 September 2008	Yes	Yes	No
Mr Robert Bishop	22 June 2009	Yes	Yes	No
Mr Peter Richards	14 June 2010	Yes	Yes	Yes

Mr Brennan, Mr Johnston, Mr Cahill, Mr Bishop and Mr Richards are Independent Directors. Directors are expected to bring independent views and judgement to the Board's deliberations. All of them satisfy the criteria for independence set out in the ASX Principles and ASX Recommendations. In considering whether a Director is independent, the Board has had regard to the relationships affecting their independent status and other facts, information and circumstances that the Board considers to be relevant.

The Board assesses the independence of new Directors upon appointment and reviews their independence, and the other Directors annually and as appropriate. The test of whether a relationship is material is based on the nature of the relationship and the circumstances of the Director. Materiality is considered from the perspective of the Company, the Director, and the person or entity with which the Director has a relationship.

The Company therefore complies with ASX Recommendation 2.1.

The one Director who is not considered to be independent, due to his involvement in the management and operations of the Group, is Mr Keith Gordon, the Managing Director and Chief Executive Officer.

The Chairman of the Board is Mr Brennan, an Independent Director, and the Company therefore complies with ASX Recommendation 2.2.

Directors' retirement and re-election

Under the terms of the Company's constitution, a Director other than the Managing Director must retire from office or seek re-election by no later than the third annual general meeting after their appointment or three years, whichever is the longer.

At least one Director must retire from office at each annual general meeting, unless determined otherwise by a resolution of the Company's shareholders.

Under the Company's constitution the Directors have the power to appoint Directors to fill a vacancy or as an addition to the Board. Any Director, except a Managing Director appointed in this way must retire from office at, and is eligible for re-election at, the next annual general meeting following his or her appointment.

Mr Richards was appointed under the above provision and will seek election at the 2010 annual general meeting.

The Board has established criteria for the appointment of Non-Executive Directors of the Company. These criteria provide that an incoming Director must:

- have no actual or potential conflicts of interest at the time of appointment;
- have no prior adverse history. A potential candidate's bankruptcy, a conviction for an offence of dishonesty or any other serious criminal conviction, ASIC or APRA disqualification etc would disqualify a person from further consideration as a candidate;
- have a deserved reputation for honesty, integrity and competence;
- have extensive experience at a senior executive level in a field relevant to the Group's operations and preferably with a listed company;
- have high level strategic, financial and commercial capability;
- be available and willing to devote the time required to meetings and Company business and have a real commitment to the Group and its success;

- be able to work harmoniously with fellow Directors and Management; and
- have skills, experience and knowledge which complement the skills, experience and knowledge of incumbent Directors.

Candidates recommended for appointment as new Non-Executive Directors are considered by the Board as a whole. If it is necessary to appoint a new Director to fill a vacancy on the Board or to complement the existing Board, a wide potential base of possible candidates is considered.

Procedures for seeking information and taking independent and professional advice

Under the Board Charter, a Director is entitled to seek professional advice at the Company's expense on any matter connected with the discharge of their duties in accordance with the procedure set out in the Charter, a copy of which is available on the Emeco website.

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

The General Counsel is Michael Kirkpatrick. Each of the Directors has access to the General Counsel as and when required.

Remuneration and Nomination Committee

The Company has established a Remuneration and Nomination Committee, the responsibilities of which include:

- critically reviewing the performance and effectiveness of the Board and its individual members;
- periodically assessing the skills required to discharge the Board's duties, having regard to the strategic direction of the Company; and
- reviewing the membership and performance of other Board Committees and making recommendations to the Board.

Members of the Remuneration and Nomination Committee are Mr Brennan (Chair), Mr Cahill and Mr Johnston. The Charter of the Remuneration and Nomination Committee is available on the Emeco website.

Process for evaluating the Board, its Committees and Directors

A review of the performance of the Board was completed in May 2010 by the Chairman with the assistance of the Remuneration and Nomination Committee. The review was undertaken in accordance with the Charter of the Remuneration and Nomination Committee using a comprehensive questionnaire, the scope of which covered the performance of the Board, its Committees, the Chairman and individual Directors.

Directors' questionnaire responses (other than in relation to the Chairman) were collated and analysed by the Chairman and, where appropriate, discussed with the Board. An analysis of the questionnaire results was presented to the Board by the Chairman. In relation to the Chairman, Directors' questionnaire responses were collated and analysed by the Managing Director and discussed with the Board.

Principle 3 Promote ethical and responsible decision-making

The Company considers that confidence in its integrity can only be achieved if its employees and officers conduct themselves ethically in all of their commercial dealings on the Company's behalf. The Company has therefore recognised that it should actively promote ethical conduct amongst its employees, officers and contractors.

The Company has adopted a Code of Conduct and a Share Trading Policy. The Code of Conduct and the Share Trading Policy apply to all Directors, officers, employees, consultants and contractors of the Company and its subsidiaries.

The Code of Conduct

The objectives of the Code of Conduct are to ensure that:

- high standards of corporate and individual behaviour are observed by all employees in the context of their employment with the Company or a subsidiary;
- employees are aware of their responsibilities under their contract of employment and always act in an ethical and professional manner; and
- all persons dealing with Emeco, whether it be employees, shareholders, suppliers, clients or competitors, can be guided by the stated values and practices of Emeco.

Under the Code of Conduct, employees of the Emeco Group must, amongst other things:

- act honestly and in good faith at all times and in a manner which is in the best interests of the Company as a whole;
- conduct their personal activities in a manner that is lawful and avoids conflicts of interest between the employee's personal interests and those of the Company;
- always act in a manner that is in compliance with the laws and regulations of the country in which they work; and
- report any actual or potential breaches of the law, the Code of Conduct or the Company's other policies to the Company Secretary.

The Company actively promotes and encourages ethical behaviour and protection for those who report violations of the Code or other unlawful or unethical conduct in good faith. The Company ensures that employees are not disadvantaged in any way for reporting violations of the Code or other unlawful or unethical conduct and that matters are dealt with promptly and fairly.

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

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

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

The Share Trading Policy

The principal objective of the Share Trading Policy is to raise awareness of, and minimise any potential for breach of, the prohibitions on insider trading contained in the *Corporations Act 2001*. The policy is also intended to minimise the possibility that misunderstandings or suspicions arise from employees and officers trading in the Company's shares, by limiting trading to fixed periods commencing after the release of half and full year results and after the annual general meeting.

The Company has appropriate compliance standards and procedures in place to ensure the policy is properly adhered to. Employees are advised of the opening and closing dates of each trading period after the release of half and full year results, and after the annual general meeting. Employees are reminded of the relevant dates for these trading periods, and a copy of the Share Trading Policy accompanies these reminder notifications.

Copies of the Code of Conduct and the Share Trading Policy are available on the Emeco website.

Principle 4 Safeguard integrity of financial reporting

The Board has established an Audit and Risk Committee to support and advise the Board in fulfilling its responsibilities to shareholders, employees and other stakeholders of the Company by:

- assisting the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control relating to all matters affecting the Company's financial performance, the audit process, and the Company's process for monitoring compliance with laws and regulations and the Code of Conduct; and
- implementing and supervising the Company's risk management framework.

Members of the Audit and Risk Committee are Mr Cahill (Chairman), Mr Bishop, Mr Brennan and Mr Richards. The Managing Director, Chief Financial Officer, Company Secretary and any other persons considered appropriate may attend the meetings of the Audit and Risk Committee by invitation. The Committee also meets from time to time with the external auditor in the absence of Management.

The Audit and Risk Committee Charter sets out the role and responsibilities of the Committee and is available on the Emeco website.

Details regarding membership of the Committee are set out above. During FY10, the Committee comprised of three Independent Non-Executive Directors, all of whom have financial expertise. From 16 June 2010, the Committee comprised of four Independent Non-Executive Directors due to the appointment of Mr Richards as a member of the Committee.

Details of the qualifications of the members of the Committee are set out at pages 24 to 25 of this report. During FY10, the Committee met four times. All current members of the Committee were present for each of these meetings (other than Mr Richards who was appointed to the Committee on 16 June 2010 and therefore did not attend any Committee meetings in the FY10 financial year).

Independence of the external auditor

The Company's external auditor is KPMG. The effectiveness, performance and independence of the external auditor is reviewed by the Audit and Risk Committee. If it becomes necessary to replace the external auditor for performance or independence reasons, the Audit and Risk Committee will formalise a procedure and policy for the selection and appointment of a new auditor.

Independence declaration

The Corporations Act 2001 requires the external auditor to make an annual independence declaration, addressed to the Board, declaring that the auditor has maintained its independence in accordance with the *Corporations Act 2001* and the rules of the professional accounting bodies. KPMG has provided an independence declaration to the Board for FY10. This independence declaration forms part of the Directors' Report and is provided on page 51 of this annual report.

Non-Audit Services

During the year, KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of these non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditors own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing the risks and rewards.

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is included in the Directors' Report (on page 51 of this annual report).

Details of fees paid to the Company's auditors for non-audit services are found in Note 8 of the financial report.

Rotation of lead external audit partner

Mr R Gambitta is the lead audit partner for KPMG in relation to the audit of the Company. Mr Gambitta was first appointed as the Partner responsible for Emeco Holdings Limited for the 30 June 2009 year end audit.

Attendance of external auditors at the annual general meeting

The lead audit partner of KPMG attends and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report at the Company's annual general meeting.

Principle 5 Make timely and balanced disclosure

The Company is committed to complying with its continuous disclosure obligations under the ASX Listing Rules and disclosing to investors and other stakeholders all material information about the Company in a timely and responsive manner.

The Company has adopted a Continuous Disclosure Policy which is available on the Emeco website.

The Continuous Disclosure Policy specifies the processes by which the Company ensures compliance with its continuous disclosure obligations. The policy sets out the internal notification and decision making procedures in relation to these obligations, and the roles and responsibilities of the Company's officers and employees in the context of these obligations. It emphasises a pro-active approach to continuous disclosure and requires the Company to comply with the spirit as well as the letter of the ASX continuous disclosure requirements.

The Company Secretary has responsibility for overseeing and coordinating the disclosure of information by the Company to the ASX and for administering the policy.

The policy specifies the Company representatives who are authorised to speak publicly on behalf of the Company and procedures for dealing with analysts. It also sets out how the Company deals with market rumour and speculation. Compliance with the policy is reviewed and monitored by the Audit and Risk Committee and also by the Board.

Principle 6 Respect the rights of shareholders

The Company acknowledges the importance of effective communication with its shareholders and encourages their effective participation at general meetings, which are a major forum for shareholders to ask questions about the performance of the Group.

All public announcements are posted on the Company's website after they have been released to the ASX. The Company also places the full text of notices of meetings and explanatory material on its website, as well as copies of its annual report and the Chairman's address at the annual general meeting.

The Company offers a number of options to shareholders in relation to electronic communications. Shareholders can elect to receive notification by email when payment advices, annual reports and notices of meetings and proxy forms are available online. They can also elect to receive email notification of important announcements.

Shareholders are given an opportunity to ask questions of the Directors at the Company's general meetings. The Company provides its auditor with notice of general meetings of the Company, as is required by section 249K of the *Corporations Act 2001*. The Company also requests its auditor to attend its annual general meetings and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Principle 7 Recognise and manage risk

The Board believes that risk management is fundamental to sound management and that oversight of such matters is an important responsibility of the Board. The Board, with assistance from the Audit and Risk Committee, is responsible for ensuring there are adequate processes and policies in place to identify, assess and mitigate risk.

Emeco has adopted a Risk Management Policy. It has also implemented a formal Enterprise Risk Management programme, and has adopted measures to ensure that risk management concepts and awareness are embedded into the culture of the organisation. This programme includes the involvement of senior executives and senior operational management. The key elements of Emeco's Risk Management programme are:

- classification of risk into strategic, operational, financial and compliance risks;
- the quantification and ranking of risk consequences and likelihood;
- the identification of strategic risk issues; the identification of operational risk issues through formalised regional-based risk workshops;
- the development of a Company database for communicating and updating activity and progress on risk matters and maintaining risk registers;
- the identification, enhancement and development of key internal controls to address risk issues including risk treatment plans and assigning accountabilities for identified risks to senior Emeco employees; and
- a comprehensive insurance programme.

The Audit and Risk Committee is responsible for reviewing the effectiveness of the overall risk management framework. It is also required to review the Risk Management Policy on an annual basis.

Internal assurance and the establishment of an internal audit function

In May 2010, the Board approved the appointment of Ernst & Young as a supplier of internal audit services for a period of three years. The Company considered there was a clear link between the internal audit function and delivering business improvement outcomes (noting that the focus of assurance also remains central to this function).

Management will formally review the performance of the internal auditors on an annual basis and report findings to the Audit and Risk Committee.

The overall internal assurance process is overseen by the Group's Risk and Corporate Assurance Manager who manages the process, and provides assurance to the Audit and Risk Committee and the Board, through the Chief Financial Officer, regarding the effectiveness of the Emeco Group's risk management, governance and control frameworks.

For FY10, the Board has received an assurance from the Managing Director and the Chief Financial Officer that the declaration provided in accordance with section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. Management has also reported to the Board that the Group's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The Risk Management Policy is available on the Emeco website.

Principle 8 Remunerate fairly and responsibly

The Emeco Group remuneration policy is substantially reflected in the objectives of the Remuneration and Nomination Committee. The Committee's remuneration objectives are to endeavour to ensure that:

- the Directors and senior management of the Group are remunerated fairly and appropriately;
- the remuneration policies and outcomes strike an appropriate balance between the interests of the Company's shareholders, and rewarding and motivating the Group's executives and employees in order to secure the long term benefits of their energy and loyalty; and
- the human resources policies and practices are consistent with and complementary to the strategic direction and human resources objectives of the Company as determined by the Board.

Under its Charter, the Remuneration and Nomination Committee is required to review and make recommendations to the Board about:

- the general remuneration strategy for the Group so that it motivates the Group's executives and employees to pursue the long term growth and success of the Group and establishes a fair and transparent relationship between individual performance and remuneration;
- the terms of remuneration for the Executive Directors and other senior management of the Group from time to time including the criteria for assessing performance;
- the outcomes of remuneration reviews for executives collectively, and the individual reviews for the Executive Directors, and other senior management of the Group;
- remuneration reviews for Executive and Non-Executive Directors;
- changes in remuneration policy and practices, including superannuation and other benefits;
- employee equity plans and allocations under those plans; and
- the disclosure of remuneration requirements in the Company's public materials including ASX filings and the annual report.

Details regarding membership of the Remuneration and Nomination Committee are set out under Principle 2. During FY10, the Committee met two times. All members of the Committee were present for the meetings other than Mr Peter Johnston who attended one meeting.

Emeco clearly distinguishes the structure of Non-Executive Directors' remuneration from that of Executive Directors and Senior Executives. Non-Executive Directors are remunerated by way of fees in the form of cash benefits and superannuation contributions. They do not receive options or bonus payments; nor are they provided with retirement benefits other than superannuation.

A remuneration report detailing the information required by section 300A of the *Corporations Act 2001* in relation to FY10 is included in the Directors' Report.

Nature of operations and principal activities

The principal activities during the financial year of the entities within the Group were the renting, maintaining and selling of heavy earthmoving equipment to customers in the mining industries.

As set out in this report, the nature of the Group's operations and principal activities, have been consistent throughout the financial year.

Operating and financial review

A review of Group operations, and the results of those operations for FY10, is set out on pages 6 to 21 and in the accompanying financial statements.

Dividends paid or to be paid

Since the end of the 2009/2010 financial year, the Directors have declared a fully franked final dividend of 2.0 cents per share to be paid on 30 September 2010.

During the 2009/2010 financial year the Directors declared a fully franked final dividend of 2.0 cents per share which was paid on 30 September 2009.

Significant changes in state of affairs

During the financial year under review there were no significant changes in the Group's state of affairs other than those disclosed in the operating and financial review section or in the financial statements and the notes thereto.

Significant events after balance date

During the financial year under review there were no significant events after the balance date other than the declaration of dividend noted above.

Likely developments and expected results

Likely developments in, and expected results of, the operations of the Emeco Group are referred to at pages 6 to 21. This report omits information on likely developments in the Emeco Group in future financial years and the expected results of those operations the disclosure of which, in the opinion of the Directors, would be likely to result in unreasonable prejudice to the Emeco Group.

Directors interest in shares of the Company

The relevant interests of each Director in the shares, debentures, and rights or options over such shares or debentures issued by the companies within the Group and other related bodies corporate, as notified by the Directors to the ASX in accordance with section 205G(1) of the *Corporations Act 2001*, at the date of this report are as follows:

Table 3 – Directors' Interests

	Ordinary shares	Options over ordinary shares
Alec Brennan	1,581,700	-
Peter Johnston	100,000	-
John Cahill	120,000	-
Robert Bishop	300,000	-
Peter Richards	40,000	-
Keith Gordon	650,000	-

With effect from 26 August 2009, Mr Freedman forfeited 1,600,000 options and Mr Adair forfeited 533,333 options. These forfeitures occurred because, under the terms of the Options Plan, the Company's earnings per share target for FY09 was not achieved.

Remuneration report (audited)

This report summarises the Group's remuneration practices and outcomes in respect of its Directors and Senior Executives for the 2010 financial year.

Principles of remuneration

The Group remuneration policy is substantially reflected in the objectives of the Board's Remuneration and Nomination Committee. The Committee's objectives are to endeavour to ensure that:

- the Directors of the Company and senior management of the Group are remunerated fairly and appropriately;
- the remuneration policies and outcomes of the Company strike an appropriate balance between the interests of the Company's shareholders, and rewarding and motivating the Group's executives and employees in order to secure the long term benefits of their energy and loyalty; and
- the human resources policies and practices are consistent with and complementary to the strategic direction and human resources objectives of the Company as determined by the Board.

Elements of remuneration

The remuneration structure for Emeco's executives consists of fixed and variable components.

Fixed remuneration

Fixed remuneration comprises base salary, employer superannuation contributions and other allowances such as motor vehicle allowances and non-cash benefits.

Each executive's fixed remuneration is reviewed and benchmarked against appropriate market comparisons annually in September. The executive's responsibilities, experience, qualifications, performance and geographic location are also taken into account.

Emeco's broad objective is to set fixed remuneration at levels which ensure the Company is able to attract and retain the best available key executives. The policy of the Company is to set fixed remuneration at levels which attract and retain appropriately qualified and experienced executives capable of:

- fulfilling their respective roles within the Group;
- achieving the Group's strategic objectives; and
- maximising Group earnings and the returns to shareholders.

Variable remuneration

Variable remuneration is performance linked remuneration which consists of short term incentives (STIs) and long term incentives (LTIs).

STI remuneration

Short term incentives are used to reward the performance of key management personnel over a full financial year. The maximum achievable STI amount payable to an executive is set as a percentage of fixed remuneration. The actual amount of STI payable is determined at the end of the financial year in light of the executive's performance against agreed key performance indicators (KPIs).

In FY10, the STI plan established for key management personnel in September 2009 comprised two KPIs, one in respect of the Group's earnings performance and the other in respect of its return on funds employed. Following the appointment of Emeco's new Managing Director in December 2009, a revised STI plan was established in February 2010 to include additional KPIs to the two financial performance KPIs outlined above in order to align the STI for key management personnel with that of the Managing Director. Under the revised STI plan, 60% of each executive's STI entitlement was determined by reference to earnings performance and return on funds employed across the Emeco Group. The remaining KPIs reflected the Company's commitment to achieving certain non financial goals in areas such as safety, business planning and fleet management. However, the entitlement of each executive to an STI payment in respect of these remaining KPIs remained subject to the achievement of a minimum earnings performance, which was not met. As a result no STI payments were made to key management personnel in respect of FY10.

Whilst the maximum percentage STI grant to key executives varies, no executive other than the Managing Director and the Chief Financial Officer is entitled to an STI grant which equals or exceeds 50% of the recipient's salary earned during the financial year.

The majority of key executives are entitled to a maximum STI grant of 40% of annual salary. An STI plan was not implemented for Mr Adair or Mr Freedman in FY10, both of whom left the Company during the year.

FY10 STI grants

Details of the vesting profile of the STI cash grants awarded to key executives in respect of FY10 are set out below:

Table 4 – Key executive STI vesting information in respect of FY10

	Nature of STI compensation	Grant date	% of bonus awarded	% of bonus forfeited
Mr L Freedman [A]	N/A	N/A	N/A	N/A
Mr R Adair [B]	N/A	N/A	N/A	N/A
Mr H Christie-Johnston	Cash	8 February 2010	0	100
Mr S Gobby	Cash	8 February 2010	0	100
Mr A Halls	Cash	8 February 2010	0	100
Mr M Kirkpatrick	Cash	8 February 2010	0	100
Mr C Moseley [C]	Cash	7 September 2009	0	100
Mr I Testrow	Cash	8 February 2010	0	100
Mr D Tilbrook	Cash	8 February 2010	0	100
Mr M Turner	Cash	8 February 2010	0	100
Mr K Gordon [D]	Cash	26 March 2010	0	100
Mr G Gadomsky [E]	Cash	24 May 2010	0	100

Notes:

(1) Amounts included in remuneration for FY10 represent the amounts that vested in the year based on the achievement of KPIs. No amounts vest in future financial years in respect of the STI scheme for FY10.

(2) Amounts forfeited are due to the KPIs not being met in relation to FY10.

[A] Mr Freedman left the Company on 4 January 2010.

[B] Mr Adair left the Company on 30 November 2009.

[C] Mr Moseley left the Company on 29 January 2010.

[D] Mr Gordon commenced with the Company on 1 December 2009.

[E] Mr Gadomsky commenced with the Company on 24 May 2010.

LTI remuneration

Performance Shares and Performance Rights

Emeco has established an LTI plan to apply to Emeco's senior managers (which includes key management personnel). The plan provides Emeco's senior managers with an ongoing incentive to achieve the long term objectives of the Emeco Group.

Grants under the FY10 LTI plan were made to all key executives other than Mr Freedman, Mr Adair, Mr Gadomsky and Mr Moseley on the following key terms and conditions, which remain fundamentally unchanged since grants were made under original plan in December 2007.

Australian based executives

In prior years including FY09, unvested fully paid Emeco performance shares were granted to individual Australian-based executives, with the number of shares granted being determined by reference to the seniority of the executive and the value of the share grant as a percentage of the executive's salary. Performance shares were granted at no cost to the recipient and at a nil exercise price; they vest if the performance condition described below is met.

However, prior to the grant of LTI securities under the FY10 LTI plan, the Company ceased to satisfy the 75% offer participation test prescribed under Division 13A of the Tax Act 1936, with the consequence that FY10 LTI plan participants would not have been entitled to defer income tax on the value of their respective LTI grants if they had been made in the form of performance shares. As a result, eligible Australian participants in the FY10 LTI plan were issued with performance rights rather than performance shares.

For FY10, performance rights were granted to individual Australian-based executives (other than to the Managing Director/ Chief Executive Officer) on substantially identical terms to the grant of performance shares in FY09.

Offshore based executives

Emeco participants in the FY10 LTI plan who were working outside Australia were also issued performance rights on substantially identical terms to those issued to Australian based executives. Each performance right provides the recipient with the right to receive one fully paid Emeco share if the relevant performance hurdle is met. Performance rights are issued to Emeco's offshore executives instead of performance shares due to the complexity of the compliance issues associated with the issue of shares in the relevant foreign jurisdictions.

Approval of FY10 LTI plan grant of performance rights to the Managing Director at the 2010 annual general meeting

The Company will be seeking shareholder approval at its 2010 annual general meeting for the grant of 925,926 performance rights to Mr Gordon, the Managing Director and Chief Executive Officer of the Company, under the FY10 LTI plan. Subject to shareholder approval, the grant will be on the same terms as those governing the allocation of performance rights to other Australian based executives under the FY10 LTI plan.

Vesting conditions for LTI securities

The performance condition for the vesting of performance shares and the exercise of performance rights is a performance hurdle based on relative total shareholder return (TSR). Emeco's TSR at the end of a 3 year vesting period will be measured against a Peer Group consisting of a group of 10 companies that are considered direct peers to Emeco and in addition companies in the S&P/ASX Small Industrials index (excluding banks, insurance companies, property trusts/companies and investment property trusts/companies and other stapled securities). The Peer Group currently comprises a total of 88 companies (this number may change as a result of takeovers, mergers etc) (Peer Group). TSR for Emeco and each company in the Peer Group is calculated by reference to share price growth, dividends and capital returns.

At the conclusion of the vesting period, TSR for all companies including Emeco will be measured and ranked. Performance shares will only vest and performance rights will only be exercisable if a threshold TSR performance is achieved in comparison with the Peer Group TSR. There is a maximum and minimum vesting range and vesting occurs as follows:

(a) If Emeco's TSR is less than the TSR of 50.1% of the companies of the Peer Group then no performance shares will vest.

(b) If Emeco's TSR is equal to the TSR of 50.1% of the companies of the Peer Group then 50% of the performance shares will vest.

(c) If Emeco's TSR is equal to the TSR of 75% of the companies of the Peer Group then 100% of the performance shares will vest.

(d) If Emeco's TSR is equal to the TSR of between 50% and 75% of the companies of the Peer Group then an extra 2% of the performance shares granted vest for each percentile increase in Emeco's TSR above the 50th percentile.

Performance shares that have not vested after the end of the performance period will be bought back or transferred to a nominee of the Company. Performance rights which do not become exercisable will lapse.

Performance shares which have vested must be transferred into the name of the participant within two years of vesting. Performance rights lapse five years after the date of grant.

Options

A separate LTI plan (Options Plan) was put in place for Mr Freedman and Mr Adair in 2006. On 4 August 2006, following the successful completion of Emeco's initial public offering (IPO), 4,800,000 options were issued to Mr Freedman and 1,600,000 options were issued to Mr Adair under the Company's Employee Incentive Plan.

Each option granted to Mr Freedman and Mr Adair (Option) was provided at no cost and entitled the holder to subscribe for an ordinary Emeco share at a price of $1.925 (Exercise Price), which is 2.5 cents above the IPO issue price. The fair value of each Option at grant date was 19.43 cents. The Options issued to Mr Freedman and Mr Adair expire 5 years after their date of issue on 4 August 2011.

The Options Plan provides for the vesting of the Options in three equal tranches, subject to the following vesting conditions:

- for FY07, 1/3 of the Options were to vest on the date of release of final audited results for Emeco for that year, provided that the Company achieved actual earnings per share equal to or greater than the Prospectus forecast earnings per share for FY07. All of these Options vested on the date of release of Emeco's FY07 results because the actual earnings per share for FY07 of 9.3 cents met the required performance target. However, neither Mr Freedman nor Mr Adair have exercised these vested Options because the Exercise Price has been greater than the market price of Emeco shares since these Options vested;

- for FY08, 1/3 of the Options were to vest on the date that final audited results for Emeco for that year were released, provided that the Company achieved actual earnings per share equal to or greater than 110% of the Prospectus forecast earnings per share for FY07. None of these Options vested because the actual earnings per share for FY08 of 10.7 cents did not meet the required performance target; and
- for FY09, 1/3 of the Options were to vest on the date that final audited results for Emeco for the year are released, provided that the Company achieves actual earnings per share equal to or greater than 121% of the Prospectus forecast earnings per share for FY07. None of these Options vested because the actual earnings per share for FY09 of 2.0 cents did not meet the required performance target.

Under their terms of issue, Mr Freedman's Options vested only if he held the position of Managing Director of the Company at the time of vesting. Mr Adair's Options vested only if he was an employee of the Company at the time of vesting or he was subject to a deemed termination, i.e. the Company materially and substantially changed his duties beyond the duties ordinarily performed by him, other than with his agreement, or the Company was removed from the official list of the ASX.

All of the Options granted to Mr Freedman and Mr Adair which were subject to a vesting condition in respect of Emeco's FY08 and FY09 financial performance lapsed as a result of Emeco not meeting the earnings per share performance target set out above. Accordingly, only those Options which relate to FY07 have vested.

Prohibition of hedging LTI grants

On 25 August 2008, Emeco's Board of Directors resolved to amend Emeco's share trading policy to prohibit Directors and other officers of the Company from entering into transactions intended to hedge their exposure to Emeco securities which have been issued to the officer as part of the officer's remuneration.

Details of remuneration

Details of the elements comprising the remuneration of the Group's key management personnel, including each Director and each of the five named Group executives who received the highest remuneration in FY10 are set out in table 5. Table 5 does not include the following components of compensation because they were not provided to key executives during FY10: short term cash profit-sharing bonuses, payments made to a person before the person started to hold a position, long term incentives distributed in cash, post employment benefits other than superannuation and share based payments other than shares and units. Table 6 provides comparative information in relation to the remuneration of the Group's key executives for the prior financial year.

Table 5 - Directors' and Executive officers' remuneration FY10 (Company and Consolidated)

	Short-term benefits			Post employment benefits	Other long term benefits	Termination benefits	Share based payments		Total	Proportion of remuneration performance related
	Salary & Fees	STI cash bonuses	Non-monetary benefits	Super-annuation benefits			Shares	Options		
	$	$	$	$	$	$	$	$	$	%
Non - Executive Directors										
Alec Brennan	183,830	-	-	16,544	-	-	-	-	200,374	-
Robert Bishop	102,752	-	-	9,247	-	-	-	-	111,999	-
John Cahill	112,237	-	-	10,101	-	-	-	-	122,338	-
Peter Johnston	102,752	-	-	9,247	-	-	-	-	111,999	-
Peter Richards [A]	3,989	-	-	358	-	-	-	-	4,347	-
Executive Directors										
Keith Gordon Managing Director [B]	472,532	-	489	14,583	-	-	-	-	487,604	-
Laurie Freedman Managing Director [C]	537,957[1]	-	31,185	50,000	-	-	-	-	619,142	-
Robin Adair Executive Director Corporate Strategy & Business Development [D]	224,135[2]	-	13,484	23,413	-	-	-	-	261,032	-
TOTAL ALL DIRECTORS	1,740,184	-	45,158	133,493	-	-	-	-	1,918,835	-

[A] Mr Richards was appointed as a Director on 14 June 2010.

[B] Mr Gordon was appointed as a Director on 1 December 2009.

[C] Mr Freedman ceased as a Director on 30 November 2009 and left the Company on 4 January 2010.

[D] Mr Adair ceased as a Director on 18 November 2009 and left the Company on 30 November 2009.

(1) This figure excludes payout of accrued but untaken annual leave and long service leave related to the cessation of Mr Freedman's employment. The amount paid was $652,233.

(2) This figure excludes payout of accrued but untaken annual leave and long service leave related to the cessation of Mr Adair's employment. The amount paid was $326,153.

Table 5 - Directors' and Executive officers' remuneration FY10 (Company and Consolidated) – contd.

	Short-term benefits			Post employment benefits	Other long term benefits	Termination benefits	Share based payments		Total	Proportion of remuneration performance related
	Salary & Fees	STI cash bonuses [E]	Non-monetary benefits	Super-annuation benefits			LTIP [*]	MISP [*]		
	$	$	$	$	$	$	$	$	$	%
Executives										
H Christie-Johnston General Manager Australian Sales & Parts	275,000	-	27,649	24,750	-	-	44,815	13,751	385,965	15.2
S Gobby Chief Financial Officer	400,125	-	978	24,975	-	-	93,490	-	519,568	18.0
A Halls General Manager Eastern Australia	258,751	-	15,189	23,287	-	-	18,667	-	315,894	5.9
G Gadomsky General Manager Strategy & Business Development [F]	27,347	-	-	2,461	-	-	-	-	29,808	-
M Kirkpatrick General Manager Corporate Services	302,000	-	1,411	25,000	-	-	55,241	2,497	386,149	15.0
C Moseley President Emeco USA [G]	257,824	-	-	21,654	-	-	(33,088)	-	246,390	-
I Testrow President North America [H]	364,482	-	64,238	3,240	-	-	78,563	15,942	526,465	18.0
D Tilbrook Executive General Manager Western Region	472,040	-	886	25,000	-	-	90,926	-	588,852	15.4
M Turner General Manager Global Asset Management	329,250	-	15,384	25,000	-	-	81,963	-	451,597	18.1
TOTAL ALL EXECUTIVES	2,686,819	-	125,735	175,367	-	-	430,577	32,190	3,450,688	-
TOTAL ALL	4,427,003	-	170,893	308,860	-	-	430,577	32,190	5,369,523	-

[E] The short term incentive bonus is for performance during FY10. The amount awarded to each executive was finally determined on 11 August 2010 after completion of performance reviews.

[F] Mr Gadomsky was appointed to the position of General Manager Strategy and Business Development with effect from 24 May 2010.

[G] Mr Moseley's remuneration has been converted to Australian dollars on the basis of an AUD/USD exchange rate of 0.8759. Mr Moseley left the Company on 29 January 2010. Mr Moseley's LTI payment was forfeited and is noted as a negative expense.

[H] Mr Testrow was appointed to the position of President North America with effect from 1 February 2010. Prior to this appointment, Mr Testrow was the President, Emeco Canada. His remuneration has been converted to Australian dollars on the basis of an AUD/CAD exchange rate of 0.9303.

[*] Included in share based payments is the reversal of amounts recognised as remuneration in prior years as a result of MISP and LTIP entitlements being forfeited during the year. The MISP and LTIP entitlements were forfeited as a result of service vesting requirements not being achieved.

Table 6 – Directors' and Executive officers' remuneration FY09 (Company and Consolidated)

	Short-term benefits			Post employment benefits	Other long term benefits	Termination benefits	Share based payments		Total	Proportion of remuneration performance related
	Salary & Fees	STI cash bonuses	Non-monetary benefits	Super-annuation benefits			Shares	Options [*]		
	$	$	$	$	$	$	$	$	$	%
Non – Executive Directors										
Alec Brennan	181,885	-	8,710	16,369	-	-	-	-	206,964	-
Robert Bishop [A]	2,160	-	-	194	-	-	-	-	2,354	-
John Cahill [B]	81,307	-	-	7,318	-	-	-	-	88,625	-
Greg Minton [C]	108,099	-	-	9,729	-	-	-	-	117,828	-
Paul McCullagh [D]	38,482	-	-	3,463	-	-	-	-	41,945	-
Peter Johnston	104,130	-	-	6,658	-	-	-	-	110,788	-
Executive Directors										
Laurie Freedman Managing Director [E]	1,001,299	-	56,070	99,470	-	-	-	(221,500)	935,339	-
Robin Adair Executive Director Corporate Strategy & Development [F]	518,269	-	20,997	51,827	-	-	-	(73,834)	517,259	-
TOTAL ALL DIRECTORS	2,035,631	-	85,777	195,028	-	-	-	(295,334)	2,021,102	-

[A] Mr Bishop was appointed a Director on 22 June 2009.

[B] Mr Cahill was appointed a Director on 15 September 2008.

[C] Mr Minton ceased to be a Director and left the Company on 25 June 2009.

[D] Mr McCullagh ceased to be a Director and left the Company on 12 November 2008.

[E] Mr Freedman ceased to be a Director on 30 November 2009 and left the Company on 4 January 2010.

[F] Mr Adair ceased to be a Director on 18 November 2009 and left the Company on 30 November 2009.

[*] Included in share based payments are the reversed amounts recognised as remuneration in prior years as a result of option entitlements forfeited during the year. The options were forfeited as a result of performance hurdles not being achieved.

Table 6 – Directors' and Executive officers' remuneration FY09 (Company and Consolidated) – contd.

	Short-term benefits			Post employment benefits	Other long term benefits	Termination benefits	Share based payments		Total	Proportion of remuneration performance related
	Salary & Fees	STI cash bonuses [G]	Non-monetary benefits	Super-annuation benefits			LTIP [*]	MISP [*]		
	$	$	$	$	$	$	$	$	$	%
Executives										
M Bourke President Emeco Canada [H]	465,791	-	22,388	41,921	-	-	(21,750)	(55,063)	453,287	-
H Christie-Johnston General Manager Emeco Sales	261,538	-	15,208	23,538	-	-	27,500	14,260	342,044	12.2
S Gobby Chief Financial Officer	381,923	-	817	34,373	-	-	67,911	-	485,024	14.0
G Graham Managing Director Emeco Europe [I]	311,714	-	45,646	8,656	-	-	(21,750)	(6,361)	337,905	-
A Halls General Manager Northern Region [J]	54,519	33,750	2,637	4,907	-	-	2,250	-	98,063	36.7
M Kirkpatrick General Manager Corporate Services [K]	288,692	-	1,220	25,972	-	-	39,500	4,435	359,819	12.2
C Moseley President Emeco USA [L]	330,162	-	2,424	9,014	-	-	33,088	-	374,688	8.8
I Testrow President Emeco Canada [M]	345,056	36,000	56,448	31,055	-	-	59,000	22,213	549,772	21.3
D Tilbrook Executive General Manager Western Region	449,538	-	-	40,458	-	-	67,000	-	556,996	12.0
M Turner General Manager Global Asset Group [N]	318,269	-	15,598	28,644	-	-	61,500	-	424,011	14.5
TOTAL ALL EXECUTIVES	3,207,202	69,750	162,386	248,538	-	-	314,249	(20,516)	3,981,609	-
TOTAL ALL	5,242,833	69,750	248,163	443,566	-	-	314,249	(315,850)	6,002,711	-

[G] The short term incentive bonus is for performance during FY09. The amount awarded to each executive was finally determined on 17 August 2009 after completion of performance reviews.

[H] Mr Bourke left the employment of Emeco Canada Ltd on 9 April 2009. His remuneration has been converted to Australian dollars from Canadian dollars on the basis of an AUD/CAD exchange rate of $0.8563.

[I] Mr Graham left the employment of Emeco Europe on 31 January 2009. His remuneration has been converted to Australian dollars from Euros on the basis of an AUD/EUR exchange rate of $0.5455.

[J] Mr Halls was appointed to the position of General Manager Northern Region with effect from 1 April 2009.

[K] Mr Kirkpatrick was appointed to the position of General Manager Corporate Services with effect from 2 September 2008. He became a member of the Emeco senior leadership team from 1 July 2008.

[L] Mr Moseley's remuneration has been converted to Australian dollars on the basis of an AUD/USD exchange rate of $0.7488. Mr Moseley left the Company on 29 January 2010.

[M] Mr Testrow was appointed to the position of President – Emeco Canada with effect from 1 April 2009. Prior to this appointment, Mr Testrow was the General Manager Northern Region during the preceding portion of FY09. His remuneration from 1 April 2009 – 30 June 2009 has been converted to Australian dollars from Canadian dollars on the basis of an AUD/CAD exchange rate of $0.8857. Mr Testrow was appointed to the position of President North America with effect from 1 February 2010.

[N] Mr Turner was appointed to the position of General Manager, Global Asset Group with effect from 1 July 2008.

[*] Included in share based payments is the reversal of amounts recognised as remuneration in prior years as a result of MISP and LTIP entitlements being forfeited during the year. The MISP and LTIP entitlements were forfeited as a result of service vesting requirements not being achieved.

Equity instruments

MISP

During FY10, the Company recognised share based payments to Messrs Christie-Johnston, Testrow and Kirkpatrick (MISP Participants) under the Company's Management Incentive Share Plan (MISP). Details of the share issue made to them under the MISP are set out below:

Table 7 – MISP grants to key executives

	Hamish Christie-Johnston	Ian Testrow	Michael Kirkpatrick
Number of shares issued under the MISP	500,000	300,000	150,000
Issue price of the MISP shares	$0.74	$1.155	$0.61
Date of grant	14 March 2008	12 June 2006	18 August 2005
Amount of Company loan in respect of MISP shares outstanding at reporting date	337,500	310,500	73,500
Highest amount of indebtedness during the period	347,500	316,500	76,500
Fair value recognised as remuneration during the year	13,751	15,942	2,497

Key terms and conditions of the issue of shares to the MISP Participants under the MISP are as follows:

- In accordance with the terms of the MISP the Company provided each MISP Participant with an interest-free, limited recourse loan (Loan) to enable them to subscribe for the MISP shares.
- The shares vest over a 5 year period with the first 6.25% of the shares vesting 2 years after the issue date. The shares then vest on an annual basis until all of the shares have vested on the 5th anniversary of their issue.
- If a MISP Participant's employment with the Group is terminated before all of their MISP shares vest, then in relation to those shares which have not vested, the Company is required to buy them back, cancel them or transfer them to a nominee at a price equal to the Loan amount outstanding in respect of them and to set off the payment against the Loan amount owed to the Company. In relation to those shares which have vested, the Company must buy them back or transfer them to a nominee of the Board and pay to the MISP Participant a purchase price equal to their market value, subject to the Company setting off the Loan amount outstanding in respect of the vested shares.
- Subject to the approval of the Board, the Loan can be repaid at any time but must be repaid by the tenth anniversary of the commencement date of the MISP.
- Any dividends or capital distributions which may become payable in respect of the MISP shares may be applied by the Company in reducing the amount of the loan.

The share issues under the MISP to each MISP Participant, and the time based vesting conditions in respect of the shares, are not dependent on the satisfaction of a performance condition because the issue of shares to them and the inclusion of time based vesting conditions in the terms of issue were intended to provide them with an incentive to remain with the Group. That is, the terms upon which the shares were issued to the MISP Participants were intended to operate as a retention incentive arrangement rather than a performance incentive arrangement.

LTI

The terms of the LTI Plan are discussed at pages 37 to 38.

Grants of Performance Shares made to key management personnel under the Company's LTI plan (LTI Plan) in FY09 and FY10 are set out in table 8.

Table 8 – FY09 and FY10 LTI Performance Share grants to key executives

	Number granted during FY09 and FY10		Grant Date	Fair value per Performance Share [*]	Number of Performance Shares vesting during FY09 [A] & FY10	Expiry date
Mr H Christie-Johnston	FY10	-	-	-	-	-
	FY09	495,495	16 December 2008	$0.222	-	16 December 2013
Mr S Gobby	FY10	-	-	-	-	-
	FY09	731,982	16 December 2008	$0.222	-	16 December 2013
Mr A Halls	FY10	-	-	-	-	-
	FY09	162,162	16 December 2008	$0.222	-	16 December 2013
Mr M Kirkpatrick	FY10	-	-	-	-	-
	FY09	450,450	16 December 2008	$0.222	-	16 December 2013
Mr I Testrow	FY10	-	-	-	-	-
	FY09	540,541	16 December 2008	$0.222	-	16 December 2013
Mr D Tilbrook	FY10	-	-	-	-	-
	FY09	684,685	16 December 2008	$0.222	-	16 December 2013
Mr M Turner	FY10	-	-	-	-	-
	FY09	585,586	16 December 2008	$0.222	-	16 December 2013

[A] For Performance Shares granted in FY09 the earliest vesting date is 30 September 2011.

[*] The fair value of the performance shares was determined using a Monte Carlo share price simulation model, and is allocated to each reporting period evenly over the period from grant date to costing date. The value disclosed in the Directors and officers' remuneration is the portion of the fair value of the performance shares recognised in this reporting period.

Grants of performance rights made to key management personnel under the Company's LTI plan in FY09 and FY10 are set out in table 9.

Table 9 – FY09 and FY10 LTI Performance Rights grants to key executives

		Number granted during FY09 & FY10	Grant Date	Fair value per Performance Right [*]	Number of Performance Rights vesting during FY09 [A] & FY10 [B]	Expiry date
Mr H Christie-Johnston	FY10	203,704	19 April 2010	$0.40	-	19 April 2015
	FY09	-	-	-	-	-
Mr S Gobby	FY10	300,926	19 April 2010	$0.40	-	19 April 2015
	FY09	-	-	-	-	-
Mr A Halls	FY10	166,667	19 April 2010	$0.40	-	19 April 2015
	FY09	-	-	-	-	-
Mr M Kirkpatrick	FY10	185,185	19 April 2010	$0.40	-	19 April 2015
	FY09	-	-	-	-	-
Mr C Moseley [C]	FY10	-	-	-	-	-
	FY09	827,206	22 December 2008	$0.16	-	22 December 2013
Mr I Testrow	FY10	239,077	19 April 2010	$0.40	-	19 April 2015
	FY09	-	-	-	-	-
Mr D Tilbrook	FY10	281,481	19 April 2010	$0.40	-	19 April 2015
	FY09	-	-	-	-	-
Mr M Turner	FY10	240,741	19 April 2010	$0.40	-	19 April 2015
	FY09	-	-	-	-	-

[A] For performance rights granted in FY09 the earliest vesting date is 30 September 2011.

[B] For performance rights granted in FY10 the earliest vesting date is 30 September 2012.

[C] The Performance Rights granted to Mr Moseley in FY09 were forfeited following his resignation and departure from the Company on 29 January 2010.

[*] The fair value of the performance rights was determined using a Monte Carlo share price simulation model, and is allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed in the Directors and Officers remuneration is the portion of the fair value of the performance rights recognised in this reporting period.

Options

The terms of the Options Plan are discussed at pages 38 to 39.

The percentage of Mr Adair's and Mr Freedman's remuneration in FY10 that consists of Options is 0% for each of them.

Details of the movement in the number of options held, directly, indirectly or beneficially, by each key management person during FY10, including their related parties, are set out in the following table:

Table 10 – LTI Options grants to key executives

FY 2010 Directors & Executives	Held at 1 July 2009	Granted as Compensation	Exercised	Other Changes[*]	Held at 30 June 2010[**]	Vested during the year	Vested and exercisable at 30 June 2010	Forfeited [***] $
L C Freedman	3,200,000	-	-	(1,600,000)	1,600,000	-	1,600,000	-
R L C Adair	1,066,667	-	-	(533,333)	533,334	-	533,333	-

FY 2009 Directors & Executives	Held at 1 July 2008	Granted as Compensation	Exercised	Other Changes[*]	Held at 30 June 2009[**]	Vested during the year	Vested and exercisable at 30 June 2009	Forfeited [***] $
L C Freedman	4,800,000	-	-	(1,600,000)	3,200,000	-	1,600,000	(180,800)
R L C Adair	1,600,000	-	-	(533,333)	1,066,667	-	533,333	(60,267)

[*] Other changes represent Options that were forfeited during the year.

[**] With effect from 26 August 2009, Mr Freedman forfeited 1,600,000 options and Mr Adair forfeited 533,333 options. These forfeitures occurred because under the terms of the Options Plan, the Company's earnings per share target for FY09 was not achieved.

[***] The value of the forfeited options during the year represents the benefit forgone and is calculated at the date the option lapsed using a binomial option- pricing model assuming the performance criteria had been achieved.

Service contracts

Except as outlined below, each of the key executives named in table 5 are employed pursuant to contracts which provide for an indefinite term and which are terminable on either party giving 6 months notice or on the payment to the executive of up to 6 months salary in lieu of notice. No termination payments other than salary in lieu of notice and accrued statutory leave entitlements are payable under these contracts.

Mr Clark Moseley

Mr Moseley was employed by Emeco Equipment (USA) LLC pursuant to a contract which provides for successive rolling 12 month terms, subject to either party being able to give 6 months notice of termination or on the payment by Emeco Equipment (USA) LLC to Mr Moseley of up to 6 months salary in lieu of notice. No termination payments other than salary in lieu of notice and accrued leave entitlements were paid to Mr Moseley at the date of his termination on 29 January 2010.

Mr Laurie Freedman

Mr Freedman's contract provided that he was to act as Managing Director of the Group until at least 31 December 2008. However, with effect from 1 October 2008 his contract was amended to provide that he would be employed as Managing Director for a 1 year term, at the expiry of which he would be employed on successive 1 year terms. Under his amended contract, Mr Freedman's employment could be terminated by either Mr Freedman or Emeco during the initial 1 year term upon provision of 6 months notice of termination. On 26 June 2009, the Company announced that Mr Freedman had decided to step down from his role as Managing Director at a mutually convenient time later in 2009 and that he would remain as Managing Director until his successor commenced with the Company. Following the appointment of Mr Gordon as Managing Director and Chief Executive Officer, Mr Freedman left his employment with the Company on 4 January 2010. No termination payments other than accrued leave entitlements were paid to Mr Freedman at the date of his termination.

Mr Robin Adair

The contract that was in place for Mr Adair for the duration of FY09 provided that he was to continue his employment with the Group until 30 June 2009. Emeco and Mr Adair subsequently agreed to extend his contract until 30 November 2009 and his employment terminated as at that date. No termination payments other than accrued leave entitlements were paid to Mr Adair at the date of his termination.

Mr Keith Gordon

Mr Gordon's employment is for an indefinite duration, commencing on 1 December 2009. His employment may be terminated by the giving of 6 months notice on either side. However, Emeco may terminate Mr Gordon's employment with a lesser period of notice on payment in lieu of notice not given.

Mr Gordon's annual remuneration comprises the following elements:

1. Fixed annual remuneration of $850,000, inclusive of superannuation contributions, which will be reviewed by the Remuneration and Nomination Committee on an annual basis to take account of market and cost of living movements.
2. Grant of a short term incentive (STI) award of up to 100% of the value of fixed remuneration, depending on the achievement of targets to be agreed. In the current financial year Mr Gordon's entitlement to an STI award was prorated to reflect the proportion of the year in which he has been employed.

   The actual amount of STI payable to Mr Gordon in FY10 was determined in light of his performance against agreed key performance indicators (KPIs). Refer to page 36 for a detailed explanation of these KPI's and Mr Gordon's entitlement to an STI payment in FY10.
3. Grant of a long term incentive (LTI) award in FY10 in the form of performance rights with a value of $500,000, the vesting conditions for which are in accordance with the terms of the Emeco LTI plan currently in place for the senior management team. The grant of performance rights to Mr Gordon is subject to shareholder approval at the Company's 2010 annual general meeting. The value of LTI grants to Mr Gordon in subsequent financial years will be determined by the Remuneration and Nomination committee.

   The value of the performance shares or performance rights granted to Mr Gordon are determined by discounting the market price of Emeco shares at the LTI grant date to reflect their fair value, taking into account the vesting conditions that apply under Emeco's LTI plan.

Under Mr Gordon's employment agreement the following terms apply if there is a change of control event in respect of Emeco Holdings Ltd:

- Mr Gordon's LTI awards will automatically vest.
- For a period of two years following a change of control event in respect of Emeco Holdings Ltd, Mr Gordon will be entitled to 12 months notice of termination. At the expiry of the two year period, the notice period will be reduced to 6 months.
- If, within two years of a change of control event in respect of Emeco Holdings Ltd, Emeco materially and substantially changes Mr Gordon's duties beyond the duties ordinarily performed by a Chief Executive Officer (other than with the Executive's agreement) he may serve written notice on the Emeco Board describing the conduct and indicating that he considers the conduct to be a serious breach of the Contract and that he elects to bring his employment to an end. If Emeco has repudiated the Contract and his employment is thereby brought to an end, following service of the above notice on the Emeco Board, Mr Gordon will be entitled to receive a payment equivalent to 12 month's base salary in lieu of notice.

Mr Stephen Gobby

Mr Gobby's contract is for an indefinite term and provides that it is terminable on either party giving 6 months notice or on the payment to him of up to 6 months salary in lieu of notice. If, however, a change of control of Emeco Holdings Ltd occurs or his duties are materially changed within certain time periods specified in the contract, then he is entitled to terminate the contract and to be paid a maximum amount of 6 months base salary and the full amount of his STI bonus.

Non-Executive Directors

A maximum amount of $1,200,000 pa is currently prescribed in the Company's constitution as the total aggregate remuneration available to Non-Executive Directors.

The remuneration of all of the Non-Executive Directors other than Mr Brennan comprises a cash Director's fee of $104,500 pa, inclusive of superannuation contributions. As Chairman, Mr Brennan is entitled to an annual fee of $182,875, inclusive of superannuation contributions. An additional annual fee of $7,838 is paid to any Director who is a member of a Board Committee; this fee is increased to $10,450 for a Director who chairs a Committee.

Remuneration and the Company's performance

The Directors consider that the remuneration policies of the Company effectively align the interests of Emeco's senior executives with the interests of the Company and its shareholders. This has been achieved by ensuring that a significant proportion of the senior executive's remuneration is "at risk" in the form of STI and LTI components, with STI entitlements being linked to financial measures of the Company's performance and LTI entitlements being linked to measures of total shareholder return.

The KPIs used to determine STI entitlements have been devised to ensure that key management personnel are rewarded for robust earnings performance and the achievement of key objectives. Conversely, where the Company's earnings performance does not meet KPI thresholds, key management personnel forfeit their entitlement to the STI component of their remuneration.

The extent to which Emeco has set financial performance KPIs which are genuinely challenging - and which entail that STI entitlements are genuinely at risk - is highlighted by the fact that no senior executive received an STI payment in FY10. Furthermore, only two senior executives received an STI payment in FY09 and only five of eleven senior executives received an STI payment in FY08.

Based on the consolidated results set out in the Company's financial statements for FY06 through to FY10, the Group has achieved a compound annual decline in operating EBITA of 5.9%. As a result of these declines, and as noted above, the STI entitlements of Emeco's senior executives in these years have been significantly reduced.

The Company's share price has declined significantly since the IPO in 2006. However, with the exception of the half year ended 31 December 2009, since the IPO the Company has maintained its dividend policy of paying shareholders between 35% and 45% of the Company's profit. The primary means available to the Company to grow shareholder wealth, whether by way of dividend distributions or increases in the Company's share price, is to strive to increase earnings and return on capital. In this regard, the Company will maintain remuneration policies and practices which reward strong financial performance and align the interests of management with the interests of shareholders.

Indemnification and insurance of directors, officers and auditors

The Company has entered into a deed of access, indemnity and insurance with each of its current and former Directors, the Chief Financial Officer and the Company Secretary. Under the terms of the deed, the Company indemnifies the officer or former officer, to the extent permitted by law, for liabilities incurred as an officer of the Company. The deed provides that the Company must advance the officer reasonable costs incurred by the officer in defending certain proceedings or appearing before an inquiry or hearing of a government agency.

Since the end of the previous financial year, the Company has paid premiums in respect of contracts insuring the current and former Directors and Officers of the Emeco Group, including senior executives, against liabilities incurred by such a Director, Officer or Executive to the extent permitted by the *Corporations Act 2001*. The contracts of insurance prohibit disclosure of the nature of the liability cover and the amount of the premium.

The Group has not indemnified its auditors, KPMG.

Non-audit services

During the year, KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the Corporate governance procedures adopted by the Company; and
- the non audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditors own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing the risks and rewards.

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is included in the Director's report.

Details of fees paid to the Company's auditors for non audit services are found in Note 8 of the financial report.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/100 dated 10 July 1998. The Company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the Directors.

Keith Gordon

Managing Director

Dated at Perth, 24th day of August 2010.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the Directors of Emeco Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

R Gambitta
Partner

Perth

24 August 2010

Statement of Comprehensive Income

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000
Continuing operations			
Revenue from rental income		302,355	304,380
Revenue from the sale of machines and parts		64,328	97,212
Revenue from maintenance services		38,276	42,131
		404,959	443,723
Changes in machinery and parts inventory		(72,010)	(91,575)
Repairs and maintenance		(94,208)	(86,295)
Employee expenses		(34,677)	(38,256)
Hired in equipment and labour		(2,857)	(1,474)
Gross profit		201,207	226,123
Other income	6	5,025	3,248
Other expense	7	(23,804)	(29,990)
Impairment of tangible assets	7, 19, 21	(13,793)	(5,787)
Business restructuring costs		(950)	-
EBITDA[1]		167,685	193,594
Impairment of goodwill	20	(20,105)	-
Depreciation expense	7	(98,775)	(93,268)
Amortisation expense	7,20	(295)	(338)
EBIT[2]		48,510	99,988
Financial income	7	157	1,090
Financial expenses	7	(22,882)	(23,698)
Profit before income tax expense		25,785	77,380
Income tax (expense)/benefit	9	(13,485)	(22,355)
Profit from continuing operations		12,300	55,025
Discontinued operations			
Loss from discontinued operations (net of income tax) before equity transfers	13	(56,242)	(41,756)
FCTR of discontinued operations disposed [3]	13	(5,371)	-
Loss from discontinued operations		(61,613)	(41,756)
Profit/(Loss) for the period		(49,313)	13,269

(1) EBITDA - Earnings before interest expense, tax, depreciation and amortisation.

(2) EBIT - Earnings before interest expense and tax.

(3) FCTR - Transfer of Foreign Currency Translation Reserve (FCTR) from equity reserve to profit upon foreign operations of the Group being disposed.

The statement of comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 58 to 119.

	Note	Consolidated	
		2010	2009
		$'000	$'000
Other comprehensive income			
Foreign currency translation differences for foreign operations		(5,473)	9,209
FCTR of discontinued operations disposed [3]		5,371	-
Effective portion of changes in fair value of cash flow hedges		3,290	(10,626)
Total comprehensive income/(loss) for the period		3,188	(1,417)

	Note	Consolidated	
		2010	2009
		$'000	$'000
Attributed to:			
Equity holders of the parent		(46,125)	11,852
		2010	**2009**
Earnings per share:		**$**	**$**
Basic earnings/(loss) per share	35	(0.078)	0.021
Diluted earnings/(loss) per share	35	(0.078)	0.021
		2010	**2009**
Continuing operations		**$**	**$**
Basic earnings per share	35	0.020	0.087
Diluted earnings per share		0.020	0.087

[3] FCTR - Transfer of Foreign Currency Translation Reserve (FCTR) from equity reserve to profit upon foreign operations of the Group being disposed.

The statement of comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 58 to 119.

Statement of Financial Position

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000
Current Assets			
Cash assets	16	5,239	10,422
Trade and other receivables	17	90,327	77,691
Inventories	19	87,017	142,650
Prepayments	18	4,550	5,310
Current tax asset	10	656	-
Assets classified as held for sale	14	38,413	-
Total current assets		226,202	236,073
Non-current Assets			
Trade and other receivables	17	14	85
Intangible assets	20	178,192	215,826
Property, plant and equipment	21	610,346	667,969
Total non-current assets		788,552	883,880
Total assets		1,014,754	1,119,953
Current Liabilities			
Trade and other payables	22	50,737	57,922
Interest bearing liabilities	23	5,203	7,943
Current tax liabilities	10	5,858	12,519
Provisions	25	5,302	6,991
Liabilities classified as held for sale	14	2,196	-
Total current liabilities		69,296	85,375
Non-current Liabilities			
Interest bearing liabilities	23	298,892	330,294
Deferred tax liabilities	11	23,020	20,626
Provisions	25	803	792
Total non-current liabilities		322,715	351,712
Total liabilities		392,011	437,087
Net assets		622,743	682,866
Equity			
Share capital	27	609,578	609,470
Reserves		(18,429)	(20,136)
Retained earnings		31,594	93,532
Total equity		622,743	682,866

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 58 to 119.

Statement of changes in Equity

Consolidated	Issued capital $'000	Share based payment reserve $'000	Hedging reserve $'000	Foreign currency translation reserve $'000	Reserve of own shares $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2008	608,995	1,474	90	(16,771)	(985)	108,933	701,736
Total comprehensive income for the period							
Profit or (loss)	-	-	-	-	-	13,269	13,269
Other comprehensive income							
Foreign currency translation differences	-	-	-	9,209	-	-	9,209
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	(10,626)	-	-	-	(10,626)
Total comprehensive income/(loss) for the period	-	-	(10,626)	9,209	-	13,269	11,852
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Own shares acquired by employee share plan trust	-	-	-	-	(2,885)	-	(2,885)
Dividends to equity holders	463[2]	-	-	-	-	(28,670)	(28,207)
Share-based payment transactions	-	358	-	-	-	-	358
Shares issued (net of expenses)	12	-	-	-	-	-	12
Total contributions by and distributions to owners	475	358	-	-	(2,885)	(28,670)	(30,722)
Balance at 30 June 2009	609,470	1,832	(10,536)	(7,562)	(3,870)	93,532	682,866

Statement of changes in Equity (continued)

Consolidated	Issued capital $'000	Share based payment reserve $'000	Hedging reserve $'000	Foreign currency translation reserve $'000	Reserve of own shares $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2009	609,470	1,832	(10,536)	(7,562)	(3,870)	93,532	682,866
Total comprehensive income for the period							
Profit or (loss)	-	-	-	-	-	(49,313)	(49,313)
Other comprehensive income							
Foreign currency translation differences	-	-	-	(5,473)	-	-	(5,473)
Exchange differences of disposed foreign operations	-	-	-	5,371	-	-	5,371
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	3,290	-	-	-	3,290
Total comprehensive income/(loss) for the period	-	-	3,290	(102)	-	(49,313)	(46,125)
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Own shares acquired by employee share plan trust	-	-	-	-	(2,377)	-	(2,377)
Dividends to equity holders	68[2]	-	-	-	-	(12,625)	(12,557)
Share-based payment transactions	40[1]	896	-	-	-	-	936
Total contributions by and distributions to owners	108	896	-	-	(2,377)	(12,625)	(13,998)
Balance at 30 June 2010	609,578	2,728	(7,246)	(7,664)	(6,247)	31,594	622,743

(1) Payments made in satisfaction of outstanding loans on vested shares under the Company's Management Incentive Share Plan.

(2) Dividends paid to Management Incentive Share Plan holders allocated to the payment of their share loans. Prior year includes $264,000 in dividends not recognised in previous years (refer note 3(j)(v)(a)).

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 58 to 119.

Statement of Cash Flows

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000
Cash flows from operating activities			
Cash receipts from customers		451,403	569,706
Cash paid to suppliers and employees		(263,023)	(335,941)
Cash generated from operations		188,380	233,765
Dividends received			
Interest received		162	1,279
Interest paid		(23,005)	(26,462)
Income tax paid		(18,075)	(33,147)
Net cash provided by/(used in) operating activities	30(ii)	147,462	175,435
Cash flows from investing activities			
Proceeds on disposal of non-current assets		47,523	21,337
Payment for property, plant and equipment		(155,050)	(115,536)
Net cash used in investing activities		(107,527)	(94,199)
Cash flows from financing activities			
Proceeds from loans		119,046	127,945
Repayment of borrowings		(141,448)	(170,807)
Purchase own shares		(2,377)	(2,885)
Payment for debt establishment costs		-	(4,642)
Finance lease payments		(7,973)	(9,608)
Dividends paid		(12,625)	(28,207)
Net cash provided by/(used in) financing activities		(45,377)	(88,204)
Net (decrease)/increase in cash held		(5,442)	(6,968)
Cash at the beginning of the period		10,422	16,804
Effects of exchange rate fluctuations on cash held		259	586
Cash at the end of the financial period	30(i)	5,239	10,422

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 58 to 119.

Notes to the Financial Statements

1 Reporting entity

Emeco Holdings Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Level 3, 71 Walters Drive, Osborne Park WA 6017. The consolidated financial statements of the Company as at and for the year ended 30 June 2010 comprise of the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in the renting, maintaining and selling of heavy earthmoving equipment to customers in the mining industries (refer note 15).

2 Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The consolidated financial report of the Group and the financial report of the Company comply with the International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board.

The consolidated financial statements were authorised for issue by the Board of Directors on 24th August 2010.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- derivative financial instruments are measured at fair value
- available-for-sale financial assets are measured at fair value

The methods used to measure fair values are discussed further in note 4.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the majority of the Group.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with the AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 5 – valuation of financial instruments.
- Note 11 – utilisation of tax losses and measurement of deferred tax assets.
- Note 20 – measurement of the recoverable amounts of cash-generating units containing goodwill.
- Note 21 – measurement of the recoverable amounts of tangible assets.
- Note 26 – measurement of share based-payments.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 20 – measurement of the recoverable amounts of cash-generating units containing goodwill.
- Note 25 and 29 – provisions and contingencies.

(e) Changes in accounting policies

Starting as of 1 July 2009, the Group has changed its accounting policies in the following areas:

- Determination and presentation of operating segments (refer note 3(s))
- Presentation of financial statements (refer note 3(t))

(f) Corporations Act amendments

During the year the Company has adopted the recent changes to the Corporations Act opting not to disclose parent company financial statements.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

Certain comparative amounts have been reclassified to conform with the current year's presentation (refer note (3t)). In addition, the comparative statement of comprehensive income has been represented as if operations discontinued during the current period had been discontinued from the start of the comparative period (refer note 13).

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are revised. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity. Any cash paid for the acquisition is recognised directly in equity.

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iii) Transactions eliminated on consolidation

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

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve “FCTR” is transferred to profit or loss as part of the profit or loss on disposal.

(c) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has non-derivative financial assets being: loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

(iii) Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised in other comprehensive income to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognised. In other cases the amount recognised in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Other non-trading derivatives

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss.

(iv) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

3 Significant accounting policies (continued)

Purchase of share capital (treasury shares)

When share capital recognised as equity is purchased by the employee share plan trust, the amount of the consideration paid, which includes directly attributable costs, is net of any tax effects, and is recognised as a deduction from equity. Purchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to / from retained earnings.

In the Company's financial statements the transactions of the Company sponsored employee share plan trust are treated as being executed directly by the Company (as the trust acts as the Company's agent).

Dividends

Dividends are recognised as a liability in the period in which they are declared.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, 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 items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. Expenditure on major overhauls and refurbishments of equipment is capitalised in property, plant and equipment as it is incurred, where that expenditure is expected to provide future economic benefits. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Items of property, plant and equipment, excluding freehold land, are depreciated over their estimated useful lives and are charged to the income statement. Estimates of remaining useful lives, residual values and the depreciation method are made on a regular basis, with annual re-assessments for major items.

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use. Where subsequent expenditure is capitalised into the asset, the estimated useful life of the total new asset is reassessed and depreciation charged accordingly.

Depreciation on buildings, leasehold improvements, furniture, fixtures and fittings, office equipment, motor vehicles and sundry plant is calculated on a straight-line basis. Depreciation on plant and equipment is calculated on machine hours worked over their estimated useful life. The estimated expected useful lives are as follows:

Leasehold Improvements	15 years
Plant and Equipment	3 – 15 years
Furniture, Fixtures and Fittings	10 years
Office Equipment	3 – 10 years
Motor Vehicles	5 years
Sundry Plant	7 – 10 years

(e) Intangible assets

(i) Goodwill

Goodwill (negative goodwill) arises on the acquisition of subsidiaries.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Amortisation

Amortisation is calculated over the cost of the asset, or another amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

- software 0 – 3 years

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(f) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's statement of financial position.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure 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 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.

Inventory is occasionally sold under a Rental Purchase Option ("RPO"). Under the RPO the purchaser is entitled to a rebate upon exercising the option. A portion of the income received is used to offset a write down in inventory.

(h) Work in progress

Work in progress consists unbilled amounts to be collected from customers for work performed to date, and is presented as part of trade and other receivables in the statement of financial position.

Progressive capital work to inventory and fixed assets are carried in work in progress accounts within their respective statement of financial position classifications with fixed assets being disclosed as a "capital work in progress". Upon work completion the balance is capitalised.

3 Significant accounting policies (continued)

(i) Impairment

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that a loss of event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

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 asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, excluding inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing fair value, the Group has assessed the amount it could obtain on disposal, less realisation costs. Fair value is calculated with regard to the discounted post tax cash flows or comparable transactions for similar businesses. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination is allocated to groups of cash-generating units that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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

Goodwill assets were tested for impairment at 30 June 2010 as part of the Group's process of annually testing goodwill for impairment.

(j) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on Commonwealth Government bonds that have maturity dates approximating the terms of the Group's obligations.

(iii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(iv) Short-term benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(v) Share based payment transactions

(a) A management incentive share plan ("MISP") allows certain consolidated entity employees to acquire shares of the Company. The grant date fair value of the shares granted to employees is recognised as an employee expense with a corresponding increase in equity, over the period during which the employees become unconditionally entitled to the shares. The fair value of the MISP granted is measured using a Black Scholes pricing model, taking into account the terms and conditions upon which the shares were granted. The amount recognised as an expense is adjusted to reflect the actual number of shares that vest except where forfeiture is only due to shares prices not achieving the threshold for vesting. Employees have been granted a limited recourse 10 year interest free loan in which to acquire the shares. The loan has not been recognised as the Company only has recourse to the value of the shares.

(b) The share option programme allows certain employees to acquire shares of the Company. The grant date fair value of options granted to employees is recognised as an employee expense with a corresponding increase in equity, over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option-pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to market conditions not being met, i.e. share prices not achieving the threshold for vesting.

(c) A long term incentive plan ("LTIP") allows certain management personnel to receive shares or rights of the Company upon satisfying performance conditions. Under the LTIP rights or shares granted to each LTIP participant vest to the employee after 3 years if the prescribed performance condition is met. The performance condition is a performance hurdle based on relative total shareholder return ("TSR"). The peer group that the Company's TSR is measured against consists of 98 Companies and includes 12 Companies that are considered direct peers to Emeco, in addition to the S&P/ASX Small Industrials (excluding banks, insurance companies, property trust companies and investment property trust/companies and other stapled securities). The fair value of the performance rights or shares granted under the LTIP have been measured using Monte Carlo simulation analysis and are expensed evenly over the period from grant date to vesting date.

(d) Dividends received while satisfying the performance conditions of share issues under the MISP and LTIP are allocated against the employee outstanding loan. Dividends paid to LTIP shares are held within a trust until vesting entitlements have been determined. LTIP recipients are not entitled to any dividends until their shares or rights have vested at which time the recipient will be entitled to all future dividends.

3 Significant accounting policies (continued)

(k) Provisions

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

(i) Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

(l) Revenue

(i) Rental revenue

Revenue from the rental of machines is recognised in profit and loss based on the number of hours the machines operate each month. Contracts generally have a minimum hour clause which is triggered should the machine operate under these hours during each month. Customers are billed monthly.

(ii) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that 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, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(iii) Maintenance services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

(m) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(n) Finance income and finance expenses

Finance income comprises interest income, dividend income, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, losses on hedging instruments that are recognised in profit or loss and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis in either finance income or finance expense.

(o) Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss 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 in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. 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 or loss, and differences relating to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they 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. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. 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 tax expenses that arise from the distribution of cash dividends are recognised at the same time that the liability to pay the related dividend is recognised. The Group does not distribute non-cash assets as dividends to its shareholders.

(i) Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 16 December 2004 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Emeco Holdings Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised by the Company as amounts payable (receivable) to/(from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

(ii) Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivables/(payables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

3 Significant accounting policies (continued)

(p) Goods and services tax

Revenue, 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. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

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

(q) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

(r) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period adjusted for shares held by the Company's sponsored employee share plan trust. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for shares held by the Company's sponsored employee share plan trust, for the effects of all dilutive potential ordinary shares, which comprise convertible notes, management performance shares, and share options granted to employees.

(s) Segment reporting

As of 1 July 2009 the Group determines and presents operating segments based on the information that internally is provided to the Board of Directors, who are the Group's chief operating decision makers. This change in accounting policy is due to the adoption of AASB 8 Operating Segments. Previously operating segments were determined and presented in accordance with AASB 114 Segment Reporting. The new accounting policy in respect of segment operating disclosures is presented as follows.

Comparative segment information has been re-presented in conformity with the transitional requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

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

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

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

(t) Presentation of financial statements

The Group applies revised AASB 101 *Presentation of Financial Statements* (2007), which became effective as of 1 July 2009 for the Group. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

(u) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report.

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Group has not yet determined the potential effect to the standard.
- AASB 124 *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for Group's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.
- AASB 2009-5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2009-10 *Amendments to Australian Accounting Standards –Classification of Rights Issue [AASB 132]* (October 2010) clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments, which will become mandatory for the Group's 30 June 2011 financial statements, are not expected to have any impact on the financial statements.

4 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, and willingly. The market value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

(ii) Intangible assets

The fair value of contract intangibles acquired in a business combination is based on the discounted estimated net future cash flows that are expected to arise as a result of the contracts that are in place when the business combination was finalised.

(iii) Inventory

The fair value of inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

4 Determination of fair values (continued)

(iv) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(v) Derivatives

The fair value of forward exchange contracts is based on the discounted value of the difference between the rate the forward exchange contract was entered and the year end exchange rate.

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

(vi) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

(vii) Share-based payment transactions

The fair value of employee share options, management incentive plan shares, and long term incentive plan shares are measured using an option pricing model. Measurement inputs include share price on issue, exercise price of the instrument, expected volatility, weighted average expected life of the instruments, market performance conditions, expected dividends, and the risk-free interest rate. Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

5 Financial risk management

Overview

The Group has exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit and Risk Management Committee, which is responsible for developing and monitoring risk management policies. The Committee reports regularly to the Board of Directors on its activities.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training, management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

		Consolidated	
		Carrying amount	
	Note	2010	2009
		$'000	$'000
Trade receivables	17	91,723	78,852
Other receivables	17	5,256	7,655
Cash and cash equivalents	16	5,239	10,422
		102,218	96,929

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. The Group sets individual counter party limits and where possible insures its rental income within Australia, Indonesia and Canada, and generally operates on a "cash for keys" policy within its Sales business.

Both insured and uninsured debtors are subject to the Group's credit policy. The Group's credit policy requires each new customer to be individually analysed for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the responsible General Manager. In the instance that a customer fails to meet the Group's credit worthiness, and the Group is unable to secure credit insurance, future transactions with the customer will only be on a prepayment basis, or similar security such as a bank guarantee or letter of credit.

Where commercially available the Group aims to insure the majority of rental customers that are not considered either blue chip customers, subsidiaries of blue chip companies or Government. Blue chip customers are determined as those customers who have a market capitalisation of greater than $750 million (2009: $750 million).

The Group has established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a general loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The specific loss component is made up of the insurance excess for insured debts that have been classified as doubtful plus a probability weighting to uninsured debts that are also considered doubtful. The general loss allowance is determined based on historical data of payment statistics for similar financial assets. For the purpose of allocating the general loss component to the aging trade receivable table, the total general loss component has been allocated to the not past due.

As at 30 June 2010 the Group recognised a bad debt write-off for the amount of $5.8 million (2009: $3.5 million) relating to a bad debt in Indonesia and bad debts in USA and Europe of $1.9 million, $1.6 million and $1.3 million respectively. The USA and European bad debts have been recognised within discontinued operations. The residual balance of bad debts recognised during the year relate to a few customers in Australia that were unable to pay their outstanding balances due to economic circumstances. The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historic payment behaviour and extensive analyses of the underlying customers' credit ratings.

5 Financial risk management (continued)

The Group's maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Consolidated	
	Carrying amount	
	2010	2009
	$'000	$'000
Australia	55,404	45,243
Asia	19,251	15,785
North America	13,414	11,536
Europe	3,252	4,846
Africa	402	1,442
	91,723	78,852

The Group's maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	Consolidated	
	Carrying amount	
	2010	2009
	$'000	$'000
Insured	40,700	35,181
Blue Chip (including subsidiaries)	13,827	12,117
Government	-	185
Other security	9,197	7,653
Uninsured	27,999	23,716
	91,723	78,852

The aging of the Group's trade receivables at the reporting date was:

	Consolidated		Consolidated	
	Gross	Impairment	Gross	Impairment
	2010	2010	2009	2009
	$'000	$'000	$'000	$'000
Not past due	44,879	1,830	31,614	1,896
Past due 0-30 days	24,405	1	19,684	1,006
Past due 31-60 days	3,853	47	7,048	147
Past due 61 days	18,586	4,774	20,506	5,767
	91,723	6,652	78,852	8,816

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Consolidated	
	2010	2009
	$'000	$'000
Balance at 1 July	8,816	5,378
Bad debt written off	(5,787)	(3,475)
Doubtful debt recognised	3,623	6,913
Balance at 30 June	6,652	8,816

Guarantees

Financial guarantees are generally only provided to wholly-owned subsidiaries or when entering into a premise rental agreement. Details of outstanding guarantees are provided in note 29.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors working capital limits and employs maintenance planning and life cycle costing models to price its rental contracts. These processes assist it in monitoring cash flow requirements and optimising cash return in its operations. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The Group's syndicated senior debt facility ("debt facility") matures on 15 August 2011. The facility comprises a three year $595.0 million revolving senior debt facility and a one year revolving $33.4M (2009: $35.0M) working capital facility. At year end it had undrawn facilities of $328.4M. The Group will pursue the refinancing of its debt facility in FY11 and is expected to complete this before the current facility matures.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

5 Financial risk management (continued)

Consolidated	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
30 June 2010	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Non-derivative financial liabilities							
Secured bank loans	(300,009)	(311,198)	(34,556)	(5,536)	(271,106)	-	-
Finance lease liabilities	(5,463)	(5,548)	(2,659)	(2,628)	(261)	-	-
Trade and other payables [*]	(36,684)	(36,684)	(36,577)	(107)	-	-	-
	(342,156)	(353,430)	(73,792)	(8,271)	(271,367)	-	-
Derivative financial liabilities							
Interest rate swaps used for hedging asset/(liability)	(13,187)	(13,497)	(5,395)	(2,441)	(3,521)	(2,140)	-
Forward exchange contracts used for hedging:							
Outflow	(1,033)	(41,728)	(41,728)	-	-	-	-
Inflow	(18)	42,780	42,780	-	-	-	-
	(14,238)	(12,445)	(4,343)	(2,441)	(3,521)	(2,140)	-

[*] Excludes derivatives (shown separately)

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Consolidated	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
30 June 2009	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Non-derivative financial liabilities							
Secured bank loans	(327,575)	(336,002)	(2,107)	(2,107)	(4,214)	(327,574)	-
Finance lease liabilities	(14,094)	(14,640)	(5,419)	(2,973)	(5,818)	(430)	-
Trade and other payables [*]	(41,612)	(41,612)	(35,843)	(5,769)	-	-	-
	(383,281)	(392,254)	(43,369)	(10,849)	(10,032)	(328,004)	-
Derivative financial liabilities							
Interest rate swaps used for hedging asset/(liability)	(16,310)	(17,010)	(4,061)	(2,848)	(5,697)	(4,404)	-
Forward exchange contracts used for hedging:							
Outflow	27	(1,437)	(1,437)	-	-	-	-
Inflow	(36)	1,446	1,446	-	-	-	-
	(16,319)	(17,001)	(4,052)	(2,848)	(5,697)	(4,404)	-

[*] Excludes derivatives (shown separately)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group enters into derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Group's hedging policy. Generally the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

Currency risk

The Group is exposed to currency risk on revenue, expenditure and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Australian dollar ("AUD"), but also the United States Dollars ("USD"), Canadian Dollars ("CAD"), and Euro Dollars ("EURO"). The currencies in which these transactions primarily are denominated are AUD, USD, CAD, EURO and Japanese Yen ("YEN").

The Group hedges all trade receivables and trade payables that are denominated in a currency that is foreign to its functional currency, and greater than $50,000. The Group uses forward exchange contracts to hedge this currency risk. Most of the forward exchange contracts have maturities of less than 6 months.

In respect of other monetary assets and liabilities held in currencies other than the AUD, the Group ensures that the net exposure is kept to an acceptable level by matching foreign denominated financial assets with matching financial liabilities and vice versa.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily AUD, but also USD, CAD and EURO. This provides an economic hedge without derivatives being entered into and therefore no application of hedge accounting.

The Group's investments in its subsidiaries and their earnings for the year are not hedged as these currency positions are considered long term in nature.

The Group's foreign denominated debt is not hedged to manage the risk of breaching its facility limit of $595.0M as the Group considers there to be appropriate headroom for any adverse movement in exchange rates (refer note 24).

Exposure to currency risk

The Group's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

	30 June 2010			30 June 2009	
	AUD	USD	YEN	AUD	USD
	$'000	$'000	$'000	$'000	$'000
Trade receivables	-	517	-	-	(35)
Trade payables [1]	-	-	(2,074)	-	-
Gross balance sheet exposure	-	517	(2,074)	-	(35)
Forward exchange contracts	-	(517)	2,074	-	-
Net exposure	-	-	-	-	(35)

[1] Trade payables does not include future purchase commitments denominated in foreign currencies. The Group hedges these purchases in accordance with its hedging policy. The payable is not recognised until the asset is received. The fair value of outstanding derivatives are recognised in the balance sheet at period end.

5 Financial risk management (continued)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2010	2009	2010	2009
CAD	0.9303	0.8628	0.8962	0.9366
USD	0.8816	0.7488	0.8538	0.8119
EURO	0.6350	0.5423	0.6982	0.5761
IDR	8,325	7,770	7,727	8,261

Sensitivity analysis – financial instruments

A strengthening of the Australian dollar, as indicated below, against the following currencies at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below:

	Consolidated	
	Equity	Profit or loss
	$'000	$'000
30 June 2010		
USD (10 percent strengthening)	(2,410)	(104)
EURO (10 percent strengthening)	(149)	-
YEN (10 percent strengthening)	(132)	-
CAD (10 percent strengthening)	(439)	-
30 June 2009		
USD (10 percent strengthening)	(245)	-
EURO (10 percent strengthening)	47	(77)
YEN (10 percent strengthening)	(1)	-
CAD (10 percent strengthening)	(439)	-

A weakening of the Australian dollar against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

Under the terms of the Group's Syndicated Loan Facility the Group is required to maintain a minimum of 50% of its exposure to changes in interest rates on borrowings on a fixed rate basis. This is typically achieved by entering into interest rate swaps.

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Note	Consolidated	
		2010	2009
		$'000	$'000
Cash at bank	16	5,239	10,422
Variable interest bearing liabilities		300,009	327,575
Variable interest bearing finance leases		5,463	14,094
Total interest bearing liabilities	24	305,472	341,669
Effective interest rate swaps to hedge interest rate risk			
Australian dollars		70,000	70,000
Canadian dollars C$80M (2009: C$80M)		89,266	85,415
United States dollars USD$15M (2009: USD$40M) [1]		17,568	49,267
Euro dollars €Nil (2009: €Nil) [2]		-	-
		176,834	204,682
The interest rate swaps principle amount expiring over the next 5 years:			
No later than one year		-	155,415
Later than one year but not later than two		87,568	-
Later than two years but not later than three		44,633	49,267
Later than three years but not later than four		44,633	-
Later than four years but not later than five		-	-
		176,834	204,682

(1) At 30 June 2010 the Group had a USD$10M and USD$15M swap which was considered ineffective due to the forecast repayments of USD denominated debt to below the level of the swaps and are not included above.

(2) At 30 June 2009 the Group had a €10M swap, which was considered ineffective as the Group's Euro denominated debt totalled €7.8M and is not included above.

Fair value sensitivity analysis for fixed rate instruments

Where a derivative is considered ineffective the Group recognises the fair value of the instrument through profit or loss. Therefore a change in interest rates of the Group's ineffective hedge at reporting date would be recognised in the Group's profit or loss.

5 Financial risk management (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

	Profit or loss		Equity	
	100bp increase	100bp decrease	100pb increase	100pb decrease
	$'000	$'000	$'000	$'000
30 June 2010				
Cash flow sensitivity (net)	431	(431)	2,766	(2,766)
30 June 2009				
Cash flow sensitivity (net)	415	(415)	5,123	(5,123)

Fair values

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the Government yield curve at the reporting date plus an adequate credit spread, and were as follows:

	2010			2009		
Derivatives	1.0%	-	6.0%	2.0%	-	8.0%
Loans and borrowings	2.0%	-	7.0%	2.0%	-	8.0%
Leases	0.0%	-	1.0%	3.0%	-	10.0%

The Group has not identified other market price risks that it considers it is materially exposed to, other than those identified.

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

		30 June 2010		30 June 2009	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
	Note	$'000	$'000	$'000	$'000
Assets carried at fair value					
Forward exchange contracts used for hedging		1,033	1,033	27	27
		1,033	1,033	27	27
Assets carried at amortised cost					
Receivables	17	90,327	90,327	77,691	77,691
Cash and cash equivalents	16	5,239	5,239	10,422	10,422
		95,566	95,566	88,113	88,113
Liabilities carried at fair value					
Interest rate swaps used for hedging		(13,187)	(13,187)	(16,310)	(16,310)
Forward exchange contracts used for hedging		(18)	(18)	(36)	(36)
		(13,205)	(13,205)	(16,346)	(16,346)
Liabilities carried at amortised cost					
Secured bank loans	23	(300,009)	(298,892)	(327,575)	(324,303)
Finance lease liabilities	23	(5,463)	(5,463)	(14,094)	(14,094)
Trade and other payables [*]	22	(36,499)	(36,499)	(41,612)	(41,612)
		(341,971)	(340,854)	(383,281)	(380,009)

[*] Excludes derivatives (shown separately)

The basis for determining fair values is disclosed in note 4.

Fair value hierarchy

All the Group's financial instruments carried at fair value would be categorised at level 2 in the fair value hierarchy as their value is based on inputs other than the quoted prices that are observable for these assets/(liabilities), either directly or indirectly.

The Group's only financial instruments carried at fair value, by valuation method are the interest rate swaps and forward foreign exchange contracts used for hedging, as set out in the table above.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as earnings before interest and tax ("EBIT") divided by total average equity, plus interest bearing liabilities, less cash and cash equivalents over the period. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's EBIT return on capital for the year was (1.1%) (2009: 6.0%). This includes significant items of $95.0M (2009: $38.1M) as a result of asset impairments, doubtful debt provisioning and business restructure costs. Had the significant items not been included the Group EBIT return on capital for the year would have been 8.3% (2009: 9.4%).

5 Financial risk management (continued)

The Group's EBIT return on capital ratio at the end of the reporting period was as follows:

	Consolidated	
	2010	2009
	$'000	$'000
EBIT (for continuing and discontinued operations)	(6,061)	67,746
Average invested capital	1,005,399	1,126,033
EBIT return on capital at 30 June	(0.6%)	6.0%

Primarily for satisfying potential future obligations under its employee share plans the Group purchases its own shares on the market. The timing of these purchases depends on the number of shares that have been issued under either of its employee share plans. Buy and sell decisions are made on a specific transaction basis; the Group does not have a defined share buy-back plan.

Throughout the year the Group also monitors its gearing ratio to ensure that it is kept at a level of less than 3.0 times. The gearing ratio is determined as total debt over the last twelve months Operating EBITDA.

6 Other income

	Consolidated	
	2010	2009
	$'000	$'000
Net profit on sale of non current assets [1]	2,913	2,715
Sundry income [2]	2,112	533
	5,025	3,248

(1) Included in net profit on the sale of non current assets is the sale of rental equipment which occurs in the ordinary course of business.

(2) Included in sundry income are fees charged on overdue accounts, bad debts recovered and procurement fees on machines sourced for 3rd parties.

7 Profit before Income Tax Expense for continuing operations

	Consolidated	
	2010	2009
	$'000	$'000
Profit before income tax expense has been arrived at after charging/(crediting) the following items:		
Cost of sale of machines and parts	72,010	86,967
Cost of sales inventory on rent	4,560	5,872
Impairment of tangible assets:		
- inventory	4,525	148
- property, plant and equipment	9,268	5,639
	13,793	5,787
Employee expenses:		
- superannuation	2,766	3,086
Other expenses:		
- bad debts	2,607	2,973
- insurance	3,137	4,092
- motor vehicles	4,289	4,623
- rental expense	3,685	3,637
- travel and subsistence expense	2,420	3,050
- other expenses	7,666	11,615
	23,804	29,990
Depreciation of:		
- buildings	839	756
- plant and equipment - owned	93,050	87,658
- plant and equipment - leased	1,014	1,105
- furniture fittings and fixtures	141	149
- office equipment	463	485
- motor vehicles	845	843
- leasehold improvements	446	430
- sundry plant	1,977	1,842
	98,775	93,268
Amortisation of:		
- contract intangible	24	65
- other intangibles	271	273
	295	338
Impairment of goodwill	20,105	-
Total depreciation, amortisation and impairment of goodwill	119,175	93,606

7 Profit before Income Tax Expense for continuing operations (continued)

	Consolidated	
	2010	2009
	$'000	$'000
Financial expenses:		
- interest expense	18,099	19,897
- ineffective hedge	1,604	1,231
- amortisation of debt establishment costs	1,233	1,203
- other facility costs	1,946	1,367
	22,882	23,698
Financial income:		
- interest revenue	(157)	(1,090)
Net financial expenses	22,725	22,608
Net foreign exchange (gain)/loss	(818)	(1,295)

8 Auditor's remuneration

	Consolidated	
	2010	2009
	$	$
Audit services		
Auditors of the Company		
KPMG Australia:		
- audit and review of financial reports	404,308	391,700
Overseas KPMG Firms:		
- audit and review of financial reports	260,930	309,698
	665,238	701,398
Other services		
Auditors of the Company		
KPMG Australia:		
- other assurance services	13,934	4,200
- taxation services	65,410	94,785
- accounting assistance	-	9,070
Overseas KPMG Firms:		
- taxation services	60,957	121,176
- accounting assistance	20,813	7,935
- transaction services	-	4,629
	161,114	241,795
	826,352	943,193

9 Income tax expense

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000
(a) Recognised in the income statement			
Current tax expense:			
Current year		13,691	26,267
Adjustments for prior years		(328)	(99)
		13,363	26,168
Deferred tax expenses:			
Origination and reversal of temporary differences		270	6,327
Reduction in tax rate		(430)	(563)
Adjustment for prior years		-	(3,435)
	11	(160)	2,329
Income tax expense		13,203	28,497
Income tax expense from continuing operations		13,485	22,355
Income tax expense from discontinuing operations	13	(282)	6,142
Total income tax expense		13,203	28,497

	Consolidated 2010 $'000	Consolidated 2009 $'000
(b) Deferred tax expense recognised directly in equity		
Capital raising costs	1,404	1,344
	1,404	1,344

Consolidated	Before Tax $'000	2010 Tax (expense) benefit $'000	Net of tax $'000	Before tax $'000	2009 Tax (expense) benefit $'000	Net of tax $'000
Income tax recognised in other comprehensive income						
Foreign currency translation differences for foreign operations	(5,473)	-	(5,473)	9,209	-	9,209
Net loss on investment in foreign operations	5,371	-	5,371	-	-	-
Cash flow hedges	3,290	(1,150)	2,140	(10,626)	4,554	(6,072)
	3,188	(1,150)	2,038	(1,417)	4,554	3,137

9 Income tax expense (continued)

	Consolidated	
	2010	2009
	$'000	$'000
(c) Numercial reconciliation between tax expense and pre tax net profit/(loss):		
Prima facie income tax expense calculated		
at 30% on net profit	(10,833)	12,530
Increase/(decrease) in income tax expense due to:		
Effect on tax rate in foreign jurisdictions	(255)	(384)
Share based payments	270	106
Current year losses for which no deferred tax asset was recognised	13,260	5,932
Impairment of goodwill	11,085	3,770
Reduction in tax rate in foreign jurisdictions	(430)	(563)
Derecognition of previously recognised deferred tax assets [1]	-	6,977
Tax - investment allowance	(191)	(269)
Sundry	625	497
Decrease in income tax expense due to:		
Under/(over) provided in prior years	(328)	(99)
Income tax expense/(benefit)	13,203	28,497

[1] Tax assets in the Group were derecognised in the prior year to the extent that it was no longer probable that sufficient taxable profit will be available in a sufficient time frame to allow the benefit of the deferred tax asset to be utilised. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

10 Current tax assets and liabilities

The current tax asset for the Group of $656,000 (2009: $Nil) represents income taxes and withholding tax recoverable in respect of prior periods and that arise from payment of taxes in excess of the amount due to the relevant tax authority. The current tax liability for the Group of $5,858,000 (2009: $12,519,000) represents the amount of income taxes payable in respect of current and prior financial periods.

11 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Consolidated	Assets		Liabilities		Net	
	2010	2009	2010	2009	2010	2009
	$'000	$'000	$'000	$'000	$'000	$'000
Property, plant and equipment	(276)	(383)	38,204	33,456	37,928	33,073
Intangible assets	-	-	13	7	13	7
Receivables	(3,558)	(2,791)	23	2	(3,535)	(2,789)
Inventories	(93)	(608)	1,661	2,355	1,568	1,747
Payables	(3,742)	(1,412)	-	7	(3,742)	(1,405)
Derivatives	(4,216)	(4,893)	-	8	(4,216)	(4,885)
Interest-bearing loans and borrowings	-	(718)	2,166	895	2,166	177
Employee benefits	(1,490)	(1,759)	-	-	(1,490)	(1,759)
Equity - capital raising costs	(1,416)	(2,820)	-	-	(1,416)	(2,820)
Provisions	(43)	(23)	-	-	(43)	(23)
Tax losses carried forward	(4,213)	(697)	-	-	(4,213)	(697)
Tax (assets) / liabilities	(19,047)	(16,104)	42,067	36,730	23,020	20,626
Set off of tax	19,047	16,104	(19,047)	(16,104)	-	-
Net tax (assets) / liabilities	-	-	23,020	20,626	23,020	20,626

Movement in temporary differences during the year

Consolidated	Balance 1 July 08	Recognised in profit or loss	Recognised directly in equity	Recognised in other comprehensive income	Balance 30 June 09
	$'000	$'000	$'000	$'000	$'000
Property, plant and equipment	24,859	8,214	-	-	33,073
Intangible assets	90	(83)	-	-	7
Receivables	(3,916)	1,127	-	-	(2,789)
Inventories	13,599	(11,852)	-	-	1,747
Payables	(1,130)	(275)	-	-	(1,405)
Derivatives	38	(369)	-	(4,554)	(4,885)
Interest-bearing loans and borrowings	(1,187)	1,364	-	-	177
Employee benefits	(1,434)	(325)	-	-	(1,759)
Equity - capital raising costs	(4,164)	-	1,344	-	(2,820)
Provisions	(50)	27	-	-	(23)
Other items	(294)	294	-	-	-
Tax losses carried forward	(4,904)	4,207	-	-	(697)
	21,507	2,329	1,344	(4,554)	20,626

11 Deferred tax assets and liabilities (continued)

Movement in temporary differences during the year

Consolidated	Balance 1 July 09	Recognised in profit or loss	Recognised directly in equity	Recognised in other comprehensive income	Balance 30 June 10
	$'000	$'000	$'000	$'000	$'000
Property, plant and equipment	33,073	4,855	-	-	37,928
Intangible assets	7	6	-	-	13
Receivables	(2,789)	(746)	-	-	(3,535)
Inventories	1,747	(179)	-	-	1,568
Payables	(1,405)	(2,337)	-	-	(3,742)
Derivatives	(4,885)	(481)	-	1,150	(4,216)
Interest-bearing loans and borrowings	177	1,989	-	-	2,166
Employee benefits	(1,759)	269	-	-	(1,490)
Equity - capital raising costs	(2,820)	-	1,404	-	(1,416)
Provisions	(23)	(20)	-	-	(43)
Tax losses carried forward	(697)	(3,516)	-	-	(4,213)
	20,626	(160)	1,404	1,150	23,020

12 Dividends

(i) The following dividends were declared and paid by the Group:

2010	Cents per share	Total amount $'000	Franked/ unfranked	Date of payment
Final 2009 ordinary	2.0	12,625	Franked	30 September 2009
Interim 2010 ordinary	-	-		
		12,625		

Franked dividends declared or paid during the year were franked at the tax rate of 30%.

Subsequent to 30 June 2010

After 30 June 2010 the following dividends were proposed by the Directors. The dividends have not been provided for. The declaration and subsequent payment of dividends have no income tax consequences.

2010	Cents per share	Total amount $'000	Franked/ unfranked	Date of payment
Final 2010 ordinary	2.0	12,625	Franked	30 September 2010
Total amount		12,625		

The financial effect of these dividends has not been brought to account in the financial statements for the financial year ended 30 June 2010 and will be recognised in subsequent financial reports.

The following dividends were declared and paid by the Group in the prior year:

2009	Cents per share	Total amount $'000	Franked/ unfranked	Date of payment
Final 2008 ordinary	2.5	15,781	Franked	30 September 2008
Interim 2009 ordinary	2.0	12,625	Franked	9 April 2009
Total amount		28,406		

(ii) Franking account

	The Company	
	2010 $'000	2009 $'000
Dividend franking account		
30% franking credits available to shareholders of Emeco Holdings Limited for subsequent financial years	56,539	48,259

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

(a) franking credits that will arise from the payment of current tax liabilities and recovery of current tax receivables;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the year end;

(c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year-end; and

(d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability is to reduce it by $5,411,000 (2009: $5,411,000). In accordance with the tax consolidation legislation, the Company as the head entity in the tax-consolidated group has also assumed the benefit of $56,539,000 (2009: $48,259,000) franking credits.

13 Discontinued operations

In February 2010 the Board resolved to close the Emeco Europe operations and decrease Emeco's presence in the USA. In June 2010 it was decided by the Board to completely exit the USA having materially disposed of all of its rental and sales assets and commenced a strategy to dispose of the Emeco USA parts business. The Board also resolved to exit the Victorian Rental business which comprised predominantly of civil rental plant and equipment (and related contracts) within its Australian business. The operations were not discontinued or classified as held for sale as at 30 June 2009 and the comparative statement of comprehensive income has been re-presented to show the discontinued operation separately from continuing operations.

Losses of discontinued operations	2010 $'000	2009 $'000
Revenue	56,741	84,520
Other income	227	205
Direct costs	(41,173)	(52,936)
Depreciation	(9,002)	(11,350)
Cost of sales equipment on rent	(484)	(1,096)
Writedown of stock	(5,942)	(12,818)
Impairment of fixed assets	(9,316)	(864)
Profit/(loss) on sale of assets	(3,418)	1,143
Other expenses	(8,334)	(13,613)
Financial expense	(1,953)	(3,372)
Employee expenses	(9,394)	(10,876)
Restructure costs	(7,630)	(1,990)
Impairment of goodwill	(16,846)	(12,567)
Loss from operating activities (before tax)	**(56,524)**	**(35,614)**
Income tax (expense)/benefit	282	(6,142)
Loss from operating activities, net of income tax	**(56,242)**	**(41,756)**
FCTR of discontinued operations disposed	(5,371)	-
Total Loss from operating activities, net of income tax	**(61,613)**	**(41,756)**
Basic loss per share (AUD)	0.098	0.066
Diluted loss per share (AUD)	0.098	0.066

The loss from discontinued operations of $61,613,000 (2009: loss of $41,756,000) is attributable entirely to the owners of the Group.

Cash flows from (used in) discontinued operations	2010 $'000	2009 $'000
Net cash used in operating activities	31,725	38,191
Net cash from investing activities	13,133	(17,106)
Net cash from financing activities	(46,500)	(19,740)
Net cash from (used in) discontinued operations	(1,642)	1,345

The Board's decision to close these businesses was to address the underperformance in returns being generated in these businesses and to refocus the Group's resources to align with its core rental customer base.

14 Non-current assets held for sale

The parts division of the USA segment and the Victorian Rental business of the Australian rental segment are presented as disposal groups held for sale following commitment from the Group in late 2010 to dispose of these segments. Efforts to sell assets of these disposal groups are underway. It is the Group's intention to dispose of these segments by 30 June 2011. The divisions were not classified as held for sale or discontinued operations at 30 June 2009 and the comparative statement of comprehensive income has been represented to show these disposal groups as discontinued operations separately from continuing operations. At 30 June 2010 the disposal groups comprised asset of $38.4 million and liabilities of $2.2 million.

Assets classified as held for sale	2010 $'000
Property , plant and equipment	35,989
Inventories	1,905
Trade and other receivables	519
	38,413

Liabilities classified as held for sale	2010 $'000
Trade and other payables	56
Provisions	2,140
	2,196

15 Segment reporting

The Group has seven reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different operational strategies. For each of the strategic business units, the Managing Director and Board of Directors review internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

Australian Rental	Provides a wide range of earthmoving equipment and maintenance services to customers in Australia. During the year the Victorian Rental business was classified as a discontinued operation and a disposal group held for sale.
Australian Sales	Sells a wide range of earthmoving equipment to customers in the civil construction and mining industries in Australia.
Australian Parts	Procuring and supplying global sourced used and reconditioned parts to external customers and internally to the rental and sales division in Australia.
Indonesia	Provides a wide range of earthmoving equipment and maintenance services to customers in Indonesia.
Canada	Provides a wider range of earthmoving equipment and maintenance services to customers who are predominately within Canada.
United States of America (USA) (Discontinued)	Provides a wide range of earthmoving equipment for rental or sale, maintenance services and procurement and supply of used and reconditioned parts to customers both internal and external in the United States of America. During the year this segment was discontinued.
Europe (Discontinued)	Provides a wide range of earthmoving equipment for rental or sale and maintenance services to customers in Europe. During the year this segment was discontinued.

15 Segment reporting (continued)

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax as included in the internal management reports that are reviewed by the Group's managing director and Board of Directors. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

Comparative segment information has been represented in conformity with the requirement of AASB 8 Operating Segments.

Information about reportable segments 2010

	Australian Rental	Victorian Rental [1] (discon'd)	Australian Sales	Australian Parts	Indonesia	Canada	USA (discon'd)	Europe (discon'd)	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
External revenues	250,721	19,758	52,807	14,070	49,311	37,823	23,869	13,341	-	461,700
Inter-segment revenue	5,166	-	18,403	3,057	8,693	6,235	25,439	2,348	-	69,341
Interest income	1	-	-	-	3	1	5	-	152	162
Interest expense	(178)	-	-	-	(188)	-	-	(17)	(24,452)	(24,835)
Depreciation and amortisation	(68,320)	(5,421)	(675)	(159)	(17,694)	(12,222)	(2,900)	(681)	-	(108,072)
Reportable segment profit/(loss) before income tax	55,279	(17,783)	(20,658)	(7,467)	10,247	(11,615)	(34,473)	(9,639)	-	(36,109)
Other material non-cash items:										
Impairment on property, plant and equipment and intangible assets	(274)	(19,802)	(17,268)	(3,729)	(309)	(7,793)	(5,643)	(717)	-	(55,535)
Reportable segment assets	619,911	36,094	54,562	25,295	115,363	150,689	4,871	2,730	5,239	1,014,754
Reportable segment liabilities	(42,361)	(816)	(3,729)	(1,729)	(17,884)	(13,639)	(6,269)	(1,489)	(304,095)	(392,011)
Capital expenditure	(96,835)	(2,881)	(930)	-	(16,423)	(28,678)	(602)	-	-	(146,349)

Information about reportable segments 2009

	Australian Rental	Victorian Rental [1] (discon'd)	Australian Sales	Australian Parts	Indonesia	Canada	USA (discon'd)	Europe (discon'd)	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
External revenues	256,264	20,359	69,795	17,435	50,483	49,746	46,511	17,650	-	528,243
Inter-segment revenue	5,962	-	15,015	2,199	1,004	462	3,528	-	-	28,170
Interest income	-	-	-	-	451	41	106	18	663	1,279
Interest expense	-	-	-	-	(649)	-	-	(37)	(26,384)	(27,070)
Depreciation and amortisation	(61,772)	(4,827)	(667)	(181)	(14,796)	(16,190)	(4,606)	(1,917)	-	(104,956)
Reportable segment profit/(loss) before income tax	55,674	5,092	7,237	1,197	15,761	(2,490)	(10,890)	(29,815)	-	41,766
Other material non-cash items:										
Impairment on property, plant and equipment and intangible assets	-	-	-	-	-	(5,639)	(5,655)	(7,776)	-	(19,070)
Reportable segment assets	599,924	47,609	76,285	26,311	125,423	133,177	74,960	25,842	10,422	1,119,953
Reportable segment liabilities	(40,725)	(3,177)	(5,090)	(1,756)	(27,783)	(14,516)	(3,046)	(2,757)	(338,237)	(437,087)
Capital expenditure	(57,943)	(14,352)	-	-	(28,351)	(9,584)	(13,382)	(625)	-	(124,237)

[1] Victorian Rental forms part of Australian Rental segment but has been separated out as it was discontinued at 30 June 2010.

15 Segment reporting (continued)

Reconciliation of reportable segment revenues, profit or loss, assets and liabilities and other material items

	2010 $'000	2009 $'000
Revenues		
Total revenue for reportable segments	531,041	556,413
Elimination of inter-segment revenue	(69,341)	(28,170)
Elimination of discontinued operations	(56,741)	(84,520)
Consolidated revenue from continuing operations	404,959	443,723
Profit or loss		
Total profit or loss for reportable segments	(11,432)	67,746
Unallocated profit or loss	(24,678)	(25,979)
Elimination of discontinued operations	61,895	35,613
Consolidated profit before income tax from continuing operations	25,785	77,380
Assets		
Total assets for reportable segments	1,009,515	1,109,531
Unallocated assets	5,239	10,422
Consolidated total assets	1,014,754	1,119,953
Liabilities		
Total liabilities for reportable segments	87,916	98,850
Unallocated liabilities	304,095	338,237
Consolidated total liabilities	392,011	437,087

	Reportable segment totals $'000	Discontinued operations $'000	Consolidated Total $'000
Other material items 2010			
Interest revenue	162	(5)	157
Interest expense	(24,835)	1,953	(22,882)
Capital expenditure	(146,349)	3,483	(142,866)
Depreciation and amortisation	(108,072)	9,002	(99,070)
Impairment on property, plant and equipment and intangible assets	(55,535)	26,162	(29,373)
Other material items 2009			
Interest revenue	1,279	(189)	1,090
Interest expense	(27,070)	3,372	(23,698)
Capital expenditure	(124,237)	28,359	(95,878)
Depreciation and amortisation	(104,956)	11,350	(93,606)
Impairment on property, plant and equipment and intangible assets	(19,070)	13,431	(5,639)

Geographical segments

The segments are managed on a global basis, but operate facilities and sales offices in Australia, Asia, North America and Europe. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

The Group's business segments operate geographically as follows:

Australia [1]	Rental, sales and parts divisions throughout Australia.
Asia	Rental division in Indonesia
North America [2]	Rental, sales and parts divisions throughout North America
Europe	Rental and sales division in Netherlands (Discontinued)

Geographical segments	Australia [1]		Asia		North America [2]		Europe (discontinued)		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue	337,356	363,853	49,311	50,483	61,692	96,257	13,341	17,650	461,700	528,243
Non-current [3] Assets	596,250	578,620	56,514	100,578	130,113	166,363	5,675	38,319	788,552	883,880

(1) The Victorian Rental business, in the Australian geographic segment, was classified as discontinued. This represented revenue of $19,758,000 for the year ended 30 June 2010. Revenue and non-current assets of $20,359,000 and $40,545,000 respectively were recognised for the year ended 30 June 2009.

(2) North American segment consists of the Canadian and USA businesses. During the year ended 30 June 2010, the USA business was discontinued, representing revenue and non-current assets of $23,869,000 and $Nil respectively for 2010 and $46,511,000 and $46,439,000 respectively for 2009.

(3) Assets that are considered as held for sale due to their designation as discontinued are not included in the non current assets geographical segment totals.

16 Cash Assets

	Consolidated	
	2010	2009
	$'000	$'000
Cash at bank	5,239	10,422

17 Trade and other receivables

	Consolidated	
	2010	2009
	$'000	$'000
Current		
Trade receivables	91,723	78,852
Less: Impairment of receivables	(6,652)	(8,816)
	85,071	70,036
Other receivables	5,256	7,655
	90,327	77,691
Non-Current		
Other receivables	14	85
	14	85

The Group's exposure to credit and currency risks and impairment losses associated with trade and other receivables are disclosed in note 5.

18 Prepayments

	Consolidated	
	2010	2009
	$'000	$'000
Tyre prepayments	2,244	2,792
Other prepayments	2,306	2,518
	4,550	5,310

19 Inventories

	Consolidated	
	2010	2009
	$'000	$'000
Equipment and Parts - at cost	67,138	113,380
Work in progress - at cost	3,472	3,362
Consumables, spare parts - at cost	5,854	4,765
Total at cost	76,464	121,507
Equipment and Parts - at NRV [1]	10,553	21,143
Total inventory	87,017	142,650
Balance at 1 July	142,650	187,328
Additions	36,751	109,250
Reclassification of consumables to fixed assets	-	(26,851)[2]
Impairment loss on inventory [1]	(10,467)	(12,966)
Disposals	(81,917)	(114,111)
Balance at 30 June	87,017	142,650

(1) During the year ended 30 June 2010 the write-down of inventories to net realisable value ("NRV") recognised as an expense in the Statement of Comprehensive Income amounted to $10,467,000 (2009: $12,966,000).

(2) During the year ended 30 June 2009 the Group reclassified the spare parts inventory of tyres and parts stock on hand to property, plant and equipment as they are solely used for the rental fixed assets.

20 Intangible assets

	Consolidated	
	2010	2009
	$'000	$'000
Goodwill		
Carrying amount at the beginning of the year	215,333	222,885
Impairment of goodwill	(36,951)	(12,567)
Effects of movement in foreign exchange	(717)	5,015
	177,665	215,333
Contract intangibles - at cost	712	712
Less: Accumulated amortisation	(712)	(688)
	-	24
Other intangibles - at cost	1,820	1,614
Less: Accumulated depreciation	(1,293)	(1,145)
	527	469
Total intangible assets	178,192	215,826
Movement in contract intangibles		
Carrying amount at the beginning of the year	24	89
Less : Accumulated amortisation	(24)	(65)
	-	24

Amortisation and impairment losses

The amortisation charge and impairment of goodwill are recognised in the following line item in the statement of Comprehensive Income:

	Consolidated	
	2010	2009
	$'000	$'000
Amortisation expense	295	338
Impairment of goodwill	20,105	-
Total expense for the year for continuing operations	20,400	338
Impairment of goodwill	16,846	12,567
Total expense for the year for discontinued operations	16,846	12,567

Impairment tests for cash generating units contained goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's geographical operating divisions which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	Consolidated	
	2010	2009
	$'000	$'000
Australian rental	151,745	168,591
Canada rental	6,555	6,272
USA rental	-	-
Asian rental	19,365	20,365
Total rental	177,665	195,228
Australian sales	-	16,376
European sales	-	-
Australian parts	-	3,729
USA parts	-	-
	177,665	215,333

The Group has determined the recoverable amount of its cash generating units ("CGU") using a value in use methodology (2009: value in use) which is based on discounted cash flows for five years plus a terminal value. Real post tax discount rates have been derived as a weighted cost of equity and debt. Cost of equity is calculated using country specific ten year bond rates plus an appropriate market risk premium. The cost of debt is determined using the CGU's functional currency's three year swap rate plus a margin for three year tenure debt of equivalently credit rated businesses at 30 June 2010. The three year swap rates were used as the base rate to reflect the relative illiquidity for longer tenure debt in the current market. The pre-tax discount rates applied were equivalent to post-tax discount rates. The real post tax discount rates for determining the rental CGU's valuations range between 7.4% (2009: 7.0%) and 16.6% (2009: 13.7%). For the future cashflows of each CGU, the Group used its base case budgets for 2011 and had subsequent revenue growth rates of between 2.0% (2009: 1.0%) and 5.0% (2009: 7.5%) for the first five years and then applied a 1.0% (2009: 1.0%) growth rate for the terminal value for all non impaired CGU's. The growth rates used within the Canadian operations reflect the fleet reconfiguration strategy away from civil equipment to larger mining equipment.

The CGU valuations are sensitive to changes in the discount rate. The Company has further tested those CGU's that were not impaired during the year (refer below) by increasing the discount rate for each of the CGU's by an additional 2.0% (2009: 2.0%). The sensitised testing confirmed that no impairment would be recognised under this scenario.

Canadian growth assumptions in the four years subsequent to the 2011 base case budget reflect increasing revenues as a result of the change in strategy. CGU valuations are sensitive to changes in growth rates. The Company has sensitised the growth assumptions in Canada for years 2012 to 2015 to 1.8% to align the growth rate to that of current core inflation in Canada. The sensitised testing confirmed no impairment would be recognised.

Impairment loss

As a result of a change in strategy which will result in less capital being invested in the Australian Sales and Australian Parts CGU, the Group's impairment testing resulted in goodwill impairments of $16.4M and $3.2M respectively during the year.

21 Property, plant and equipment

	Consolidated	
	2010	2009
	$'000	$'000
Freehold Land and Buildings - at cost	30,173	30,352
Less: Accumulated depreciation	(2,532)	(1,450)
	27,641	28,902
Leasehold Improvements - at cost	3,931	4,753
Less: Accumulated depreciation	(1,875)	(1,726)
	2,056	3,027
Plant and Equipment - at cost	894,197	846,270
Less : Accumulated depreciation	(334,870)	(240,856)
	559,327	605,414
Leased Plant and Equipment - at capitalised cost	16,700	22,176
Less : Accumulated depreciation	(3,959)	(4,251)
	12,741	17,925
Furniture, Fixtures and Fittings - at cost	1,214	2,002
Less : Accumulated depreciation	(491)	(724)
	723	1,278
Office Equipment - at cost	3,641	3,120
Less : Accumulated depreciation	(2,636)	(2,062)
	1,005	1,058
Motor Vehicles - at cost	5,939	6,834
Less : Accumulated depreciation	(2,909)	(2,804)
	3,030	4,030
Sundry Plant - at cost	9,997	12,074
Less : Accumulated depreciation	(6,174)	(5,739)
	3,823	6,335
Total Property, Plant and Equipment - at net book value	610,346	667,969

	Consolidated	
	2010 $'000	2009 $'000
Reconciliations		
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:		
Freehold Land and Buildings		
Carrying amount at the beginning of the year	28,902	22,465
Additions	645	6,877
Depreciation	(1,349)	(802)
Effects of movement in foreign exchange	387	362
Impairment	(927)	-
Reclassified to assets held for sale	(17)	-
Carrying amount at the end of the year	27,641	28,902
Leasehold Improvements		
Carrying amount at the beginning of the year	3,027	3,371
Additions	897	109
Disposals	(178)	(3)
Depreciation	(487)	(632)
Effects of movement in foreign exchange	53	182
Impairment	(1,111)	-
Reclassified to assets held for sale	(145)	-
Carrying amount at the end of the year	2,056	3,027
Plant and Equipment		
Carrying amount at the beginning of the year	605,414	566,644
Additions	140,972	112,874
Capital work in progress	-	2,872
Transferred from leased Plant and Equipment	1,772	4,200
Net movement in rental inventory	3,279	26,851
Disposals	(43,327)	(17,242)
Depreciation	(99,473)	(97,679)
Impairment loss	(15,033) [1]	(6,285) [2]
Reclassified to assets held for sale	(35,475)	-
Effects of movements in foreign exchange	1,198	13,179
Carrying amount at the end of the year	559,327	605,414
Furniture, Fixtures and Fittings		
Carrying amount at the beginning of the year	1,278	1,291
Additions	23	170
Disposals	(245)	(1)
Depreciation	(101)	(231)
Impairment	(227)	-
Reclassified to assets held for sale	(31)	-
Effects of movement in foreign exchange	26	49
Carrying amount at the end of the year	723	1,278

(1) The current year impairment loss was associated with plant and equipment within the discontinued operations (refer note 13) plus some impairment of the Canadian civil fleet within continuing operations.

(2) The prior year impairment loss was incurred as a result of the impairment of predominantly small civil construction equipment in the Group's North American fleet due to a decline in construction activity which resulted in significant oversupply.

21 Property, plant and equipment (continued)

	Consolidated	
	2010	2009
	$'000	$'000
Reconciliations (continued)		
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:		
Office Equipment		
Carrying amount at the beginning of the year	1,058	1,169
Additions	676	450
Disposals	(134)	(21)
Depreciation	(573)	(620)
Impairment	(64)	-
Reclassified to assets held for sale	(3)	-
Effects of movement in foreign exchange	45	80
Carrying amount at the end of the year	1,005	1,058
Motor Vehicles		
Carrying amount at the beginning of the year	4,030	4,147
Additions	1,496	1,095
Disposals	(1,132)	(171)
Depreciation	(1,183)	(1,297)
Impairment	(101)	-
Reclassified to assets held for sale	(134)	-
Effects of movement in foreign exchange	54	256
Carrying amount at the end of the year	3,030	4,030
Sundry Plant		
Carrying amount at the beginning of the year	6,335	5,360
Additions	1,640	2,662
Disposals	(868)	(41)
Depreciation	(2,109)	(2,185)
Impairment	(1,121)	-
Reclassified to assets held for sale	(184)	-
Effects of movement in foreign exchange	130	539
Carrying amount at the end of the year	3,823	6,335
Leased Plant and Equipment		
Carrying amount at the beginning of the year	17,925	17,543
Additions	-	1,842
Transferred to owned plant and equipment	(1,772)	(4,200)
Disposal	(1,134)	-
Depreciation	(2,503)	(1,172)
Effects of movements in foreign exchange	225	3,912
Carrying amount at the end of the year	12,741	17,925

Security

The Group's assets are subject to a fixed and floating charge under the terms of the syndicated debt facility. Refer note 23 for further details.

22 Trade and other payables including derivatives

	Consolidated	
	2010	2009
	$'000	$'000
Trade creditors	8,494	17,696
Other creditors and accruals	28,005	23,916
Derivatives used for hedging	14,238	16,310
	50,737	57,922

The Group's exposure to currency and liquidity risk associated with trade and other payables is disclosed in note 5.

The Company has also entered into a Deed of Cross Guarantee with certain subsidiaries as described in note 37. Under the terms of the Deed, the Company has guaranteed the repayment of all current and future creditors in the event any of the entities party to the Deed are wound up. Details of the consolidated financial position of the Company and subsidiaries party to the Deed are set out in note 37.

The method used in determining the fair value of these guarantees has been disclosed in note 4.

23 Interest bearing liabilities

	Consolidated	
	2010	2009
	$'000	$'000
Current		
Working capital facility	-	-
Lease liabilities - secured	5,203	7,943
	5,203	7,943
Non-Current		
Bank loans - secured	300,009	327,575
Lease liabilities - secured	260	6,151
Debt raising costs	(1,377)	(3,432)
	298,892	330,294

Bank loans

Under the terms of the Group's syndicated loan facility, the banks hold a fixed and floating charge over the assets and undertakings of the Group. The $595.0M facility was established on 15 August 2008 and has a maturity date of 15 August 2011. Each entity of the consolidated group is a guarantor. The syndicated facility allows for funds to be drawn in Australian, United States, Canadian and Euro dollars. At year end the Group had drawn $112.0M, US$48.0M ($56.2M), C$113.2M ($126.3M) and €3.8M ($5.5M) (2009: $104.0M, US$84.5M ($104.1M), C$99.2M ($105.9M) and €7.8M ($13.6M)).

23 Interest bearing liabilities (continued)

Working capital facility

The working capital facility is secured under the syndicated facility mentioned above, and has a limit of $30.0M (2009: $35.0M). The Group also obtained working capital facilities for Emeco Canada Limited and Emeco Equipment (USA) LLC of C$2.0M (2009: Nil) and US$1.0M (2009: Nil) respectively. The $30.0M facility expires on 12 November 2010 and it is the intention that it will be renegotiated for another 12 months. The C$2.0M and US$1.0M facilities expire 15 August 2011. The working capital facility is undrawn at 30 June 2010.

Other Financial Liabilities

Under the terms of the syndicated loan facility the Group can enter other permitted indebtedness totalling $100.0M (2009: $100.0M). At year end the Group had established finance lease facilities totalling $5.5M (2009: $32.5M) which are included within this limit. Assets leased under the facility are secured by the facility.

Finance lease liabilities

Finance lease liabilities of the Group are payable as follows:

Consolidated	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
	2010	2010	2010	2009	2009	2009
	$'000	$'000	$'000	$'000	$'000	$'000
Less than one year	5,287	(84)	5,203	8,350	(407)	7,943
Between one and five years	261	(1)	260	6,290	(139)	6,151
More than five years	-	-	-	-	-	-
	5,548	(85)	5,463	14,640	(546)	14,094

The Group leases plant and equipment under finance leases. The Group's lease liabilities are secured by the leased assets of $12,741,000 (2009: $17,925,000). In the event of default, the leased assets revert to the lessor.

24 Financing Arrangements

	Consolidated	
	2010	2009
	$'000	$'000
The Group has the ability to access the following lines of credit:		
Total facilities available:		
Bank loans	595,000	595,000
Finance leases	5,463	32,492
Working capital	33,403	35,000
	633,866	662,492
Facilities utilised at reporting date:		
Bank loans	300,009	327,575
Finance leases	5,463	14,094
Working capital	-	-
	305,472	341,669
Facilities not utilised or established at reporting date:		
Bank loans	294,991	267,425
Finance leases	-	18,398
Working capital	33,403	35,000
	328,394	320,823

25 Provisions

	Consolidated	
	2010	2009
	$'000	$'000
Current		
Employee benefits:		
- annual leave	3,542	4,597
- long service leave	314	486
Restructuring	1,446	1,908
	5,302	6,991
Non-Current		
Employee benefits - long service leave	803	792

Defined contribution superannuation funds

The Group makes contributions to defined contribution superannuation funds. The expense recognised for the year was $3,165,000 (2009: $3,446,000).

25 Provisions (continued)

Restructuring

The Group has recognised restructuring provisions related to the decision to dispose of its Victorian Rental business and downsize the Australian Sales business. The provision for employee redundancies and general restructuring and closure costs have been recognised. The cashflows related to these expenses are expected to be incurred before the end of the next financial year.

During the year ended 30 June 2009 the Group committed to a plan to restructure and downsize the operations of the European subsidiaries. Following the announcement of the plan, the Group recognised a provision of $1.9M for expected restructuring costs mainly including employee termination benefits and contract termination costs and associated legal fees. An amount of $1.7M was utilised against the provision during the year ended 30 June 2010. The restructuring provision was increased by $0.3M during the year and at 30 June 2010 the outstanding balance was $0.5M.

26 Share-based payments

During the year the Company issued performance shares and performance rights to key management personnel and senior employees of the Group under its LTIP (refer note 3j(v)).

During the prior years LTIP performance shares and rights were also issued under similar terms and conditions and priced relative to the time of issue.

Prior to establishing the LTIP certain key management personnel and senior employees were issued shares in the Company under the Company's MISP (refer note 3j(v)).

Only the Company's Executive Directors have outstanding options in the Company at year end. The options were issued on 4 August 2006 and have been disclosed in note 32.

Performance shares, performance rights, options and shares issued under the MISP are all equity settled.

Grant date / employees entitled	Number of Instruments	Vesting conditions	Contractual life of performance shares/rights
Performance shares/rights 2008	1,290,000	3 years service TSR ranking to a basket of direct and indirect peers of 98 listed companies. 50% entitlement for a 50.1% ranking within TSR group. Pro rata entitlement up to 100% vesting for a ranking of 75% better to TSR group.	5 years
Performance shares/rights 2009	9,819,790	3 years service TSR ranking to a basket of direct and indirect peers of 98 listed companies. 50% entitlement for a 50.1% ranking within TSR group. Pro rata entitlement up to 100% vesting for a ranking of 75% better to TSR group.	5 years
Performance shares/rights 2010	3,682,149	3 years service TSR ranking to a basket of direct and indirect peers of 98 listed companies. 50% entitlement for a 50.1% ranking within TSR group. Pro rata entitlement up to 100% vesting for a ranking of 75% better to TSR group.	5 years
Total performance shares/rights	14,791,939		

The movement of performance shares and performance rights on issue during the year were as follows:

	Number of performance shares/rights 2010	Number of performance shares/rights 2009
Outstanding at 1 July	10,809,790	1,290,000
Forfeited during the period	(1,002,672)	(300,000)
Exercised during the period	-	-
Granted during the period	3,682,149	9,819,790
Outstanding at 30 June	13,489,267	10,809,790
Exercisable at 30 June	-	-

Grant date / employees entitled	Number of Instruments	Vesting conditions	Contractual life of options
Option grant to Executive Directors on 4 August 2006	6,400,000	Achievement of forecast prospectus NPAT 2006. 10% compounding growth in NPAT for 2 years there after. Options vest equally over 3 years upon satisfying each hurdle.	5 years
	6,400,000		

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2010	Number of options 2010	Weighted average exercise price 2009	Number of options 2009
Outstanding at 1 July	$1.92	4,266,666	$1.92	6,400,000
Forfeited during the period	$1.92	(2,133,333)	$1.92	(2,133,334)
Exercised during the period	-	-	-	-
Granted during the period	-	-	-	-
Outstanding at 30 June	$1.92	2,133,333	$1.92	4,266,666
Exercisable at 30 June	$1.92	2,133,333	$1.92	2,133,333

Grant date / employees entitled	Number of Instruments	Vesting conditions	Contractual life of MISP
MISP 2006	4,010,000	Service requirement. Partial vesting entitlement after 2 years with full vesting after 5 years.	10 years
MISP 2007	1,240,000	Service requirement. Partial vesting entitlement after 2 years with full vesting after 5 years.	10 years
MISP 2008	560,000	Service requirement. Partial vesting entitlement after 2 years with full vesting after 5 years.	10 years
	5,810,000		

26 Share-based payments (continued)

The number and weighted average exercised prices of MISPs are as follows:

	Weighted average exercise price	Number of MISP	Weighted average exercise price	Number of MISP
	2010	2010	2009	2009
Outstanding at 1 July	$0.72	3,370,000	$0.80	4,770,000
Forfeited during the period	$0.61	(101,250)	$0.97	(1,400,000)
Exercised during the period	$0.61	(78,750)	-	-
Granted during the period	-	-	-	-
Outstanding at 30 June	$0.73	3,190,000	$0.72	3,370,000
Exercisable at 30 June [1]	-	500,000	-	500,000

[1] While satisfying the service requirements under the MISP, the shares are not considered exercisable until the full vesting period has been satisfied.

The fair value of services received in return for the performance shares and rights issued during the year are based on the fair value of the LTIPs granted, measured using Monte Carlo simulation analysis with the following inputs.

Fair value of performance shares/rights	Key management personnel	Key management personnel	Senior employees	Senior employees
	2010	2009	2010	2009
Fair value at grant date	$0.40	$0.22	$0.40	$0.22
Share price	$0.65	$0.37	$0.65	$0.37
Exercise price	$Nil	$Nil	$Nil	$Nil
Expected volatility (weighted average volatility)	60%	50%	60%	50%
Option life (expected weighted average life)	4 years	4 years	4 years	4 years
Expected dividends	5.0%	5.2%	5.0%	5.2%
Risk-free interest rate (based on government bonds)	5.1%	4.5%	5.1%	4.5%

Employee expenses

	Consolidated	
	2010	2009
In AUD		
Performance shares/rights [1]	830,485	716,899
Options	-	(295,334)
MISP	65,644	(63,524)
Total expense recognised as employee costs [2]	896,129	358,041
Total intrinsic value of liability for vested MISP benefits	-	-
Total intrinsic value for vested options	-	-

[1] At year end no performance shares or rights had vested.

[2] Included in share based employee expenses for the year is the write back of prior year share based employee expenses as a result of the shares, rights or options being forfeited during the year because the employee does not meet the required performance hurdles or service requirements.

27 Share Capital and reserves

	Consolidated	
	2010	2009
	$'000	$'000
Share capital		
631,237,586 (2009: 631,237,586) ordinary shares, fully paid and unpaid	685,465	685,357
Acquisition reserve	(75,887)	(75,887)
	609,578	609,470

Share options

On 4 August 2006 the Company issued 6,400,000 options over ordinary shares under an Employee Incentive Plan. These options had a fair value at grant date of $1.2M and were to be recognised over the vesting period of the options. At 30 June 2010 4,266,667 of the issued options had been forfeited. The remaining options have an exercise price of $1.925 and expire on 4 August 2011.

Terms and conditions

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Company, the ordinary shareholder ranks after all other creditors are fully entitled to any proceeds of liquidation.

Reserve of own shares

The reserve of own shares comprises of shares purchased on market to satisfy the vesting of shares and rights under the LTIP. Shares that are forfeited under the Company's MISP due to employees not meeting the service vesting requirement are transferred to the reserve.

Foreign Currency Translation Reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Share based payment reserve

The share based payment reserve comprises the expenses incurred from the issue of the Company's securities under its employee share/ option plans (refer note 3(j)(v)).

28 Commitments

(a) Operating Lease Commitments

	Consolidated	
	2010 $'000	2009 $'000
Future non-cancellable operating leases not provided for in the financial statements and payable:		
Less than one year	4,148	6,086
Between one and five years	7,040	11,763
More than five years	4,052	4,963
	15,240	22,812

The Group leases the majority of their operating premises. The terms of the lease are negotiated in conjunction with the Group's internal and external advisors and are dependent upon market forces.

During the year ended 30 June 2010 an amount of $8,115,000 (inclusive of an onerous operating lease contract recognised during the year) was recognised as an expense in profit or loss in respect of operating leases (2009: $9,359,000).

(b) Capital Commitments

The Group has entered into commitments with certain suppliers for purchases of fixed assets, primarily rental fleet assets, in the amount of $32,130,000 (2009: $10,071,000) payable within one year.

29 Contingent Liabilities

Details of contingent liabilities where the probability of future payments/receipts is not considered remote as set out below, as well as details of contingent liabilities, which although considered remote, the Directors consider should be disclosed.

Guarantees

The Group has guaranteed the repayments of $342,500 (2009: $342,500) with varying expiry dates out to 30 June 2013.

30 Notes to the Statement of Cash Flows

(i) Reconciliation of Cash

For the purposes of the statements of cash flow, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statements of financial position as follows:

		Consolidated	
	Note	2010 $'000	2009 $'000
Cash assets	16	5,239	10,422

(ii) Reconciliation of net profit to net cash provided by operating activities

	Consolidated	
	2010	2009
	$'000	$'000
Net profit	(49,313)	13,269
Add/(less) items classified as investing/financing activities:		
Net profit on sale of non-current assets	(505)	(3,858)
Add/(less) non-cash items:		
Amortisation	295	338
Depreciation	107,777	104,618
Amortisation of borrowing costs	2,099	1,613
Loss on ineffective hedge	1,604	1,231
Unrealised foreign exchange (gain)/loss	(716)	754
Impairment losses on property, plant & equipment	18,584	6,503
Impairment losses on inventory	10,467	12,966
Impairment of goodwill	36,951	12,567
Cost of sales equipment on rent	5,044	6,968
Doubtful debt write back	1,834	-
FCTR of discontinued operations disposed	5,371	-
Restructure provisions recognised	3,053	-
Derecognition of previously recognised deferred tax asset	-	(6,977)
Equity settled share based payments	901	353
(Decrease)/increase in income taxes payable	(7,312)	(9,593)
(Decrease)/increase in deferred taxes	3,247	2,881
Net cash provided by operating activities before change in assets liabilities adjusted for assets and liabilities acquired	139,381	143,633
(Increase)/decrease in trade and other receivables	(4,993)	31,074
(Increase)/decrease in inventories	5,911	16,087
Increase/(decrease) in payables	7,629	(17,897)
Increase/(decrease) in provisions	(466)	2,538
Net cash provided by operating activities	147,462	175,435

(iii) Non-cash investing and financing activities

During the year there were $Nil in acquisitions of plant and equipment by means of finance lease (2009: $1.8M). Finance lease acquisitions are not reflected in the cash flow statements.

31 Controlled Entities

(a) Particulars in relation to controlled entities

	Note	Country of Incorporation	Ownership Interest 2010 %	Ownership Interest 2009 %
Parent entity				
Emeco Holdings Limited				
Controlled entities				
Emeco Pty Limited		Australia	100	100
Emeco International Pty Limited		Australia	100	100
Emeco Sales Pty Ltd		Australia	100	100
Emeco Parts Pty Ltd		Australia	100	100
Emeco (UK) Limited	(i)	United Kingdom	100	100
Emeco Equipment (USA) LLC [*]	(ii)	United States	100	100
Wildcat Tractor Company LLC [*]	(iii)	United States	100	100
PT Prima Traktor IndoNusa (PTI)	(iv)	Indonesia	100	100
Emeco International Europe BV [*]	(v)	Netherlands	100	100
Emeco Europe BV [*]	(v)	Netherlands	100	100
Euro Machinery BV [*]	(vi)	Netherlands	100	100
Emeco Canada Ltd	(vii)	Canada	100	100

Notes:

(i) Emeco (UK) Limited was incorporated in and carries on business in the United Kingdom. Emeco (UK) Limited is the parent entity of Emeco Equipment (USA) LLC, PT Prima Traktor IndoNusa ("PTI"), Emeco International Europe BV and Emeco Canada Limited.

(ii) Emeco Equipment (USA) LLC was incorporated in and carries on business in the United States.

(iii) Wildcat Tractor Company LLC was acquired by Emeco Equipment (USA) LLC on 4 January 2008 and is incorporated in and carries on business in the United States.

(iv) PT Prima Traktor IndoNusa was incorporated in and carries on business in Indonesia.

(v) Emeco International Europe BV and Emeco Europe BV were incorporated in and carries on business in the Netherlands. Emeco International Europe BV is the parent entity of Emeco Europe BV, and Euro Machinery BV.

(vi) Euro Machinery BV was acquired on 4 January 2007 and carries on business in the Netherlands.

(vii) Emeco Canada Ltd was incorporated and carries on business in Canada. On 2 August 2005 Emeco Canada Ltd acquired River Valley Equipment Company Ltd, which operates within Emeco Canada Ltd.

[*] Discontinued operations at 30 June 2010.

(b) Acquisition of entities in the current year

There was no acquisition of entities this financial year.

(c) Acquisition of entities in the prior year

There was no acquisition of entities in the prior year.

32 Key management personnel disclosure

The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

Non-Executive Directors

A N Brennan (Chairperson)

P B Johnston

J R Cahill

R P Bishop appointed 13 October 2009

P I Richards appointed 14 June 2010

Executives Directors

K D Gordon (Managing Director) appointed 1 December 2009

L C Freedman (Managing Director) resigned 30 November 2009

R L C Adair (Executive Director Corporate Strategy and Business Development) resigned 18 November 2009

Executives

S G Gobby (Chief Financial Officer)

D O Tilbrook (General Manager South East Asia)

H A Christie-Johnston (General Manager Australian Sales & Parts)

M A Turner (General Manager Global Asset Group)

M R Kirkpatrick (General Manager Corporate Services)

A G Halls (General Manager Australian Rental)

I M Testrow (President North America)

C A Moseley (President Emeco USA) resigned 29 January 2010

G Gadomsky (General Manager Strategy and Business Development) appointed 24 May 2010

Key management personnel compensation

The key management personnel compensation is as follows:

	Consolidated	
	2010	2009
In AUD		
Short-term employee benefits	4,597,896	5,560,746
Other long term benefits	-	-
Post-employment benefits	308,860	443,566
Termination benefits	-	-
Equity compensation benefits	462,767	(1,601)
	5,369,523	6,002,711

Remuneration of key management personnel by the Group

The compensation disclosed above represents an allocation of the key management personnel's compensation from the Group in relation to their services rendered to the Company.

Individual Directors and Executives compensation disclosures

Information regarding individual Directors and Executives compensation and some equity instruments disclosures as required by Corporations Regulations 2M.3.03 and 2M.6.04 are provided in the Remuneration report section of the Directors' Report on pages 36 to 49.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year-end.

32 Key management personnel disclosure (continued)

Equity Instruments

Shares and rights over equity instruments granted as compensation under management incentive share plan

The Company has an ongoing management incentive share plan in which shares have been granted to certain Directors and employees of the Company. The shares vest over a five year period and are accounted for as an option in accordance with AASB 2 Share Based Payments. The Company has provided a ten year interest free loan to facilitate the purchase of the Shares under the management incentive share plan.

Shares and rights over equity instruments granted as compensation under long term incentive plan

The Company has an ongoing long term incentive plan in which shares have been granted to certain employees of the Company. The shares vest after 3 years depending upon the Company's total shareholder return ranking against a peer group of 98 Companies. The shares have been accounted for as an option in accordance with AASB 2 Share Based Payments.

The movement during the reporting year in the number of shares issued under the management incentive share plan and the long term incentive plan in the Company held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows. Directors or Executives with no holdings are not included in the following tables.

2010	Held at 1 July 2009	Granted as compensation	Exercised	Forfeited/ lapsed	Held at 30 June 2010	Vested during the year	Vested at 30 June 2010
Directors & Executives							
Hamish Christie-Johnston	995,495	203,704	-	-	1,199,199	-	-
Stephen Gobby	881,982	300,926	-	-	1,182,908	-	-
David Tilbrook	784,685	281,481	-	-	1,066,166	-	-
Michael Turner	685,586	240,741	-	-	926,327	-	-
Ian Testrow	940,541	239,077	-	-	1,179,618	-	-
Michael Kirkpatrick	650,450	185,185	-	-	835,635	-	-
Anthony Halls	162,162	166,667	-	-	328,829	-	-

2009	Held at 1 July 2008	Granted as compensation	Exercised	Forfeited/ lapsed	Held at 30 June 2009 [1]	Vested during the year	Vested at 30 June 2009
Directors & Executives							
Michael Bourke	700,000	-	-	(700,000)	-	-	-
Anthony Carr	600,000	-	-	(600,000)	-	-	-
Hamish Christie-Johnston	500,000	495,495	-	-	995,495	-	-
Stephen Gobby	150,000	731,982	-	-	881,982	-	-
David Tilbrook	100,000	684,685	-	-	784,685	-	-
Michael Turner	100,000	585,586	-	-	685,586	-	-
Ian Testrow	400,000	540,541	-	-	940,541	-	-
Greg Graham	400,000	-	-	(400,000)	-	-	-
Michael Kirkpatrick	200,000	450,450	-	-	650,450	-	-
Anthony Halls	-	162,162	-	-	162,162	-	-

Dividends paid under the Management Incentive Share Plan are paid against the employees outstanding loan and is reflected in issued capital.

[1] Included in this balance of equity instruments Messrs Christie-Johnston and Kirkpatrick held MISP shares at 30 June 2009 and 30 June 2010 of 500,000 and 150,000 respectively.

Options over equity instruments granted as compensation under a share option programme

The movement during the reporting year in the number of options held, directly, indirectly or beneficially, by each key management person, including their related parties is as follows:

2010	Held at 1 July 2009	Granted as compensation	Exercised	Options Forfeited [1]	Other Changes	Held at 30 June 2010	Vested during the year	Vested and exercisable at 30 June 2010
Directors & Executives								
L C Freedman	3,200,000	-	-	(1,600,000)	-	1,600,000	-	1,600,000
R L C Adair	1,066,667	-	-	(533,333)	-	533,334	-	533,333

2009	Held at 1 July 2008	Granted as compensation	Exercised	Options Forfeited	Other Changes	Held at 30 June 2009	Vested during the year	Vested and exercisable at 30 June 2009
Directors & Executives								
L C Freedman	4,800,000	-	-	(1,600,000)	-	3,200,000	-	1,600,000
R L C Adair	1,600,000	-	-	(533,333)	-	1,066,667	-	533,333

(1) On the 26 August 2009 Mr Freedman and Mr Adair forfeited 1,600,000 and 533,333 options respectively. These forfeitures occurred because, under the terms of the Options Plan, the Company's earnings per share target for the year ended 30 June 2009 was not achieved.

Equity holdings and transactions

The shares in the Company held, directly, indirectly or beneficially, by each key management person, including their personally-related entities at year end, is as follows. Directors or Executives with no holdings are not included in these tables.

2010	Held at 1 July 2009 Ordinary Shares [1]	Purchases	Sales	Held at 30 June 2010 Ordinary Shares [1]
Directors				
K D Gordon [2]	n/a	650,000	-	650,000
A N Brennan	1,581,700	-	-	1,581,700
P B Johnston	100,000	-	-	100,000
J R Cahill	120,000	-	-	120,000
R P Bishop [2]	n/a	300,000	-	300,000
L C Freedman [3]	20,000,000	-	-	n/a
R L C Adair [3]	6,300,000	-	-	n/a
P I Richards [2]	n/a	40,000	-	40,000
Executives				
D O Tilbrook	3,300,000	-	-	3,300,000
M A Turner	5,500,000	-	-	5,500,000
S G Gobby	343,000	127,000	-	470,000
I M Testrow	-	-	-	-
H A Christie-Johnston	300,000	37,399	-	337,399
M R Kirkpatrick	93,000	-	(30,000)	63,000
A G Halls	15,773	20,000	-	35,773

(1) Total does not include shares held under the Company's share plans.

(2) K D Gordon, R P Bishop and P I Richards were appointed Directors of the Company and become a key management person on 1 December 2009, 13 October 2009 and 14 June 2010 respectively.

(3) L C Freedman and R L C Adair ceased to be Directors and key management personnel on 30 November 2009 and 18 November 2009 respectively.

n/a Not applicable as not in a position of key management personnel at time of compilation.

32 Key management personnel disclosure (continued)

2009	Held at 1 July 2008 Ordinary Shares [1]	Purchases	Sales	Held at 30 June 2009 Ordinary Shares [1]
Directors				
L C Freedman	19,000,000	1,000,000	-	20,000,000
R L C Adair	6,100,000	200,000	-	6,300,000
G J Minton [2]	361,267	-	-	361,267
P J McCullagh [2]	216,707	-	144,422	72,285
A N Brennan	1,381,420	200,280	-	1,581,700
P B Johnston	100,000	-	-	100,000
J R Cahill	-	120,000	-	120,000
R P Bishop	-	-	-	-
Executives				
D O Tilbrook	3,300,000	-	-	3,300,000
M A Turner	5,500,000	-	-	5,500,000
S G Gobby	50,000	293,000	-	343,000
I M Testrow	186,368	-	186,368	-
H A Christie-Johnston	150,000	200,000	50,000	300,000
M R Kirkpatrick	73,000	20,000	-	93,000
A G Halls	4,000	16,773	5,000	15,773

(1) Total does not include shares held under the Company's share plans.

(2) G J Minton and P J McCullagh ceased to be Directors and key management personnel on 25 June 2009 and 12 November 2008 respectively.

Loans

Other than the loan issued under the management incentive share plan no specified Director or Executive has entered into any loan arrangements with the Group.

Other key management personnel transactions

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company or its subsidiaries in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

The aggregate value of transactions recognised during the year related to key management personnel and their related parties were as follows:

			Transaction value year ended 30 June		Balance outstanding as at 30 June	
		Note	2010	2009	2010	2009
			$'000	$'000	$'000	$'000
Key management person and their related parties	**Transaction**					
Mr M A Turner Mr D O Tilbrook - Ivy Street Unit Trust	Rental of 510 Great Eastern Highway	(1)	249	245	-	-

(1) The Group rents its premises at 510 Great Eastern Highway, Redcliffe in Western Australia from Demol Investments Pty Ltd as trustee of the Ivy Street Unit Trust ("Trust") for an annual consideration of $248,602. The price was negotiated on an arms length basis. Two of the Group's key management personnel, Mr David Tilbrook and Mr Michael Turner, hold units in the Trust and each of them has a significant influence over the Trust. On the 18 August 2010 the Group terminated this agreement due to the relocation of the office to 71 Walters Drive, Osborne Park in Western Australia.

33 Non key management personnel disclosures

The classes of non key management personnel are:

- subsidiaries (Note 31)

	Consolidated	
	2010	2009
	$'000	$'000
Transactions		
The aggregate amounts included in the profit before income tax expense that resulted from transactions with non director related parties are:		
Dividends	-	-
Aggregate amount of other transactions with non director related parties:		
Loan advances to:		
Subsidiaries	-	-

Subsidiaries

Loans are made between wholly owned subsidiaries of the Group for capital purchases. Loans outstanding between the different wholly owned entities of the Company have no fixed date of repayment. Loans made between subsidiaries within a common taxable jurisdiction are interest free. Cross border subsidiary loans are charged at LIBOR plus a relevant arms length mark up.

Ultimate parent entity

Emeco Holdings Limited is the ultimate parent entity of the Group.

34 Subsequent events

Subsequent to 30 June 2010 the Company declared a 2.0 cent fully franked dividend payable 30 September 2010.

35 Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2010 was based on the loss attributable to ordinary shareholders of $49,313,000 (2009: $13,269,000) and a weighted average number of ordinary shares outstanding for the year ended 30 June 2010 of 631,237,586 (2009: 631,237,586).

Profit attributed to ordinary shareholders	Consolidated					
	2010			2009		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Profit/(loss) for the period	12,300	(61,613)	(49,313)	55,025	(41,756)	13,269

Weighted average number of ordinary shares	Consolidated	
	2010	2009
	'000	'000
Issued ordinary shares at 1 July	631,238	631,238
Effect of shares issued during the year	-	-
Weighted average number of ordinary shares at 30 June	631,238	631,238

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2010 was based on loss attributable to ordinary shareholders of $49,313,000 (2009: $13,269,000) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2010 of 631,237,586 (2009: 631,237,586). Options are considered potential ordinary shares and have been included in the dilutive earnings per share.

Profit attributed to ordinary shareholders (diluted)	Consolidated					
	2010			2009		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Profit/(loss) attributed to ordinary shareholders (basic)	12,300	(61,613)	(49,313)	55,025	(41,756)	13,269

Weighted average number of ordinary shares (diluted)	Consolidated	
	2010	2009
	'000	'000
Weighted average number of ordinary shares at 30 June	631,238	631,238
Effect of conversion of options		
Weighed average number of ordinary shares (diluted) at 30 June	631,238	631,238

Comparative information

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

36 Parent entity Disclosure

As at and throughout the financial year ending 30 June 2010 the parent company (the "Company") of the Group was Emeco Holdings Limited.

	Company	
	2010	2009
	$'000	$'000
Result of the parent entity		
Profit/(Loss) for the period	(19,009)	29,439
Other comprehensive income	-	-
Total comprehensive income for the period	-	-
Financial position of parent entity at year end		
Current assets	232	25,130
Total assets	653,546	703,458
Current liabilities	1,537	18,441
Total liabilities	1,537	18,441
Total equity of the parent entity comprising of:		
Share capital	685,465	685,357
Share based payment reserve	2,728	1,832
Reserve for own shares	(6,247)	(3,870)
Retained earnings	(29,937)	1,698
Total equity	652,009	685,017

Parent entity guarantees in respect of debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed, are disclosed in note 37.

37 Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and Directors' Report.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

- Emeco Pty Ltd
- Emeco International Pty Limited

A consolidated statement of comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, for the year ended 30 June 2010 is set out as follows:

Statement of comprehensive income and retained earnings

	Consolidated	
	2010	2009
	$'000	$'000
Revenue	368,967	364,372
Cost of sales	(261,463)	(237,793)
Gross Profit	107,504	126,579
Other expenses	(42,332)	(37,501)
Impairment of goodwill	(31,897)	-
Impairment of tangible assets	(4,525)	(120)
Cost of sales equipment on rent	(4,651)	(3,412)
Finance income	1,099	3,126
Finance costs	(19,667)	(17,907)
Profit before tax	5,531	70,765
Income tax expense	(12,606)	(21,027)
Net loss after tax	(7,075)	49,738
Total comprehensive income for the period	2,681	(10,535)
Retained earnings at beginning of year	102,802	94,299
Dividends recognised during the year	(12,200)	(30,700)
Retained earnings at end of year	86,208	102,802
Attributable to:		
Equity holders of the Company	86,208	102,802
Loss for the period	(7,075)	49,738

Statement of financial position

	Consolidated	
	2010	2009
	$'000	$'000
Current Assets		
Cash assets	3,169	4,909
Trade and other receivables	60,773	48,283
Inventories	74,306	97,650
Assets held for sale	36,436	-
Total current assets	174,684	150,842
Non-current assets		
Trade and other receivables	30,057	37,631
Intangible assets	151,836	188,714
Property, plant and equipment	401,452	403,575
Total non-current assets	583,345	629,920
Total assets	758,029	780,762
Current Liabilities		
Trade and other payables	32,484	49,566
Interest bearing liabilities	-	2,264
Current tax liabilities	3,048	
Provisions	4,397	4,427
Liabilities held for sale	815	-
Total current liabilities	40,744	56,257
Non-current Liabilities		
Interest bearing liabilities	618,638	139,735
Non interest bearing liabilities	-	472,754
Deferred tax liabilities	11,682	8,453
Provisions	757	761
Total non-current liabilities	631,077	621,703
Total liabilities	671,821	677,960
Net assets	86,208	102,802
Equity		
Issued capital	-	-
Reserves	2,681	(10,535)
Retained earnings	83,527	113,337
Total equity attributable to equity holders of the parent	86,208	102,802

Directors' Declaration

1. In the opinion of the Directors of Emeco Holdings Limited ("the Company"):

   (a) the financial statements and notes as set out on pages 52 to 119, and Remuneration report in the Directors' Report, set out on pages 36 to 49 are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the Group's financial position as at 30 June 2010 and of their performance for the financial year ended on that date; and

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

   (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a);

   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. There are reasonable grounds to believe that the Company and the group entities identified in Note 37 will be able to meet any obligation or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.

3. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2010.

Dated at Perth, 24th day of August 2010

Signed in accordance with a resolution of the Directors:

Keith Gordon

Managing Director

Stephen Gobby

Chief Financial Officer

Independent Auditor's Report to the members of Emeco Holdings Limited

Report on the financial report

We have audited the accompanying financial report of the Group comprising Emeco Holdings Limited (the Company) and the entities it controlled at the year's end or from time to time during the financial year, which comprises the statements of financial position as at 30 June 2010, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a description of significant accounting policies and other explanatory notes and the Directors' declaration.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Group's financial position and of its performance.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Emeco Holdings Limited for the year ended 30 June 2010, complies with Section 300A of the *Corporations Act 2001*.

KPMG

R Gambitta
Partner

Perth

24 August 2010

Shareholder Information

Financial Calendar

The Annual General Meeting of Emeco Holdings Limited will be held at the Botanical Three Room, Burswood Entertainment Complex, Great Eastern Highway, Burswood, Western Australia on Tuesday 16 November 2010 commencing at 12.00pm (WST).

Event	Date*
Ex dividend share trading commences	31 August 2010
Record date for final dividend	6 September 2010
Final dividend payable	30 September 2010
Annual General Meeting	16 November 2010
Half year	31 December 2010
Half year profit announcement	February 2011
Ex dividend share trading commences	March 2011
Record date for interim dividend	March 2011
Interim dividend payable	March 2011
Year end	30 June 2011

*Timing of events and payment of dividend is subject to change and Board discretion.

Substantial Shareholders

Details regarding substantial holders of the Company's ordinary shares as at 31 August 2010, as disclosed in the substantial holding notices, are as follows:

Name	Shares	%
Franklin Resources, Inc. and its affiliates	71,479,322	11.32
AMP Limited	31,890,207	5.05
Maple-Brown Abbott Limited	31,590,353	5.00

Distribution of Shareholders

As at 31 August 2009, there were 7,681 holders of the Company's ordinary shares. The distribution of shareholders as at 31 August 2010 was as follows:

Ranges	Investors	Securities	% Issued Capital
1 to 1,000	888	517,125	0.08
1,001 to 5,000	2,295	6,805,520	1.08
5,001 to 10,000	1,571	11,957,962	1.9
10,001 to 100,000	2,011	53,509,057	8.52
100,001 and Over	165	555,317,922	88.41
Total	6,930	628,107,586	100

The number of security investors holding less than a marketable parcel of 650 securities ($.770 on 31/08/2010) is 540 and they hold 193,801 securities.

20 Largest Shareholders

The names of the 20 largest holders of the Company's ordinary shares as at 31 August 2010 are:

Rank	Name / Address	Total Units	% IC
1	J P Morgan Nominees Australia Limited	154,610,657	24.62
2	National Nominees Limited	93,067,931	14.82
3	HSBC Custody Nominees (Australia) Limited	62,115,472	9.89
4	Citicorp Nominees Pty Limited	48,264,243	7.68
5	RBC Dexia Investor Services Australia Nominees Pty Limited	42,333,321	6.74
6	Cogent Nominees Pty Limited	18,773,140	2.99
7	AMP Life Limited	17,188,728	2.74
8	ANZ Nominees Limited	17,068,621	2.72
9	Pacific Custodians Pty Limited	12,916,500	2.06
10	UBS Wealth Management Australia Nominees Pty Ltd	7,010,430	1.12
11	Elphinstone Holdings Pty Ltd	6,860,000	1.09
12	Queensland Investment Corporation	6,178,909	0.98
13	Mr Michael Anthony Turner	5,500,000	0.88
14	Goldking Enterprises Pty Ltd	4,260,900	0.68
15	G Harvey Nominees Pty Limited	3,661,800	0.58
16	David Tilbrook	3,300,000	0.53
17	Linda Dorothy Sauvarin	3,000,000	0.48
18	Mr Trevor Thomas Sauvarin	3,000,000	0.48
19	Temasek Holdings Pty Ltd	2,000,000	0.32
20	UBS Nominees Pty Ltd	1,664,993	0.27

Voting Rights of Ordinary Shares

Voting rights of shareholders are governed by the Company's constitution. The Constitution provides that on a show of hands every member present in person or by proxy has one vote and on a poll every member present in person or by proxy has one vote for each fully paid ordinary share held by the member.

Share Price History

Company Directory

Directors

Robert Bishop

Alec Brennan

John Cahill

Keith Gordon

Peter Johnston

Peter Richards

Secretary

Michael Kirkpatrick

Registered Office

Level 3, 71 Walters Drive

Osborne Park WA 6017

Telephone: (08) 9420 0222

Facsimile: (08) 9420 0205

www.emecogroup.com

Share registry

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Level 12, 680 George Street

Sydney NSW 2000

Telephone: 1300 554 474

www.linkmarketservices.com.au

Auditors

KPMG

235 St George's Terrace

Perth WA 6000

Stock Exchange Listing

Emeco Holdings Ltd ordinary shares are listed on the Australian Stock Exchange Ltd.

ASX code: EHL

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