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BETTER EQUIPPED
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Emeco Holdings Limited ACN 112 188 815

22 August 2013

ASX Market Announcements
ASX Limited
Level 4, 20 Bridge Street
SYDNEY NSW 2000

Emeco Holdings Limited (ASX:EHL) – Results For The Year Ended 30 June 2013

Attached for immediate release to the market are the following documents:

- Emeco Holdings Limited's Appendix 4E – preliminary final report for the financial year ended 30 June 2013; and
- Emeco Holdings Limited's annual financial report, auditor's report and directors' report.

Yours faithfully

M. Kirkpatrick

Michael Kirkpatrick
Company Secretary

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APPENDIX 4E

Preliminary Final report
Period Ended 30 June 2013

Name of entity

Emeco Holdings Limited

ABN or equivalent company reference

A.C.N. 112 188 815

Results for announcement to the market

Reporting Period: Year ended 30 June 2013 (Previous corresponding period: year ended 30 June 2012)

	% Change	2013 $A million	2012 $A million
Revenues from ordinary activities	(22.3)	439.7	565.7
Profit from ordinary activities after tax attributable to members of Emeco Group	(91.4)	6.0	69.7

Dividends

The Directors have declared that no Final dividend will be paid and no amount has been paid or declared by way of dividends since March 2013, or to the date of this report.

Amount per security

		Amount per security	Franked amount per security
Final Dividend:	Current year	nil	nil
	Previous year	3.5 cents	3.5 cents
		Amount per security	Franked amount per security
Interim Dividend:	Current year	Ordinary – 2.5 cents	Ordinary – 2.5 cents
	Previous year	Ordinary – 2.5 cents	Ordinary – 2.5 cents
		Amount per security	Franked amount per security
Total Dividend:	Current year	Ordinary – 2.5 cents	Ordinary – 2.5 cents
	Previous year	Ordinary – 6.0 cents	Ordinary – 6.0 cents

APPENDIX 4E
Preliminary Final report
Period Ended 30 June 2013

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Ratios and Other Measures

NTA backing	Current Period	Previous corresponding Period
Net tangible asset backing per ordinary security	$0.76	$0.74

Details of loss of control of entities having material effect
No control over any entities was lost during the period that had a material effect.

Accounts
This report is based on accounts that have been audited.

Commentary on Results
For commentary on the results of the Emeco Group, refer to the accompanying media release, audited financial report and directors' report.

Emeco

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Emeco Holdings Limited and its Controlled Entities

ABN 89 112 188 815

Annual Financial Report

30 June 2013

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- **Business adapting to dynamic shift in global mining market**
- **Continued focus on safety, community and people generating positive results**
- **Executed 5% share buy-back during FY13, returning capital to shareholders**

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Dear Shareholder,

We are pleased to present the Emeco Holdings Limited Annual Report for financial year 2012/2013 (FY13).

ADAPTING OUR BUSINESS TO CHANGING MARKETS

Emeco has exposure to the mining industry across a range of commodities and geographies. Following a period of strong activity across all parts of our business we experienced a sharp slow-down in activity across Australia and Indonesia.

Emeco's Canadian business grew in FY13 on the back of our strategy to align the business with oil majors and indigenous contractors and we also executed a successful expansion into Chile. Our success in Canada and Chile demonstrates Emeco's ability to adapt the business to create value for customers and shareholders, while maintaining our disciplined approach to managing our balance sheet.

Moving into FY14 Emeco is continuing to assess opportunities for further geographical expansion, working with our customers to create innovative equipment solutions and focusing on growth opportunities which create greater value for our shareholders. A key focus for us in these challenging times is to focus on cash flow generation in order to keep our balance sheet in good shape.

SAFETY AND SUSTAINABILITY

The safety of our employees and those we work with is a key priority of the Board and business with our ultimate objective to achieve "zero harm". During FY13 Emeco continued to invest in safe work practices and initiatives to further entrench a culture of "safety first" throughout the business. Emeco's group Total Reportable Injury Frequency Rate (TRIFR) improved by 39% during the period, however our Lost Time Injury Frequency Rate (LTIFR) increased to 3.5 (up from 1.7 in FY12). The Board is committed to continual improvement in our safety measures during FY14 and beyond.

A key factor to Emeco's future success is our ability to attract and retain high calibre people. We continue to focus on training and development with individual training needs identified through our annual performance management process. Due to the downturn in the market during the year resulting in reduced workload, particularly across our Australian and Indonesian sites, the Company had to make a number of employee positions redundant. This is always a difficult decision but unfortunately has been a consistent theme across the resources sector in FY13.

Diversity has been a focus of the Emeco Board for a number of years now. During the year we established our diversity framework which is supported by an action plan to be driven by Management across the business. A number of initiatives were implemented during the year to lay the foundation for improved diversity reporting, awareness and more flexible work practices.

Emeco continued to actively and positively contribute to the communities in which it operates during the period. Particular highlights include Emeco's involvement with the Clontarf Foundation in Australia; the operator training program developed by Women Building Futures in Canada; and the high level of employee participation in the mental health and suicide awareness training offered at Emeco workplaces through our partnership with Lifeline Australia.

Emeco's successes in engaging with employees, enhancing diversity, investing in community initiatives and improving safety during FY13 are detailed further in our Sustainability Report (page 18).

CONTINUALLY IMPROVING OUR REPORTING TO SHAREHOLDERS

The Emeco Board is committed to ensuring we keep shareholders informed of our performance. You'll notice an improved annual report structure tailored to providing our shareholders with key information required to make informed decisions regarding their shareholdings. In particular, we have expanded our operational and financial review with a focus on informing our readers of the key business risks facing Emeco today and how we intend to mitigate these risks during FY14 (page 7).

DELIVERING RETURNS TO SHAREHOLDERS OVER THE LONG-TERM

The Board remains committed to Emeco's dividend policy of a 40–60% payout ratio of annual Operating NPAT, franked to the fullest extent possible. The Company delivered a 2.5 cent interim dividend which represents 42.5% of FY13 annual Operating NPAT. With consideration given to Emeco's current tough operating environment, the Board's focus on managing cashflows to maintain a strong financial position and the level of returns already made to shareholders during FY13, the Board has declared a nil final dividend for FY13.

The Emeco Board is firmly focussed on delivering strong shareholder returns over the long term with a current aim of positioning the business to benefit from strengthening commodity markets over the next few years. Our commitment to delivering value for shareholders is evidenced by the special dividend of 5.0 cents paid during FY11 and more recently through the 5% share buy-back conducted during the first half of FY13.

BUSINESS REMAINS WELL POSITIONED FOR THE FUTURE

Despite the challenging operating and economic environment Emeco endured during FY13, the business remains motivated to build a solid foundation on which we can grow following the current downturn. As FY14 brings with it a new set of challenges, the business is well positioned to execute its key strategies of diversifying our earnings base, demonstrating greater flexibility in meeting our customer's equipment needs and maintaining a disciplined approach to balance sheet management.

I'd like to take this opportunity to thank Keith Gordon for his contribution to Emeco since December 2009. Under Keith's leadership Emeco has achieved its strategy of restructuring the business to focus on the global mining industry, a strategy which has delivered significant returns to shareholders since 2010. The business has commenced a global search to identify a successor for Keith, we look forward to reporting news of a replacement once this process is completed.

Alec Brennan
Chairman

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- **Challenging operating environment contributing to lower returns**
- **Successful expansion into Chile executed in FY13**
- **Focus on generating cash flow and maintaining balance sheet flexibility in FY14**

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MANAGING THE BUSINESS DURING CHALLENGING TIMES

Coming off a period of strong mining activity in FY12, the operating landscape for Emeco changed rapidly across our key regions during FY13. Lower commodity prices, the high value of the Australian dollar and a consequential change in objectives of the global miners led to a rapid decline in mining activity. Over the past 12 months Emeco's operating return on capital fell from 13.2% at 30 June 2012 to 7.1% at 30 June 2013. The Company delivered Operating NPAT of $35.2 million in FY13, down from $71.1 million in FY12.

The Australian and Indonesian businesses were both adversely impacted by the reduced activity in mining industries in those markets. Flowing on from FY12, both businesses started FY13 in a strong position however the end of key contracts during the second quarter, without extension to new terms, adversely impacted earnings. Off-rent fleet remained idle for extended periods through the second half due to low levels of activity and a strong focus on operating costs by customers. Managing idle fleet is a key focus for Emeco in FY14 with the business working closely with customers to meet their equipment needs.

Our customer mix strategy in Canada has increased exposure to oil companies, indigenous contractors and coal miners, improving utilisation over the FY12/13 summer and FY13 winter periods. The business is now supported by a range of high quality customers. Investment in building our external maintenance services capability over FY13 will generate non-capital intensive revenue streams as we move into FY14.

I am pleased to report that our expansion into Chile was a success with the Chilean business contributing positive returns during its first year of operation in FY13. The team in Chile has done an exceptional job in winning work and demonstrating to customers that Emeco can add value to their operations.

CONTINUING TO BUILD ON OUR SUCCESSES

Having successfully completed our expansion into Chile, the business is concentrating on identifying markets with strong long term growth potential. Our goal of diversifying the earnings base across geographies and commodities will focus on developing mining industries in areas including, but not limited to, the broader Latin America region.

Our expansion into Chile was founded on developing our strong relationship with local contractors and major mining companies who know the benefits of the Emeco offering. Our high quality assets and strong maintenance support is valued by customers globally, providing us a strong brand on which to build our diversification strategy.

This strategic initiative is enhanced by the appointment of Ian Testrow, formerly President of Emeco's Americas business, to the Position of President, New and Developing Businesses.

POSITIONING THE BUSINESS FOR FUTURE RECOVERY

Global utilisation has declined significantly over FY13 averaging 66%, down from an FY12 average of 86%. Essential to the recovery of our business is a targeted approach to idle fleet management with Emeco assessing all avenues to return value from assets. Over FY13 the business realised value from identifying equipment redeployment opportunities with our existing operations transferring $37.8 million to Chile and releasing capital via asset disposals of $49.8 million. Moving into FY14 Emeco continues to consider opportunities to redeploy idle fleet with this the first consideration when entering new markets. In addition, the Company is collaborating with customers by offering a range of rental and sales solutions which fit their business strategy and equipment needs.

An ongoing feature of the Emeco business is our disciplined approach to cash flow and capital management. During FY13 Emeco further strengthened its balance sheet by refinancing its senior debt facility thereby increasing average debt maturity profile to 4.9 years. Given the challenging environment in which Emeco currently operates it is critical for the business to focus on cash flow and reducing debt levels.

THE YEAR AHEAD

The rapid decline in the global commodities cycle has changed the landscape for many resources companies and mining services suppliers. Emeco is no different. We have two key areas of focus over the next 12 months. Firstly, we need to continue to work closely with our customers in our current markets and continue to seek organic growth opportunities consistent with our business strategy in new markets. In this environment, customers are cautious with capital and are very focused on lowering costs and improving operational productivity. This may create opportunities for Emeco to support customers through tailoring solutions, whether it be dry hire rental, rent to buy or asset sales.

Secondly, we need to remain vigilant with regard to cash flow, balance sheet and gearing. The volatile environment we have been experiencing will continue to pose challenges for our business and maintaining financial discipline through these times will be critical in ensuring that when the mining industry recovers from the current slump, Emeco is well positioned to meet the needs of its customers and deliver greater shareholder returns.

Keith Gordon
Managing Director & Chief Executive Officer

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Operating and Financial Review

The Emeco Group supplies safe, reliable and maintained equipment rental solutions to the global mining industry. Established in 1972 the business listed on the ASX in July 2006 and is headquartered in Perth, Western Australia. Emeco currently employs 633 permanent and fixed term staff and owns 813 pieces of earthmoving equipment across Australia, Indonesia, Canada and Chile.

Emeco generates earnings from two primary revenue streams, dry equipment rental and maintenance services. Operating costs principally comprise parts, labour and tooling associated with maintaining earthmoving equipment. Capital expenditure principally comprises the original purchase of equipment and replacement of major components over the asset's life cycle while owned by Emeco.

Chart 1: Revenue by Region

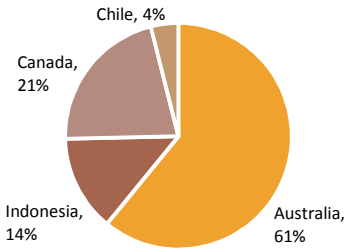


Chart 2: Revenue by Commodity

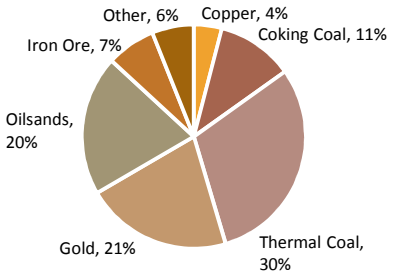
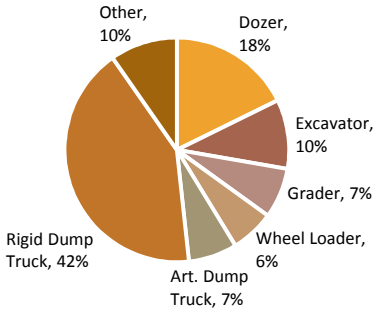


Chart 3: Fleet Composition by Asset Class



Note: Above analysis relates to 12 month period to 30 June 2013

Table 1: Group Financial Results

	Operating Results			Statutory Results		
	FY13	FY12	Var %	FY13	FY12	Var %
Revenue	439.7	565.2	(22.2%)	439.7	565.2	(22.2%)
EBITDA	188.3	261.7	(28.0%)	175.4	260.5	(32.7%)
EBIT	75.6	126.0	(40.0%)	44.9	124.8	(64.0%)
NPAT	35.2	71.1	(50.5%)	6.0	70.0	(91.4%)
ROC %	7.1%	13.2%		4.2%	13.0%	
EBIT margin	17.2%	22.3%		10.2%	22.1%	
EBITDA margin	42.8%	46.3%		39.9%	46.1%	

Note:
1. Significant items have been excluded from the statutory result to aid the comparability and usefulness of the financial information. This adjusted information (Operating Results) enables users to better understand the underlying financial performance of the business in the current period.
2. FY12 statutory results exclude discontinued operations.

Table 2: FY13 Operating Results to Statutory Results Reconciliation

A$ millions	Tangible asset impairments	Intangible asset impairments	Redundancy	Bad debt write-off	Debt establishment costs write-off	Tax effect	NPAT
Operating							35.2
Australia	(10.5)		(1.7)		(0.7)	3.0	(9.9)
Canada					(1.0)	0.2	(0.8)
Indonesia		(17.8)		(0.7)	(0.2)	0.2	(18.5)
Statutory	(10.5)	(17.8)	(1.7)	(0.7)	(1.9)	3.4	6.0

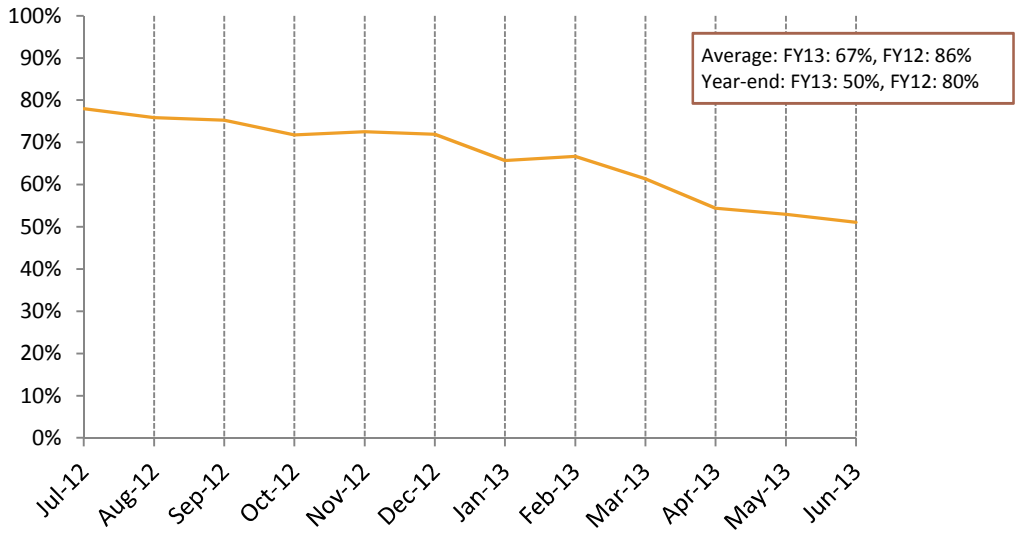
Reconciliation of differences between Operating and Statutory Results:

1. FY13 Operating Results (non-IFRS) excludes the following:
   - Tangible asset impairments outside the ordinary course of business totalling $10.5 million across Sales inventory, Parts inventory and Property impacting EBITDA, EBIT and NPAT (Tangible asset impairments incurred through ordinary course of business totalling $1.6 million were recognised during FY13, refer to Note 8 in the financial statements);
   - Intangible asset impairments of $17.8 million in the Indonesian business segment impacting EBIT and NPAT;
   - One-off costs related to redundancies in the Australian business segment totalling $1.7 million impacting EBITDA, EBIT and NPAT;
   - Bad debt write-offs in Indonesia relating to prior years of $0.7 million impacting EBITDA, EBIT and NPAT;
   - Write-off of debt establishment costs related to previous debt facility totalling $1.9 million impacting NPAT.
2. All reconciling items relating to FY13 Operating Results are discussed in further detail later in the Operating and Financial Review.
3. FY12 Operating Results (non-IFRS) excludes an expense of $1.2 million, impacting EBITDA, EBIT and NPAT in the Australian business segment, which relates to unpaid employee superannuation from FY07 to FY11 arising from a payroll system error identified during an internal payroll systems review which has now been rectified. Also excluded from the FY12 Operating NPAT is the loss from discontinued operations of $0.2 million.

MARKET SHIFTS IMPACTING OPERATING AND FINANICAL PERFORMANCE

Following a strong financial performance in FY12, the last twelve months has seen a change in Emeco's key markets which has adversely impacted earnings and returns. Non-renewal of several significant contracts in Australia and contract terminations in Indonesia during FY13 resulted in average global utilisation falling to 67%, down from 86% in FY12 (see chart below). Underlying this trend was a rapid decline in utilisation across Australia and Indonesia in early 2H13 which was partially offset by strong performance in Canada and the successful expansion into Chile, which contributed positive earnings in its first year of operation.

Chart 4: FY13 Average Group Utilisation



Note: Utilisation defined as % of fleet rented to customers (measured by written down value)

Group operating revenue reduced by 22.2% to $439.7 million, down from $565.2 million in FY12. Rental and Maintenance revenue was down 17.3% to $412.2 million (2012: $498.5m) due to a general reduction in industry activity and customers focusing on reducing operating costs resulting in lower utilisation and pricing in Australia and Indonesia. Sales and Parts revenue also reduced by 58.7% to $27.5 million (2012: $66.7m) as the Group downsized these businesses in line with previous announcements regarding its strategy.

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Operating EBITDA and Operating EBIT margins in FY13 were 42.8% (FY12: 46.3%) and 17.2% (FY12: 22.3%) respectively. Margins were impacted in FY13 through a combination of lower rental rates, and the impact of fixed overheads and idle fleet depreciation expense being applied across less utilised fleet with a corresponding reduced revenue base.

Operating return on capital (ROC) declined to 7.1% in FY13, down from 13.2% in FY12 primarily through lower utilisation of the rental fleet.

Refer to the Regional Business Overview on page 13 for further detail on regional operating and financial performance.

REDUCING COSTS IN RESPONSE TO LOWER OPERATING AND FINANCIAL PERFORMANCE

Table 3: Operating Cost Summary (Statutory Results)

A$ millions	2013	2012
Revenue	**439.7**	**565.2**
Operating expenses		
Changes in machinery and parts inventory	(29.0)	(68.9)
Repairs & maintenance	(122.2)	(155.1)
Employee expenses	(48.1)	(47.9)
Hired in equipment & labour	(7.8)	(3.2)
Impairment of tangible assets	(12.1)	(1.5)
Doubtful debts / reversal	(13.1)	10.3
Net other expenses	(31.9)	(38.4)
EBITDA	**175.4**	**260.5**
Impairment of goodwill	(17.8)	–
Depreciation expense	(112.5)	(135.5)
Amortisation	(0.2)	(0.2)
EBIT	**44.9**	**124.8**

FY13 operating expenses declined 13.2% to $264.3 million from $304.6 million in FY12. The decline in operating expenses was driven by reduced utilisation and cost saving initiatives across the business. Repairs and maintenance expense, which primarily comprises parts and maintenance labour, was down 21.2% in line with lower Rental and Maintenance Revenue. As a result, the Group reduced parts purchasing and scaled down the maintenance labour workforce in Australia and Indonesia. Redundancies were initiated in both maintenance and support roles in Australia and Indonesia resulting in one-off costs totalling $1.7 million. As the majority of redundancies were made during the second half of FY13 the full impact of costs savings will not be realised until FY14.

Net other expenses increased 93.9% to $57.2 million in FY13. The increase is primarily attributable to doubtful debt expense of $13.1 million and impairment of tangible assets totalling $12.1 million. Excluding these two items, net other expenses decreased 16.9% in FY13. Refer to note 8 in the financial statements for further breakdown of net other expenses (page 106).

Depreciation as a percentage of rental and maintenance services revenue remained flat at 27.3% in FY13. Although depreciation reduces in line with utilisation, Emeco continues to recognise minimum depreciation per month on equipment which has been idle for a period greater than 3 months. Given the rapid decline in utilisation in late 1H13, margins were adversely impacted in 2H13 by the additional depreciation expense with no corresponding revenue.

Changes in machinery and parts inventory was down 58.0% which totalled $29.0 million in FY13 as a result of the strategic decision in FY10 to wind down the Used Equipment Sales and Used Parts businesses over time.

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ASSET WRITE-DOWNS AND GOODWILL IMPAIRMENT

Table 4: Asset Impairments (Statutory Results)

A$ millions	2013	2012
Impairment loss on inventory	8.7	2.8
Impairment loss on PPE		
Freehold land & buildings	3.0	–
Plant & equipment	0.4	0.2
Impairment of goodwill	17.8	–

Inventories were written down by $8.7 million in FY13 (FY12: $2.8 million) to reflect net realisable value (NRV), comprising the following:

- $6.7 million – as part of the strategy to finalise the exit from the Australia Used Parts business, remaining inventory was impaired to reflect a rapid disposal plan;
- $1.2 million – the residual inventory remaining in the Australia Used Equipment Sales business, comprising a small number of non-core construction sized equipment which were impaired to reflect an expedient disposal;
- $0.8 million - Represents stock write-downs on tyres and rental parts inventory transferred out of fixed assets and into inventory during FY13 that were subsequently sold.

Impairment loss on property, plant and equipment relates to:

- Emeco is undertaking a sale and leaseback of a major workshop facility. Based on indicative market valuations, the property has been impaired by $3.0 million, representing a reduction in written down value to market value;
- Rental machine impairments of $0.4 million related to the sale of rental assets at market value.

Based on the Group's annual impairment testing, the Indonesian business segment goodwill of $17.8 million was fully impaired at 30 June 2013. The goodwill impairment was the result of a sharp decline in earnings over the past 12 months and uncertainty reflected in the expected recovery of future business performance. Refer to note 21 in the accompanying financial statements for additional information.

CASHFLOW GENERATION A KEY FOCUS

Table 5: Cash Flow Summary

	2013	2012
Operating cash flow	**173.8**	**225.5**
Sustaining capital expenditure	(71.8)	(127.1)
Other property, plant & equipment	(16.9)	(19.5)
Disposals	49.8	35.2
Free cash flow post sustaining capital expenditure	134.9	114.1
Growth capital expenditure	(90.2)	(170.4)
Free cash flow post growth capital expenditure	44.7	(56.3)
Dividends	(37.1)	(34.7)
Share buy-back	(16.9)	–
Free cash flow post shareholder returns	(9.3)	(91.0)

Operating cash flow was down 22.9% to $173.8 million in FY13 largely due to lower EBITDA as a result of lower utilisation and rental rates.

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During 1H13 Emeco continued to invest in establishing the Chilean business and completed previously committed plans for sustaining capital expenditure across the business. In response to a rapid contraction in market activity mid-way through the year in Australia and Indonesia, the business ceased growth capital expenditure and reduced sustaining capital expenditure to the minimum required for maintaining operating fleet during the second half. Emeco intends to maintain minimum capital expenditure levels in FY14 given ongoing low utilisation levels in Australia and Indonesia.

Cash flows from asset disposals totalled $49.8 million in FY13, which included the sale of one equipment package for $23.0 million to a large mining customer in Australia. Emeco provided the customer an alternative which involved purchasing high quality early life assets rather than higher priced new equipment. This is an example of Emeco tailoring a solution for a customer which realised value from our idle assets. Emeco continues to assess other opportunities where we can provide customers with an alternative solution which may not have been previously considered.

The combination of strong underlying operating cash flows and the highly discretionary nature of future capital investment provides Emeco with flexibility to expand or contract its balance sheet and gearing in light of prevailing market conditions. This flexibility is a key asset of the business and is expected to help Emeco maintain positive cash flows into FY14.

GEARING IMPACTED BY DEPRECIATION OF AUSTRALIAN DOLLAR

Table 6: Net Debt & Gearing Summary

	2013	2012
Interest Bearing Liabilities (current & non-current)		
Senior debt facilities	252.7	302.0
USPP notes	149.6	141.8
Working capital facility	5.3	–
Lease liabilities	12.4	15.7
Other	0.5	–
Cash	5.8	73.1
Net debt	414.7	386.4
Gearing ratio	2.15	1.48
Loan to value ratio	48.1%	41.7%
Interest cover ratio	7.72	11.38

Note: Gearing ratio - Net Debt : Operating EBITDA < 3.0x
Loan to value ratio - Net Debt : Net Realisable Value < 80%
Interest cover ratio - Operating EBITDA : Interest Expense > 4.0x

The Group's net debt increased $28.3 million to $414.7 million at 30 June 2013. The increase was a combination of a $19.0 million increase from the translation impact of the recent AUD devaluation on net debt (AUD:USD reduced from $1.017 at 30 June 2012 to $0.927 at 30 June 2013, source: Westpac) and a $9.3 million increase in underlying debt on a cash basis. Following a period of investment in FY12 and early FY13, net debt peaked at $455.1 million in December 2012 before reducing significantly over 2H13 due to a reduction in capital expenditure and working capital release.

In response to exchange rate movements, the Group rebalanced its currency mix of debt by reducing Canadian and US dollar debt and increasing Australian dollar debt, thereby reducing Emeco's exposure to foreign currency translation risk of the Group debt. As at 30 June 2013 Emeco's foreign currency denominated debt balance comprised C$83 million and US$155 million (FY12: C$216 million, US$155 million).

Emeco refinanced its senior secured syndicated loan facility on 28 September 2012. Retaining a $450 million limit, the debt facility comprises a three year $200 million, a four year $125 million and a five year $125 million revolving multi-currency facility of AUD, USD and CAD.

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Emeco's senior debt facility and USPP notes comprises three financial covenants:

- Gearing ratio – Total Debt: EBITDA < 3.0x
- Interest cover ratio – EBITDA: Net Interest > 4.0x
- Loan-to-Value ratio – Total Debt: Tangible Assets < 80%.

The Company's key credit ratios have reduced headroom due to FY13 lower earnings, notwithstanding successful reduction in debt through positive cash flow. The ratios remain well within their limits. Refer to note 24 in the accompanying financial statements for additional information.

CAPITAL MANAGEMENT DELIVERING SHAREHOLDER RETURNS

Table 7: Shareholder Returns

	2013	2012
Dividends declared during the period		
Interim dividend (cents)	2.5	2.5
Final dividend (cents)	–	3.5
Total dividend (cents)	2.5	6.0
Dividend payout ratio	*42.5%*	*53.2%*
Value of share buy-back ($ million)	16.5	–
Average price of share buy-back (cents)	53.4	N/A
Per share statistics		
Earnings per share (cents)	5.9	11.3
NTA per share ($)	0.76	0.74
Closing share price ($)	0.28	0.87

Note: Dividend payout ratio is measured as dividends paid as a percentage of Operating NPAT.

The Board declared and paid a 2.5c interim dividend, fully franked and declared a nil final dividend for FY13. Total FY13 dividends of 2.5c represent a payout ratio of 42% (2012: 53%), which is in line with Emeco's policy to distribute between 40 – 60% of annual Operating NPAT, franked to the fullest extent possible.

As part of its overall capital management strategy, the Company completed a 5% share buyback during 1H13 at average price of 53.4c per share.

The Board's decision not to pay a final dividend for FY13 was driven by a combination of the current external market conditions, the Group's focus on maintaining a strong financial position and the level of shareholder returns made during FY13.

TARGETED STRATEGIES TO BUILD FOR FUTURE GROWTH

As outlined in the Managing Director's Report, Emeco's strategic focus over the next twelve months will be to work closely with customers in our existing markets to deliver innovative and competitive equipment solutions while seeking to establish a presence in new international markets, which will provide an opportunity to redeploy idle fleet and provide growth over the medium term. At the same time, the Company will focus on maintaining financial discipline in managing the cash flow and balance sheet of the business. Further detail on Emeco's strategy is included in the Regional Business Overview starting on the following page.

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REGIONAL BUSINESS OVERVIEW

Chart 5: Rental Revenue by Region

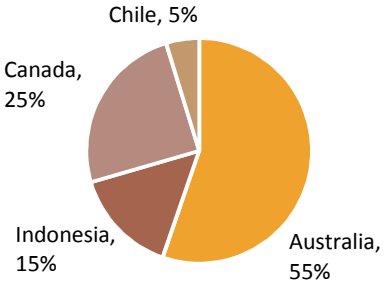


Chart 6: EBITDA Contribution by Region

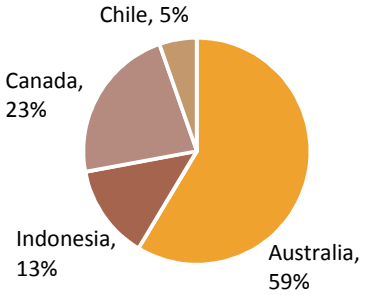
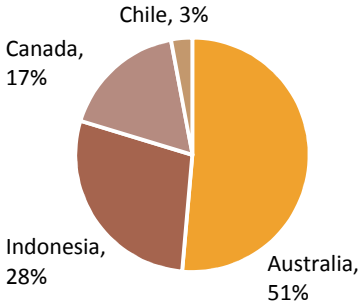


Chart 7: Fleet by Region

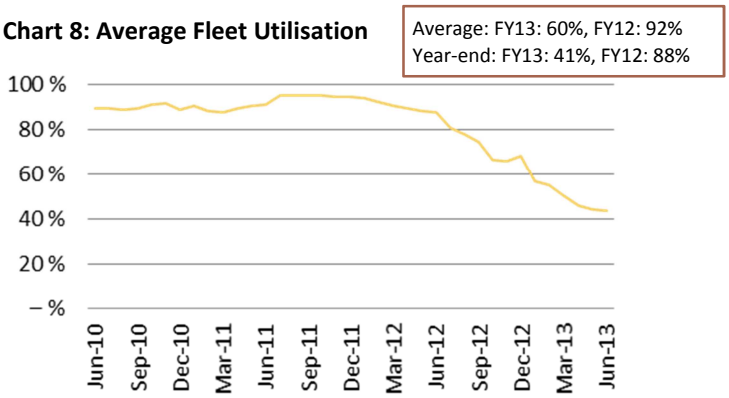


AUSTRALIA

Table 8: Performance Indicators

	Operating Results		
	FY13	FY12	Var %
Revenue	250.6	383.3	(34.6%)
EBITDA	121.6	215.7	(43.6%)
EBIT	53.4	115.6	(53.8%)
Funds Employed	467.5	508.1	
ROFE %	11.4%	22.7%	
No. workforce	286	580	
LTIFR	6.5	3.1	

Chart 8: Average Fleet Utilisation



Notes:

- For a reconciliation of statutory to operating results refer to Table 2 on page 8 and accompanying notes
- Utilisation defined as % of fleet rented to customers (measured by written down value)
- Australia results in Table 2 represent the Australian Rental segment and do not include the Australian Sales and Parts results

Main markets

Operating across Western Australia, Queensland, New South Wales and South Australia, the Australian rental business is well diversified across bulk commodities and metals. The business services high quality customers, primarily blue-chip miners and large contractors, leveraged to the production phase of the mining cycle. Rental revenue commodity mix is weighted toward thermal coal (34%), iron ore (11%), metallurgical coal (19%) and metals (30%).

FY13 Performance

FY13 revenue was down 34.3% on the prior year due to a combination of falling utilisation and price reductions across the fleet. Falling commodity prices and a focus on operating costs has given rise to reviews of future operating plans by mining companies, which impacted short term earthmoving volumes at existing projects and limited new enquiries for equipment rental.

The changing market dynamics lead global miners to shift focus toward controlling costs and improving capital efficiency. As a result, Emeco has experienced downward pressure on pricing for equipment, which together with the impact of fixed costs over lower revenue has reduced FY13 EBITDA margins to 48.3% (FY12: 56.2%). EBIT margins were also down to 20.7% (FY12: 30.1%) due to continued depreciation on idle fleet.

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FY14 Focus Affecting Future Performance

In FY14 Emeco Australia is focussed on maintaining market share through innovative and competitive solutions that meet its customers' objectives. As part of the objective to deliver cost effective solutions for its customers, the business will focus on cost and productivity improvements within the business.

Given current utilisation levels, sustaining capital expenditure will be limited to major component replacements whereas replacement of assets which reach end of life will be curtailed until the outlook improves. The business will also work with other Emeco businesses to identify fleet redeployment opportunities or where appropriate, dispose of assets opportunistically.

Medium Term Outlook

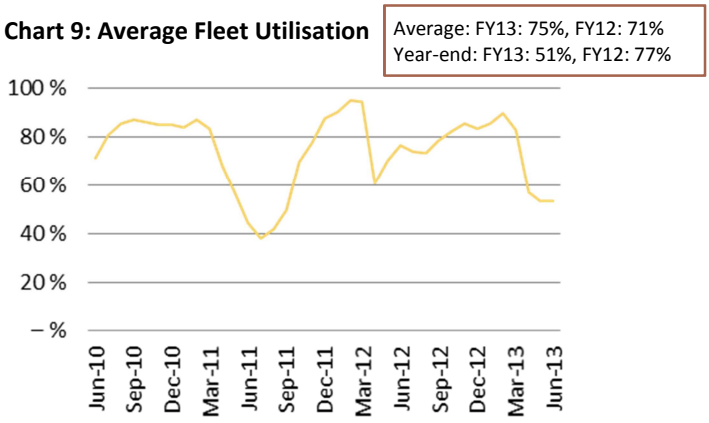
Future demand for equipment in the Australian mining market will be primarily driven by growth in earthmoving volumes. The outlook for volume growth remains unclear as a result of volatility in commodity prices and exchange rates. The current oversupply of equipment in the Australian market could result in continued pressure on rental rates until such time as the demand/supply dynamic for heavy equipment rebalances.

CANADA

Table 9: Performance Indicators

	Operating Results		
	FY13	FY12	Var %
Revenue	94.2	67.2	40.2%
EBITDA	46.5	35.9	29.5%
EBIT	23.4	16.2	44.6%
Funds Employed	214.0	161.5	
ROFE %	10.9%	10.0%	
No. Employees	102	93	
LTIFR	4.1	5.6	

Chart 9: Average Fleet Utilisation



Notes:

- For a reconciliation of statutory to operating results refer to Table 2 on page 8 and accompanying notes
- Utilisation defined as % of fleet rented to customers (measured by written down value)

Main Markets

The Canadian business is strategically located in the Alberta region to service oil sands and coal projects in Western Canada. The business primarily supplies rental equipment and external maintenance services to oil majors, indigenous and non-indigenous contractors, and coal miners. Rental revenue composition in FY13 was heavily weighted toward oil sands (83%) with the remainder derived from thermal coal.

FY13 Performance

Revenue increased 40.2% in FY13 with strong utilisation across the first three quarters of the year driven by an increase in direct supply to oil majors, diversification into coal and the full year benefit from fleet investment in FY12. FY13 revenue was also positively impacted by growth in external maintenance revenue to $3.3 million (FY12: $1.0 million).

EBITDA margin fell to 49.3% in FY13 (FY12: 53.4%) due to the larger contribution from lower margin external maintenance services, and increased cross-hire of non-core equipment to customers which returns a low margin but is essential to delivering a complete solution. Despite an adverse impact on EBITDA margins, these additional revenue streams do not incur depreciation, resulting in a higher EBIT margin in FY13 of 24.8% (FY12: 24.1%).

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FY14 Focus Affecting Future Performance

The business will continue to build on its direct supply relationships with the oil majors with the primary objective to be the preferred rental equipment supplier. Recent award of external maintenance services contracts with oil sands producers will provide a platform to further grow this revenue stream in FY14 and provide further equipment rental opportunities. We continue to assess opportunities for work outside the oil sands to reduce revenue seasonality in this business.

The Canadian fleet is currently holding higher than optimal unit numbers in certain classes. Over FY14 Emeco will assess opportunities to divest or transfer these assets to other regions.

Medium Term Outlook

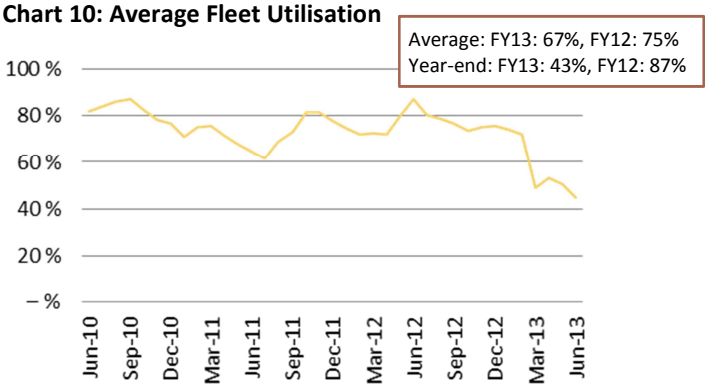
Embodied in the Canada oil sands industry is the seasonal nature of earth works over a year. While this limits visibility on future activity, the installed production capacity in long life oil sands projects underpins significant base load volumes over the medium term.

INDONESIA

Table 10: Performance Indicators

	Operating Results		
	FY13	FY12	Var %
Revenue	60.3	49.9	20.8%
EBITDA	28.0	25.2	11.2%
EBIT	14.3	10.0	43.6%
Funds Employed	123.4	77.5	
ROFE %	11.6%	12.8%	
No. Employees	236	356	
LTIFR	0.0	–	

Chart 10: Average Fleet Utilisation



Notes:

- For a reconciliation of statutory to operating results refer to Table 2 on page 8 and accompanying notes
- Utilisation defined as % of fleet rented to customers (measured by written down value)

Main Markets

The Indonesian business is positioned in an optimal location to service miners and contractors in the Kalimantan region and in particular, Indonesia's thermal coal and gold mines.

FY13 Performance

The business achieved strong utilisation during 1H13 however 2H13 utilisation was heavily impacted by the broad based downturn in activity in the Indonesian thermal coal industry and the loss of two major rental contracts. Delays in approvals for key projects and lower commodity prices impacted activity particularly in thermal coal where overburden activity was significantly curtailed.

Midway through FY13 activity halted at two significant customers' operations, one due to non-payment of invoices and the other due to an early contract termination, which Emeco is currently disputing. These two contract losses adversely impacted utilisation by approximately 40%. Negotiations are continuing with both parties to resolve the respective matters.

Notwithstanding lower utilisation during the second half, a larger asset base and higher average utilisation across the 12 months delivered a 43.0% improvement in EBIT on FY12, however ROFE was slightly lower at 11.4% (2012: 12.8%).

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FY14 Focus Affecting Future Performance

The business continues to receive customer enquiries on rental for new and developing mining projects across various commodities. However the recent loss of its major customer, PT Indo Muro Kencana, has placed significant financial pressure on the business. As a result the business will immediately focus on reducing its cost base while it reassesses the business development opportunities in this market.

Medium Term Outlook

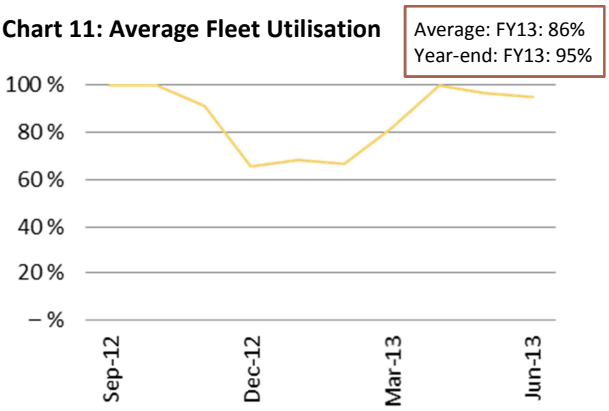
In light of the recent developments in the Indonesian business, the Company is reviewing the various options for the ongoing management and operation of this business.

CHILE

Table 11: Performance Indicators

	Operating Results		
	FY13	FY12	Var %
Revenue	17.4	N/A	
EBITDA	11.1	N/A	
EBIT	6.4	N/A	
Funds Employed	78.5	N/A	
ROFE %	8.2%	N/A	
No. Employees	8	N/A	
LTIFR	0.0	N/A	

Chart 11: Average Fleet Utilisation



Notes:

- For a reconciliation of statutory to operating results refer to Table 2 on page 8 and accompanying notes
- Utilisation defined as % of fleet rented to customers (measured by written down value)

Main Markets

Leveraged to the growing copper mining region of Antofagasta, Emeco services large international and domestic blue-chip miners and contractors in Chile.

FY13 Performance

Emeco's expansion into Chile has been a success with approximately $100 million now invested in this business and achieving average utilisation of 86% over FY13. Approximately $40 million of Chile's fleet was redeployed from other Emeco businesses, demonstrating the value of market diversification. Chile contributed $6.4 million of EBIT in FY13 at a 36.8% margin (EBITDA: 63.8%).

FY14 Focus Affecting Future Performance

The strategy for FY14 is to continue building alliances with contractors and increase direct supply to the major miners. As part of growing the customer base the Chilean team will be looking to source equipment internally from other Emeco businesses to optimise Group utilisation. Having deliberately entered the market with low overhead cost to reduce risk, with a solid revenue base the business will now focus on establishing a strong maintenance capability to support its customers.

Medium Term Outlook

The Chilean mining industry maintains a strong cost curve position which is expected to underpin activity over the medium term. The recent announcement of expansions in the copper sector in Chile should deliver ongoing growth in earthmoving volumes over the medium term, however this is subject to broader global economic conditions. On the basis that volumes continue to grow in this market, Emeco is well positioned to maintain and grow earnings in this business in the medium term.

Table 12: Five Year Financial Summary

		2013	2012	2011	2010	2009
REVENUE						
Revenue from rental income	$'000	370,025	440,299	386,530	302,355	304,380
Revenue from sale of machines and parts	$'000	27,533	66,689	62,795	64,328	97,212
Revenue from maintenance services	$'000	42,132	58,182	53,170	38,276	42,131
Total	$'000	439,690	565,170	502,495	404,959	443,723
PROFIT						
EBITDA	$'000	175,441	260,507	215,379	167,685	193,594
EBIT	$'000	44,858	124,820	93,206	48,510	99,988
PBIT	$'000	16,084	100,406	70,247	25,785	77,380
NPAT from continuing operations	$'000	6,004	69,972	49,974	12,300	55,025
Profit/Loss from discontinued operations	$'000	-	(227)	(365)	(61,613)	(41,756)
Profit for the year	$'000	6,004	69,745	49,609	(49,313)	13,269
One-off significant items	$'000	(29,243)	(1,375)	(6,395)	(90,456)	(44,472)
Operating profit	**$'000**	**35,247**	**71,120**	**56,004**	**41,143**	**57,741**
Basic EPS	cents	5.9	11.3	8.2	2.0	2.1
BALANCE SHEET						
Total Assets	$'000	1,126,022	1,216,116	981,152	1,014,754	1,119,953
Total Liabilities	$'000	514,846	575,729	378,918	392,011	437,087
Shareholders Equity	**$'000**	**611,176**	**640,387**	**602,234**	**622,743**	**682,866**
Total Debt	$'000	415,426	459,484	297,005	305,472	341,669
CASH FLOWS						
Net cash flows from operating activities	$'000	181,303	230,467	214,931	147,462	175,435
Net cash flows from investing activities	$'000	(129,124)	(281,817)	(146,088)	(107,527)	(94,199)
Net cash flows from financing activities	$'000	(119,281)	118,958	(68,947)	(45,377)	(88,204)
Free Cash Flow after repayment/(drawdown) of net debt	**$'000**	**(67,102)**	**67,608**	**(104)**	**(5,442)**	**(6,968)**
Free Cash Flow before repayment/(drawdown) of net debt[1]	**$'000**	**(9,273)**	**(90,958)**	**(17,800)**	**24,900**	**45,500**
DIVIDENDS						
Number of ordinary shares at year end	'000	599,675	631,238	631,238	631,238	631,238
Total Dividends paid in respect to Financial Year	$'000	37,146	37,874	63,124	12,625	25,250
Ordinary dividends per share declared	**cents**	**2.5**	**6.0**	**5.0**	**2.0**	**4.0**
Special dividends per share declared	**cents**	**0.0**	**0.0**	**5.0**	**0.0**	**0.0**
KEY RATIO'S						
Average fleet utilisation	%	67.0	86.0	85.0	72.0	74.0
EBIT ROC	%	7.1	13.2	11.3	8.3	9.4
EBIT ROFE (pre goodwill)	%	8.5	15.7	14.0	10.5	11.6
Net Debt to EBITDA	x	2.15	1.47	1.38	1.82	1.76
Total Debt to equity	%	68.0	71.8	49.3	49.1	50.0

Financial information as reported in the corresponding financial year and includes operations now discontinued.

[1] Includes capex funded via finance lease facilities (excluded from statutory cash flow).

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- **TRIFR improved by 39% in FY13**
- **Diversity Action Plan initiatives implemented**
- **National community partnerships established with Clontarf and Lifeline Australia**

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IMPROVED SUSTAINABILITY

This is the third Sustainability Report produced by Emeco and the third data capture and reporting process we have been through to measure the sustainability of our global operations.

In FY13, there has been a notable shift at the local and regional level in relation to our performance in the areas of safety, people, community and environment. We still have work to do in each of these areas and, in keeping with our value of Continuous Improvement, we continue to look for ways to improve the sustainability of our business. This Sustainability Report demonstrates that as our business evolves, so too do our behaviours and performance in relation to operating as a responsible business for our stakeholders.

CONSISTENT AND REGULAR REPORTING

Our 2013 Sustainability Report has once again been developed using the Global Reporting Initiative (GRI) G3 Framework and the principles of materiality and completeness to determine the information that should be included in this Report.

This Report is self-declared as a C level report in accordance with the GRI G3 Guidelines and details information relating to our performance in the areas of safety, people, community and environment for the FY13 period.

We have also set our performance targets for the year ahead (see table 13) and will continue to provide our stakeholders with relevant and meaningful information regarding the performance of our global operations from a sustainability perspective.

To this end, a major highlight for the year has been the development of a new monthly sustainability reporting tool for the Emeco Board. We have improved upon the monthly Health, Safety and Environment (HSE) report template of the past to capture our safety, people, community and environmental data in a more structured format which is closely aligned to our Annual Sustainability Report. We believe that this proactive management of our sustainability issues and greater sharing of regional information will help us achieve our objective of ongoing continuous improvement. The new tool will also streamline our annual reporting by collecting relevant data on a regular basis throughout the year.

Table 13: Sustainability Performance and Targets

Performance Areas		FY13 Performance Highlights	FY14 Performance Targets
People	**Safety** ***Further reading page 20 to 23***	• TRIFR improved by 39% • Established the Global HSE Forum • Increased adoption of behaviour-based safety approaches • Audit of contractor compliance and contractor safety management improvements conducted	• Further reduce injury frequency rates
	Employee Development ***Further reading page 24 & 25***	• Employee satisfaction improved (32% improvement since 2010) • Implemented new training management system to enhance recording, analysis and management of employee training in Australia • Delivered leadership development program in Australia and Canada	• Establish a Global HR Forum • Undertake fourth employee culture survey • Implement consistent on-boarding process for new employees across the Australian business
	Diversity ***Further reading page 25 & 26***	• Implemented global gender diversity measurement framework in Australia • Implemented initiatives from the Diversity Action Plan • Analysed gender-based results from the 2012 employee culture survey	• Implement gender diversity measurement framework globally • Implement FY14 diversity initiatives
Community	**Community Participation** ***Further reading page 26 to 29***	• Established two national partnerships in Australia • Appointed community engagement representatives in Australia, Indonesia and Canada • Pleasing levels of employee involvement in community engagement activities	• Improve regional alignment with global community engagement strategy • Increase profile of community engagement representatives • Review existing national partnerships agreements in Australia
Environment	**Environmental Management** ***Further reading page 29 & 30***	• No reportable environmental incidents • Implemented a number of localised environmental improvements	• Implement consistent approach to collecting waste and water-related data • Review and improve waste water management practices

OUR STAKEHOLDERS

In FY13, we have identified our key stakeholder groups (see table 14), the ways in which we engage with each and the key topics and concerns of our different stakeholders in relation to their dealings with Emeco.

In future years, this will assist us in better identifying the matters that are material to Emeco from a sustainability perspective as well as the relevant GRI indicators for a particular period. In some cases this will also help us to proactively identify our sustainability risks and opportunities.

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Table 14: Stakeholder Engagement

STAKEHOLDER GROUP	HOW WE ENGAGE	TOPICS AND CONCERNS (FY13)
Employees	Face to face, intranet, MD newsletter, employee culture survey, inductions, performance management process, in-house training, community engagement activities, pre-start safety and toolbox meetings.	• Job security • Safety • Communication • Training and development • Work prioritisation • Workplace satisfaction and desired values • Company performance
Customers	Face to face through business development managers, site managers and tender responses.	• Safety • Hire terms and conditions • Equipment supply • Equipment performance • Workforce supply
Shareholders	Investor relations team, annual financial performance reporting, annual general meeting, annual meetings with proxy advisory firms.	• Company performance • Value creation • Financial and non-financial risk mitigation • Capital management • Corporate governance
Suppliers	Supply related enquiries and tender/quote responses.	• Supply chain opportunities and/or issues
Community members	Community focussed sponsorship and partnership activities.	• Social impact of operations • Community investment and support

PEOPLE

Health and Safety

Emeco's Occupational Health & Safety Policy is publicly disclosed on our website at www.emecogroup.com. The Policy is supported by the Emeco Safety Health Environmental Management System (ESHEMS) and monthly reporting to the Executive Leadership Team and the Board.

In FY13 we established a global HSE Forum which is dedicated to the sharing of HSE information across Emeco's four operating regions and ensuring consistency and continuous improvement in relation to HSE performance.

Members of the HSE Forum report on regional HSE performance regularly to the Board through the new monthly sustainability report tool (see page 18) and participate in a quarterly teleconference which allows general managers and senior HSE advisors from each region to compare their experiences and share learnings.

In FY13 we enhanced our approach to behavioural-based HSE programs through the global implementation of a Safe Act Observation (SAO) program which involved training our Emeco leaders (from the Executive Leadership Team to frontline supervisors) and is supported by Key Performance Indicators (KPIs). The focus on safe behaviours commences each day for our operational teams through behaviour-based safety programs such as the Positive Attitude Safety System (PASS) and pre-shift meetings. This is tied to our SAO program with positive feedback and opportunities for improvement being communicated across our global workforce.

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Improving Safety Behaviours

Australia

During FY13, we implemented the following safety improvements across Emeco's largest operation, the Australian business:

- A review of Emeco's HSE risk management approach delivered the following:
  - Alignment of our HSE Risk Matrix with our Enterprise Risk Matrix to better integrate HSE risks into the group Enterprise Risk Register.
  - All risk assessments and HSE Management Plans (HSEMPs) for each state and site within the Australian business were reviewed and updated.
  - To complement the HSEMPs, the development of several hundred Safe Work Method Statements was prioritised, providing a step-by-step procedure for each regular task and outlining the hazards and controls associated with each task.
- An audit of contractor compliance was carried out, including a review of the type of contractor services provided. Strategies and processes were developed to improve risk management in the areas of HSE, human resources, legal, commercial and procurement. Further improvements are planned for FY14.
- All employees and contractors now receive hazard/risk booklets containing HSE information and reporting forms at their induction, improving our hazard reporting process and in-field risk management tools.
- A number of high risk activities were identified including tagging and isolations, working at heights, tyre/rim handling and management. Fifteen Core Risk Control Protocols are currently being developed to better manage safety in relation to the identified risk activities.
- Following the incorporation of safety training into Emeco's broader training framework, a new training management and reporting database is being implemented which will improve the management of HSE and training information (see page 24). The new database will track all training requirements (safety or otherwise) of each individual Australian employee and critical HSE/Licence to Operate training of contractor personnel.
- Child and baby first aid training was provided free of charge for employees and their family members at our Osborne Park, Guildford, Mackay and Rutherford sites.

In FY14, we will focus on enhancing PASS leadership by providing coaching and support to all levels of management within the Australian business. We also aim to better utilise PASS meetings to address a number of other HSE improvements including HSE lead indicators, SAOs, risk assessments and training.

Canada

In May 2013, the Canadian team also implemented a behaviour-based safety program consisting of the following:

- Job safety observation and management observations to recognise strong safety performance, establish two-way communication and to provide safety improvement opportunities for all employees.
- Take 5's which engage all administrative staff, management and supervisors to stop and think though various tasks before commencing the activity, helping to proactively identify potential hazards.
- Hazard assessments:
  - Stop & Think allows the worker to verify that all required actions have been thoroughly considered and addressed with before they begin a task.
  - Last Minute Risk Assessment used during a task to assist in identifying any new conditions such as scope of work, unexpected events, weather conditions and additional people. With every change in condition, hazards must be identified and controls put in place.
- New Worker Mentorship Program ensures that new employees are provided with the necessary knowledge, familiarity and skills to perform their job in a safe manner and in accordance with Emeco's standards. This program also aims to ensure that new employees have a full support system to assist them in adjusting to their new position and role with the Company.

In addition, formal job hazard assessments are being created for all positions within the Canadian business. This began with the high safety sensitive positions (such as welders) and has been rolled out to the maintenance team.

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In FY14, the Canadian business will review and continue to monitor the implementation and adoption of this new behaviour-based safety approach across the region.

Chile

Since the delivery of our first fleet in July 2012, the Chilean business has focussed on providing a safe work environment for our employees and sub-contractors and is proud to have completed its first year of operation injury free. During the year the team focussed on:

- Translating and implementing Emeco's global safety policy and procedures.
- Subcontractor pre-qualification and the use of safety management systems including JHA, Take 5 and daily meetings.
- Delivering pre-qualification and ongoing reporting requirements to governing bodies.
- Complying with mine owner regulations and procedures for both tender processes and throughout rental contracts.

Indonesia

The knowledge and awareness of safe work practices was increased during the period through the provision of HSE training for new and existing employees. As in all other regions, pre-work meetings are now being held at the commencement of each work shift in Indonesia and monthly inspection programs are also being conducted at each site which is an improvement since prior reporting periods.

Safety Performance

Table 15: FY13 Safety Performance Measures by Region

Region	TRIFR[A]	LTIFR[B]	DIFR[C]	MTIFR[D]
Australia	20.5	6.5	10.8	3.2
Canada	8.3	4.1	0	4.1
Chile	0	0	0	0
Indonesia	0	0	0	0
Emeco Group	**10.6**	**3.5**	**5.0**	**2.0**

Table 16: 5 Year LTIFR Performance

LTIFR	FY13	FY12	FY11	FY10	FY09
Emeco Group	3.5	1.7[E]	2.4	3.4	12.8

Table 17: 3 Year TRIFR Performance

TRIFR	FY13	FY12	FY11*
Emeco Group	10.6	17.4	12.4

* Emeco commenced reporting TRIFR in FY11.

During the period, Emeco's global Lost Time Injury Frequency Rate (LTIFR) increased to 3.5 due to a number of lost time injuries sustained within our Australian and Canadian businesses. However, other safety indicators including Total Reportable Injury Frequency Rate (TRIFR) and Medical Treatment Injury Frequency Rate (MTIFR) reflected an overall improvement in safety performance throughout FY13 (see table 15).

Our Chilean and Indonesian operations recorded zero incident rates across all of our safety indicators.

No fatalities were recorded and there were no lost days due to work-related illness.

[A] Total Recordable Injury Frequency Rate
[B] Lost Time Injury Frequency Rate
[C] Disabling Injury Frequency Rate
[D] Medical Treatment Injury Frequency Rate
[E] In the 2012 Annual Report we reported that our LTIFR for FY12 was 2.2. This was incorrect and the error was identified through the injury reclassification and HSE data audit carried out in early FY13.

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Looking back on our safety performance over the past five years, there has been a definite improvement across the business. We expect ongoing improvement as the new HSE Forum picks up momentum and as the ESHEMS and associated initiatives for safe systems, safe equipment and safe people are implemented.

Case Study: AED and St John Community First Responder Program

Sudden Cardiac Arrest (SCA) is the leading cause of death in Australia with deaths from SCA being estimated in excess of 20,000 each year. SCA occurs when the electrical system of the heart malfunctions and causes irregular heart rhythm and or cardiac arrest. Victims can face irreversible damage in just four to six minutes after experiencing cardiac arrest.

Automated External Defibrillators (AEDs) are the only known device that can help restore the heart to its natural rhythm. AEDs are portable and virtually anyone can use an AED to save a life. Emeco provided training in advanced first aid and resuscitation during FY13 and installed AEDs at all Australian branch locations.

Emeco also joined the St John Ambulance 'Community First Responder' Program in Western Australia which provides a direct link between Emeco AED locations, St John Ambulance and the triple zero (000) call centre. Our AEDs and our trained first aiders are available to assist in the community and can be called to provide assistance to any SCA that occurs within proximity of an Emeco branches or office.

EMPOWERED PEOPLE

The greatest difference in the FY13 reporting period compared to prior reporting periods relates to the establishment of our operations in Chile. This has added further geographical and cultural diversification to our business. We remain focused on building supportive and culturally sensitive workplaces which empower Emeco people to achieve and which reflect the broader diversity of the communities in which we operate.

Table 18: Employees by Region and Contract

Region	Total number of employees (2013)					
	Full time (perm)	Part time[F] (perm)	Full time (fixed term)	Part time (fixed term)	Casual	Total
Australia	278	6	-	-	2	286[G]
Canada	101	1	-	-	-	102
Indonesia	213	-	23	-	-	236
Chile	7	-	1	-	-	8
US	1	-	-	-	-	1
Total	600	7	24	-	2	633

As at 30 June 2013, our global workforce comprised of 633 permanent and fixed term employees spread across Australia, Canada, Indonesia and Chile.

At all of our workplaces we stress the importance of equality and treating each other with respect.

Table 19: FY13 Turnover by Region

Region	Turnover Number		Turnover Rate [H]	
	Male	Female	Male	Female
Australia	140	37	39.25%	10.37%
Canada	12	3	11.8%	2.9%
Indonesia	68	7	23.5%	1.9%
Chile	1	0	12.5%	0

[F] Part-time is assessed as anything less than 38 hours week.
[G] Non-executive directors are not included in Australian employee numbers.
[H] 12 month rolling average including voluntary and involuntary turnover.

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A Clear People Strategy

Empowering Emeco people to achieve and succeed in their roles remains the ultimate goal of our Empower people strategy.

Over the period, employee development and diversity were the two main Empower workstreams focussed on at a global level.

Listening to Our People

In August 2012, we conducted our third annual employee culture survey which relates to employee satisfaction over FY12, with the highest number of responses from Emeco people achieved to date. This survey was conducted prior to the implementation of a significant redundancy program in the Australian business in late 2012 and early 2013 and so while employee satisfaction improved again in 2012 (a 32 per cent improvement since 2010) we expect the results of our 2013 survey, which is currently underway, will differ significantly from the 2012 results.

The 2012 survey results highlighted that our Emeco values are reflected in our culture through Teamwork, Continuous Improvement, Accountability and Customer Satisfaction. However, employee feedback also told us that in some workplaces communication between managers and employees could improve, particularly in regards to work prioritisation.

The Emeco Foundations of Leadership program developed in FY13 for front-line managers and supervisors is one way in which we will be addressing this issue (see page 25). An internal toolkit is also being developed and trialled during FY14 to help Emeco managers in Australia be more active and visible leaders. If successful this toolkit will be rolled out across all regions.

EMPLOYEE DEVELOPMENT

Performance Management

Following the implementation of a new Performance Management Process (PMP) in the Australian and Canadian businesses in FY12, Personal Performance Plans (PPP) including objectives, behavioural assessments and training plans) were developed for 95 per cent of employees. The number of PPPs conducted across the Australian and Canadian businesses fell in FY13. We are currently reviewing the reasons for this decline. The PMP was implemented in Indonesia and Chile for positions at supervisor level or higher in FY13. Overall, we are on track for an improvement in the number of PPP conversations carried out in FY14.

Training and Development Reporting

As a result of the downturn in resources markets during the period, particularly in Australia, opportunities to reduce operational costs were explored. This included a review and prioritisation of training activity. As a result, the decision was made to limit external training to focus on job critical HSE, licence to operate and essential technical/professional training. This also delayed the implementation of a consistent on-boarding process for new employees across the Australian business, however, this has been set as a target for delivery in FY14.

To assist with our FY13 target of establishing an “integrated process to record employee training and to report on training key performance indicators”, a new training management and reporting database, enabling both HSE and broader training data management, was implemented. The new database harmonises and tracks the training Emeco delivers to all functions and avoids the duplication and technical deficiencies associated with the two databases previously used.

The development of training matrices for key maintenance and operational roles has also been incorporated into the database. Implementation of our enhanced training management system continues in FY14 and we plan to define core role-based training requirements for all Emeco job families of the Australian business.

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Leadership Development

The most significant investment in training and development for the period was the implementation of the Foundations of Leadership program.

The rollout of this program commenced in Australia and Canada during the period and is designed to complement theory-based external courses by providing Emeco's frontline supervisors and team leaders with a practical experience around what successful leadership means at Emeco.

Module 1 (Leading the Emeco Business) was rolled out in FY12. In FY13, four of six modules in the program were delivered to Australian and Canadian front line supervisors and team leaders. Modules 5 and 6 are under development and planned for delivery in early 2014. The aim is that the Foundations of Leadership program will be run at least once every two years for eligible team leaders, supervisors and leading hands.

DIVERSITY

In keeping with the diversity commitments made in the 2012 Sustainability Report, Emeco achieved the following during the period:

- Developed a gender diversity measurement framework for the Australian business. In FY14, we will start capturing the same information across all operating regions.
- Analysed gender based results of our employee culture survey to more specifically understand the views, experience and needs of the women in our workforce.
- Implemented initiatives from the Diversity Action Plan.

In addition, we submitted our second report to the Australian Workplace Gender Equality Agency (formerly the Equal Opportunity in the Workplace Agency).

Diversity Actions

Emeco's Diversity Action Plan (available at www.emecogroup.com) was approved by the Board in June 2012. The following three initiatives from the Plan were implemented in FY13:

- The Australian Recruitment and Selection Policy was reviewed to ensure it contained an explicit commitment to promote diversity in our workforce. Following the review a new Recruitment and Selection Policy and Procedure was implemented.
- A Flexible Workplace Arrangements Policy and Procedure was also developed in Australia to assist employees and managers in applying for, assessing the business viability of, and responding to requests for flexible work arrangements.
- Diversity training commenced at the executive leadership level in FY13. We have committed to develop and roll out relevant diversity awareness training to the broader workforces of each operating region in FY14.

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Table 20: Group Workforce by Job Classification, Gender and Age

Job classification	Total	Gender		Age			
		Female	Male	< 30 yrs	31-40	41-50	51+ yrs
Non-Executive Director	6	1	5	0	0	1	5
Senior Executive	6	0	6	0	2	3	1
Senior Manager	27	6	21	6	7	10	4
Managers/Supervisors	53	10	43	4	23	15	11
Business Development & Sales	17	0	17	1	6	6	4
Business Support	41	14	27	11	13	8	9
Admin Support	87	57	30	31	26	21	9
Trade & Non Trade	397	5	392	176	134	62	25

Gender Diversity

Women represent 14.7 per cent of our global workforce and hold 18.6 per cent of senior management positions. The majority of women working at Emeco are employed in administrative and business support roles. We feel this is a fair representation considering the overall composition of the industry.

Our goal for FY14 is to increase the profile and career prospects of women in our workplaces by implementing the following diversity initiatives:

- Implement a structured and coordinated annual mentoring program for women leaders in the business.
- Identify and invest in targeted leadership development training for current and potential women leaders.
- Improve the way we profile and raise awareness of all high achievers in the business through our internal communication channels with a target set for 50 per cent of all people profiled to be women.

CASE STUDY: Building Futures for Women

Through our working relationship with Imperial Oil in Canada, Emeco partnered with Women Building Futures (WBF) to empower and help provide training to women who seek careers in Canada's heavy industrial sector.

Like Emeco, WBF is focussed on empowerment. WBF works to empower women to succeed in non-traditional careers, inspire positive economic change for women and forever transform the face of industry in Canada.

In February 2012, 16 women were selected to participate in the new WBF Imperial Oil Limited Heavy Equipment Operator Program, for which Emeco provided and maintained the heavy equipment that was used throughout the 12-week training program.

The students graduated on 10 May, equipped with five safety certificates and over 60 hours of seat time having spent three months training on articulated haul trucks, loaders, dozers and graders.

COMMUNITY

From a community perspective, in FY13 the focus was on establishing the foundation of our global Community Engagement Strategy, recruiting internal community engagement representatives and establishing supporting processes.

The major achievements delivered during the period were:

- The appointment of locally-based community engagement representatives for each state in which we operate in Australia, Indonesia and Canada.
- Establishing working relationships and running activities with our national partners in Australia, the Clontarf Foundation and Lifeline Australia.
- Receiving positive feedback from a number of local community groups who received support from Emeco.

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Importantly, the real value of our community-focussed activities in FY13 came from the pleasing level of employee engagement and involvement. This suggests that the structure we have implemented with an overarching global strategy and approval process, with application and activities being coordinated at a local level by Emeco's own internal community engagement representatives, really works.

We see this as an achievement because our Community Engagement Strategy recognises that Emeco employees and broader stakeholders, live and work in the communities where we operate and as such, employee engagement is a large part of our community engagement approach.

Throughout the year, we remained focussed on partnership and sponsorship activities which meet the following criteria:

- Improve standards of health, wellbeing and/or education.
- Support environmental remediation and/or sustainability practices.
- Support sustainable Indigenous business operations.

These remain our focus areas for support in FY14.

LOCAL COMMUNITY SUPPORT

In FY13 we continued to provide both financial and in-kind assistance to local community causes across our operating locations (see table 21). We also encouraged the active involvement of our employees in their local communities.

Table 21: FY13 Community Activity by Region

Region	Partnership or Sponsorship
Australia	Bupa Walk to Work Day Camp Quality Clontarf Foundation (National Partnership) Cowell Hospital Fremantle Hospital Lifeline Australia (National Partnership Mackay Animal Rescue Mine Rovers Football Club National Breast Cancer Foundation Pioneer Valley Car Show – Dad's Day in the Park Princess Margaret Hospital Foundation – Big Walk PWR Mine Emergency Response Competition (MERC) Roar Cricket Club Rock Eisteddford Ronald McDonald House Rotary Shave for a Cure Stress Down Day
Indonesia	Indonesia Young National Committee Radio Between Indonesia People Manggar People Empower Council P. Antasari Technical High School
Canada	Mining Suppliers Association of Canada Stony Plain Minor Hockey United Way Breast Cancer Support Teenage Survival Handbook U16/18 Girls Soccer Club South Side Athletic Club APEX Geoscience Hockey team Women Building Futures (see case study page 26)
Chile	*Community engagement activities not yet commenced.*

In FY14 we will be working to establish greater consistency across our operating regions in terms of the types of causes we support and to improve alignment with our global Community Engagement Strategy. We will also be seeking more formal feedback from the organisations and community groups that we support in FY14 to assist with reviewing and developing our Community Engagement Strategy going forward.

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PARTNERING FOR CHANGE

Mental Health & Wellbeing

In Australia during FY13, Emeco established national partnerships with the Clontarf Foundation and Lifeline Australia.

Emeco's support of Lifeline delivers the following:

- Financial support which enables Lifeline to sustainably operate its 13 11 14 crisis support line.
- Improved access to Lifeline's essential crisis services for the Australian public.
- Improved awareness and open communication lines with Emeco stakeholders about mental health and suicide.
- Structured, optional training for Emeco employees in Australia.

80 per cent of the funding provided to Lifeline by Emeco goes towards employing and training permanent Lifeline employees to work the crisis lines between the hours of 10pm and 6am. This is the most difficult time for volunteers to work, yet also the time of night when Australians in need become lonely and at high risk of suicide.

The remaining 20 per cent of funding goes towards training of Emeco employees to better understand the issue of mental health and suicide. These optional sessions have been a huge success with between 60 and 80 per cent of employees at each location where the training has been held, choosing to attend. Following the training, employees who choose to attend are equipped with the confidence, skills and tools they may one day need to help themselves, a colleague or loved one, who may be struggling with a mental health issue or contemplating suicide.

Indigenous Engagement

Our Aboriginal and Torres Strait Islander Engagement Strategy outlines our commitment to developing and providing culturally aware and welcoming Australian workplaces.

During FY13 in Australia, we were focused on developing our relationship with the Clontarf Foundation (Clontarf) following the establishment of a community partnership in July 2012 (see case study page 29). Clontarf exists to improve the education, discipline, self-esteem, life skills and employment prospects of young Aboriginal men.

Through the partnership Emeco is working with Clontarf to develop career pathways for Indigenous youth and hopes to provide employment opportunities for Clontarf graduates within Emeco in the coming years. In FY13, Emeco assisted Clontarf with:

- Facilitating an excursion for Clontarf students to Emeco's Guildford site, providing the boys with an insight into the mining services industry and heavy equipment (see case study page 29).
- Exploring opportunities for career pathways though work experience at Emeco, for boys attending Clontarf Academies in proximity to Emeco's major sites.

In Canada, Emeco has been working in a commercial relationship with the Fort McKay Group of Companies for a number of years, a company which is 100 per cent owned and controlled by the Fort McKay First Nation indigenous people. At the end of FY13, our Canadian business had commenced further discussions with the Fort McKay Group to explore the co-development of a fleet maintenance program which would assist the Group in providing equipment to various oil sands producers.

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Case Study: Clontarf Students See Emeco First Hand

In early 2012, students from the Sevenoaks Clontarf Academy visited Emeco's Guildford operation in Western Australia.

After a site induction which explained the importance of safety and the safety practices which were to be followed at site, the Emeco team spoke with the boys about the various roles and functions required to run a business like Emeco and how the boys could one day have similar roles in a company.

The boys were taken on a tour of Emeco's workshop which gave them a chance to see large mining equipment up close, as well as a variety of tools and engines which are used by Emeco to deliver its equipment rental services to customers.

The visit concluded with a morning tea. This was a great opportunity for the boys from Clontarf to interact with Emeco employees from Guildford and to ask questions about some of the jobs and activities they heard about on their tour of the site.

ENVIRONMENT

Responsible Environmental Management

Globally, we continue to work towards improving the consistency and efficiency of our environmental data collection and reporting processes. The new monthly sustainability reporting tool will not only assist from a consistency and efficiency perspective, we hope that it will also promote the sharing and adoption of environmental initiatives and improvements across Emeco's operating regions.

In FY13, all major sites in the Australian business improved waste management practices. Following are some examples of the steps taken:

- Using double-skin containers for lube storage at Carosue Dam (a maintained project site in Western Australia) to prevent uncontrolled release of hydrocarbons.
- Switching to a single-supplier of oil and waste oil removal in Western Australia resulting in more efficient management of oil usage and disposal.
- Introducing a biodegradable cleaner and a non-hydrocarbon degreaser at our Rutherford branch in New South Wales, reducing the use of hazardous chemicals.
- Redesigning the wash pad workshop grid at our Mackay branch in Queensland to ensure waste flows correctly into the waste oil area, avoiding uncontrolled releases.
- Introducing a dust suppressant at our Rutherford branch to reduce the dust flowing from our workshop to the surrounding area.

Across our Australian business water is captured, cleaned and reused in all wash bay facilities. Our water carts (following repair/refurbishment) now use recycled water from wash bays, rather than potable fresh water. Canada captures and uses rainwater in wash bays.

Indonesia has begun more regular monitoring of the waste water that is released back into the environment. Waste water management practices have also been reviewed and a number of improvements are currently being initiated in the region.

As yet, we do not however have the systems in place to reliably capture waste, water usage data or quantify water savings globally. We have set a target to improve our waste and water reporting approaches in FY14.

Across the business we continue to look for ways to reduce the impacts of our vehicles while in use at customer sites. In Australia, as reported in FY12, we implemented Global Positioning System (GPS) units on our Caterpillar fleet and are still investigating the viability of similar units for other OEM[I] models. Testing to date has uncovered some technical issues, however, we remain committed to providing fuel usage reports to those customers who require such information.

[I] OEM means original equipment manufacturer

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In Canada, Emeco manages excessive idling of equipment, particularly during the busy winter period, by utilising technology which helps keep equipment ready to start. Rental customers who are able to minimise the occurrence of idling equipment are positively rewarded with a discounted rental rate.

FY13 was the first year of operation for our Chilean business and as such, they have only recently begun tracking and reporting environmental data which we will report on in future reporting cycles.

No significant spills were reported by any of our operations in FY13.

ENERGY AND GREENHOUSE GAS EMISSIONS (GHG)

Table 22: FY12 Energy Consumption by Source

Energy consumption	Direct energy (GJ) (Scope 1 & 2)	tCO2-e (Scope 1 & 2)
Electricity	14,040	3,332
Natural Gas	8,762	450
Fleet Fuel	54,358	3,761
Total energy consumed	**77,289**	**7,543**

Table 23: 2010-12 Group Emissions (Scope 1 & 2)

Year	tCO2-e[J]
2010	7,397
2011	6,447
2012	7,543

Table 24: 2012 Group Energy Consumption and GHG Emissions by Region

Region	Direct energy (GJ) (Scope 1 & 2)	tCO2-e (Scope 1&2)
Australia	36,835	4,672
Canada	32,616	2,166
Indonesia	7,709	705
Chile	*Available in 2014.*	
Total	**77,160**	**7,543**

Emeco provides dry hire equipment to mining companies and contractors operating in the mining industry. As such, emissions associated with the use of our equipment falls under the reporting responsibility of our customers. We are not required to report greenhouse emissions or energy usage under the Australian Government's National Greenhouse and Energy Reporting legislation or Energy Efficiency Opportunities legislation as our activities fall below the current reporting thresholds. Nonetheless, we track and report energy usage and GHG emissions information each year, for the prior financial year, through submission to the Carbon Disclosure Project (CDP). www.cdproject.net

Our most recent CDP submission shows that our 2012 GHG emissions (scopes 1 and 2) were 7,543 tCO2e (see table 23) which represents an increase of 17 per cent on FY11 emissions. The increase in emissions was primarily due to the growing fleet of the time and associated energy usage in Canada and Indonesia.

In an effort to improve the accuracy of our emissions data and respond more effectively to increasing trends, commencing in FY14 each region now reports environmental data on a regular basis, as opposed to annually, through our new monthly sustainability reporting tool.

We continue to look for opportunities to improve our environmental performance and to reduce the carbon and energy impacts of our operations where possible. Importantly, we remain committed to working with our customers to mitigate environmental impacts, increase energy efficiency and reduce emissions associated with the operation our equipment.

[J] Carbon footprint is calculated using the international best practice Greenhouse Gas Protocol.
National Greenhouse Accounts (NGA) Factors July 2010 – Department of Climate Change and Energy Efficiency
National Greenhouse and Energy Reporting (Measurement) Determination 2008

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Directors

The Directors of Emeco Holdings Limited (Emeco or Company) present their report together with the financial reports of the consolidated entity, being Emeco and its controlled entities (Group) for the financial year ended 30 June 2013 (FY13).

The Directors of the Company during FY13 were:

ALEC BRENNAN
AM, BSc Hons, MBA, FAICD, Age 66

Appointment: Independent Non-Executive Director since August 2005. Chairman since November 2006.

Board committee membership:

- Chairman of the Remuneration and Nomination Committee.
- Member of the Audit and Risk Committee.

Skills and experience: Alec was Chief Executive Officer of CSR from April 2003 until March 2007, prior to which he held a range of positions with CSR and related companies, including time as Director of Finance & Investments and Chief Executive Officer of the Readymix Group. Alec has been a public company director for more than 20 years. Alec was made a Member of the Order of Australia in the 2013 Queen's Birthday Honours for significant service to business and commerce, tertiary education administration and to the community. Alec is also a former member of the Australian Securities and Investments Commission Advisory Panel.

Current appointments:

- Director of the New South Wales Environmental Protection Authority (since 2012).
- Fellow of the Senate of Sydney University. Chair of the University's Finance and Human Resources committees (since 2006).

KEITH GORDON
BSc (Agric) Hons, MBA, MAICD, Age 49

Appointment: Managing Director since December 2009.

Skills and experience: Keith brings senior leadership skills and experience to Emeco, gained through an extensive career in the industrials sector. Keith joined Emeco after a decade with Wesfarmers Limited, where he held a number of senior roles and was heavily involved in major corporate transactions. Keith has a strong record of achieving value-creating growth through innovation and disciplined strategies.

Current appointments:

- Director of EDGE Employment Solutions (since 2009).

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ROBERT BISHOP
BSc, MSc Eng, FAICD, MIEAust, MIET(UK), Age 68

Appointment: Independent Non-Executive Director since June 2009.

Board committee membership:

- Member of the Audit and Risk Committee.

Skills and experience: Robert has extensive international business experience having worked in the United Kingdom, South Africa and Europe with particular focus on mergers and acquisitions, new business start-ups and international business development in the manufacturing and mining sectors. Robert held the position of Chief Executive Officer of the global mining and tunnelling division of DYWIDAG Systems International GmbH from 2003 to 2008 and was a member of the Group's Supervisory Board. He is a former Managing Director of Dorsogna Limited (1994 to 1997) and Joyce Corporation Limited (1989 to 1994).

Current appointments:

- Director of Newcastle Regional Art Gallery and a member of its Investment Committee (since 2011).

JOHN CAHILL
BBus, Grad Dip Bus, FCPA, GAICD, Age 57

Appointment: Independent Non-Executive Director since September 2008.

Board committee membership:

- Chairman of the Audit and Risk Committee.
- Member of the Remuneration and Nomination Committee.

Skills and experience: John has over 25 years' experience working in senior treasury, finance, accounting and risk management positions, predominantly in the energy utility sector. John is a past Chief Executive Officer of Alinta Infrastructure Holdings and past Chief Financial Officer of Alinta Limited.

Current appointments:

- Non-Executive Director (since 2009) and Deputy Chairman (since 2010) of Electricity Networks Corporation, Western Australia (trading as Western Power). Chair of its Finance and Risk Committee and a member of its People and Performance Committee.
- Non-Executive Director (since 2007) and President and Chairman (since 2011) of CPA Australia Limited.
- Councillor of Edith Cowan University and Chair of the University's Resources Committee (since 2011).

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PETER JOHNSTON
BA, FAusIMM, FAICD, Age 62

Appointment: Independent Non-Executive Director since September 2006. Retired on 30 June 2013.

Board committee membership:

- Member of the Remuneration and Nomination Committee.

Skills and experience:
Peter brought to Emeco more than 30 years' experience in the Australian resources industry. Peter was appointed Head of Nickel Assets for Glencore in May 2013. Prior to his current role he was Managing Director and Chief Executive Officer of Minara Resources Pty Limited. Peter held senior executive positions with WMC Resources Limited and Alcoa of Australia Limited. Peter is a former Chairman of the Minerals Council of Australia (2010 to 2013) and a former Vice President of the Australian Mines and Metals Association (2010 to 2013).

Current appointments:

- Non-Executive Director Silver Lake Resources Limited (since 2007).
- Non-Executive Director of Tronox Limited (since 2012).
- Director of the Nickel Institute (since 1995).

PETER RICHARDS
BCom, Age 54

Appointment: Independent Non-Executive Director since June 2010.

Board committee membership:

- Member of the Audit and Risk Committee.

Skills and experience: Peter has over 30 years of international business experience with global companies including British Petroleum (including its mining arm Seltrust Holdings), Wesfarmers Limited and Dyno Nobel Limited. During his time at Dyno Nobel, he held a number of senior positions with the North American and Asia Pacific business, before being appointed as Chief Executive Officer in Australia (2005 to 2008). Peter was previously Chairman of Kangaroo Resources Limited (2010 to 2013), Chairman of Minbos Resources Limited (2010 to August 2013) and former Non-Executive Director (2010 to 2013) and Managing Director (February 2013 to July 2013) of Norfolk Group Limited.

Current appointments:

- Non-Executive Director of Sedgman Limited (since 2010).
- Non-Executive Director of Bradken Limited (since 2009).
- Non-Executive Director of NSL Consolidated Limited (since 2009).

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ERICA SMYTH
MSc, FAICD, FTSE, Age 61

Appointment: Independent Non-Executive Director since December 2011.

Board committee membership:

- Member of the Remuneration and Nomination Committee.

Skills and experience: With over 30 years' experience in the mineral and petroleum industries, Erica's career highlights include her positions as Principal Geologist for BHP Minerals, Project Manager of BHP-Utah Minerals International's Beenup Project, Manager - Gas Market Development WA for BHP Petroleum and General Manager - Corporate Affairs with Woodside Petroleum Limited. In 2012 Erica was elected as a Fellow of the Academy of Technological Science and Engineering and in 2010, the Chamber of Mines & Energy Western Australia awarded Erica a Lifetime Achievement Award for her contribution to the industry as part of the Women in Resources Awards 2010. In 2008, Erica was awarded a Honourary Doctor of Letters from the University of Western Australia.

Current appointments:

- Chair of Diabetes Research Foundation of Western Australia (since 2007).
- Chair of Scitech, Western Australia's interactive science centre (since 2008).
- Chair of the UWA Centenary Trust for Women (since 2008).
- Chair of Toro Energy Limited (since 2009).
- Director of the Australian Nuclear Science and Technology Organisation (since 2009).
- Director Royal Flying Doctor Service Western Operations (since 2010).

Company Secretary

Michael Kirkpatrick
BA, BEc, LLB (Hons)

Michael was appointed as Company Secretary to the Emeco Board in April 2005. Prior to joining Emeco, Michael was a corporate lawyer with several Australian law firms and the Legal Counsel and Company Secretary of a large industry superannuation fund. Michael is admitted to practice as a barrister and solicitor of the Supreme Court of Western Australia. In his capacity as General Manager Corporate Services for Emeco, Michael is responsible for the Company's in-house legal counsel, global human resources and corporate affairs functions. Michael has been a member of the Law Society of Western Australia since 2002.

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Directors' Meetings

The number of Board and Committee meetings held and attended by each Director in FY13 is outlined in the following table below:

Table 25: Board and Committee Meetings Held and Director Attendance

Director	Board Meeting Attendance (14 Meetings Held)	Audit & Risk Committee Meeting Attendance (5 Meetings Held)	Remuneration & Nomination Committee Meeting Attendance (2 Meetings Held)
Robert Bishop	13	4	1 *
Alec Brennan	14	5	2
John Cahill	14	5	2
Keith Gordon	14	5 *	2 *
Peter Johnston	11	4 *	1
Peter Richards	13	5	2 *
Erica Smyth	14	5 *	2 [A]

* Not a member of this Committee

[A] Dr Erica Smyth was appointed to the Remuneration & Nomination Committee on 20 February 2013. Dr Smyth attended these meetings prior to her appointment as Committee member.

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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 Corporate Governance Principles and Recommendations with 2010 Amendments set by the ASX Corporate Governance Council (ASX Principles and Recommendations).

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

Principle 1 Lay solid foundations for management and oversight

Roles and responsibilities of the Board and management

Board Charter

The Company's Board Charter, which has been adopted by the Board, sets out the functions and responsibilities of the Board, each Director and the Chairman.

Under the Charter, the Board is accountable to shareholders for the overall performance of the Company and 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 the Company's Code of Conduct is available on the Emeco website.

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Delegated Financial Authority

Under the terms of the Board Charter, the Chief Executive Officer is responsible to the Board for the day-to-day management of the Group. The Board has formally adopted a structured Delegated Financial Authority (DFA) which outlines the specific financial authority limits delegated to the 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 incurred in the day-to-day running of the business; and
- capital expenditure, being the purchase of assets for the purpose of deriving income.

The DFA also sets levels of permitted contractual and expenditure commitment delegated by the Chief Executive Officer to 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 Chief Executive Officer 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 Chief Executive Officer in July/August each year. These performance reviews provide the Chief Executive Officer and each senior executive with the opportunity not only to review the senior 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 FY13.

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, risks and other policies and responsibilities.

Principle 2 Structure the Board to add value

Skills, experience and expertise of the Directors

With the retirement of Mr Johnston effective from 30 June 2013, the Board is currently comprised of six Directors – 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, experience and expertise are set out at pages 32 to 35 of this report.

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Status of the Directors

The table below sets out details of the status of each of the current Directors:

Table 26: Status of Current Directors

Director	Date of Appointment	Independent?	Non-Executive?	Seeking Re-election at 2013 AGM?
Robert Bishop	22/06/2009	Yes	Yes	No
Alec Brennan	16/08/2005	Yes	Yes	No
John Cahill	15/09/2008	Yes	Yes	No
Keith Gordon	1/12/2009	No	No	No
Peter Richards	14/06/2010	Yes	Yes	Yes
Erica Smyth	15/12/2011	Yes	Yes	No

Five of the six Directors are Independent Directors. Independent Directors are expected to bring independent views and judgement to the Board's deliberations. All of the Company's Independent Directors satisfy the criteria for independence set out in the ASX Principles and Recommendations. In considering whether a Director is independent, the Board has had regard to the relationships affecting his or her 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 the independence of the 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 one Director who is not considered to be independent, due to his involvement in the management and operations of the Group, is Mr Gordon, the Chief Executive Officer and Managing Director.

The Chairman of the Board is Mr Brennan, an Independent Director.

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 his or her election or three years, whichever is the later. Further, at least one Director must retire from office at each annual general meeting, unless determined otherwise by a resolution of the Company's shareholders. Mr Richards will seek re-election at the 2013 annual general meeting under these provisions.

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, and is eligible for re-election, at the next annual general meeting following his or her appointment.

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The Board has established the following criteria for the appointment of Non-Executive Directors of the Company:

- No actual or potential conflicts of interest at the time of appointment.
- No prior adverse history, including bankruptcy, conviction for an offence of dishonesty or any other serious criminal conviction, ASIC or APRA disqualification.
- Deserved reputation for honesty, integrity and competence.
- Extensive experience at a senior executive level in a field relevant to the Group's operations and preferably with a listed company.
- High level strategic, financial and commercial capability.
- Available and willing to devote the time required to meetings and Company business and a real commitment to the Group and its success.
- Able to work harmoniously with fellow Directors and management.
- Skills, experience and knowledge which complement the skills, experience and knowledge of incumbent Directors.

In addition to the above criteria, the Board aims to achieve a mix of skills and diversity in its members. 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 his or her 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 executives to enable it to carry out its duties.

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

Remuneration and Nomination Committee

The Board has established a Remuneration and Nomination Committee, whose responsibilities include the following:

- 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.
- Reviewing the membership and performance of other Board Committees and making recommendations to the Board.

The members of the Remuneration and Nomination Committee in FY13 were Mr Brennan (Chair), Mr Cahill, and Mr Johnston. Dr Smyth was also appointed to the Remuneration and Nomination Committee effective from 20 February 2013, however, there were no Remuneration and Nomination Committee meetings held in FY13 after her appointment. Each member's attendance at the two meetings held by the Committee in FY13 is set out at page 36. The Charter of the Remuneration and Nomination Committee is available on the Emeco website.

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Process for evaluating the Board, its Committees and Directors

Generally a review of the performance of the Board is completed annually by the Chairman with the assistance of the Remuneration and Nomination Committee. The review is undertaken in accordance with the Charter of the Remuneration and Nomination Committee using a questionnaire, the scope of which covers the performance of the Board, its Committees, the Chairman and individual Directors. Directors' questionnaire responses are collated and analysed by the Chairman and then presented to, and discussed with, the Board. This internal review was not undertaken in FY13 because it was superseded by an external review of Emeco's governance structures, processes and systems conducted by Baker & Baptist Pty Ltd.

Baker & Baptist Pty Ltd completed its review of the performance of the Board, its Committees and individual Directors in November 2012. As part of the review, Directors completed comprehensive questionnaires regarding the performance of the Board and each member of the Board. Interviews were conducted with each of the Directors, the Chief Financial Officer and the Company Secretary/General Manager Corporate Services. Each Non-Executive Director received an individual feedback report.

Baker & Baptist Pty Ltd also reviewed various charters, policies, codes, registers, Board and Committee papers including minutes, management job descriptions and reports, annual reports and other documents available on the Emeco website. A report on the Board and Committee performance, together with recommendations, prepared by Baker & Baptist Pty Ltd was presented to, and discussed with, the Board. All recommendations accepted by the Board have been implemented.

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, a Share Trading Policy and a Diversity Policy. The Code of Conduct, Share Trading Policy and Diversity Policy apply to all Directors, officers, employees, consultants and contractors of the Group.

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 Group;
- 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 the Group, whether it be employees, shareholders, suppliers, clients or competitors, can be guided by the stated values and practices of Emeco.

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Under the Code of Conduct, employees of the 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;
- report any actual or potential breaches of the law, the Code of Conduct or the Company's other policies to the Company Secretary; and
- not permit or condone the making of payments, gifts, favours, bribes, facilitation payments or kick-backs in the expectation of preferred treatment for themselves or the Company.

The Company actively promotes and encourages ethical behaviour and protection for those who report violations of the Code of Conduct 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 of Conduct 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 Director must not be present when the matter is being considered or vote on the matter, unless all of the other Directors have passed a resolution to enable that Director to do so or the matter comes within a category of exception under the *Corporations Act 2001*.

The Company will only use an employee's personal information for the purposes for which it has been disclosed (unless it is necessary to protect health and safety, or as required by law).

The Company's approach to community investments (for example sponsorships and donations) is approved and managed at a corporate level with input from the business. The Company seeks to conduct its operations in a sustainable manner, and with due consideration of its social, environmental and economic impacts. Further, the Company is committed to establishing and maintaining mutually beneficial and sustainable relationships with the indigenous communities in regions where the Company operates.

A copy of the Code of Conduct is available on the Emeco website.

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The Share Trading Policy

The principal objective of the Share Trading Policy is to raise awareness, 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 any possible misunderstandings or suspicions arising 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.

A copy of the Share Trading Policy is available on the Emeco website.

Diversity Policy

The principal objective of the Diversity Policy is to support a corporate culture of workplace diversity, and to work towards establishing a framework for diversity awareness and reporting. A copy of the Diversity Policy is available on the Emeco website.

The Diversity Policy requires the Board to establish measureable objectives for achieving gender diversity. The Remuneration and Nomination Committee is responsible for assessing and reporting to the Board on the Company's progress towards achieving its measurable diversity objectives on an annual basis.

Further details regarding:

- the Company's annual measureable objectives for achieving gender diversity set by the Board in accordance with the Diversity Policy and progress towards achieving them; and
- the proportion of women employees in the Group, in senior executive positions and on the Board,

are included in the Sustainability Report at pages 18 to 30.

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.

During FY13, the Committee comprised of four Independent Non-Executive Directors, all of whom have financial expertise. Members of the Audit and Risk Committee are Mr Cahill (Chairman), Mr Bishop, Mr Brennan and Mr Richards. The qualifications of the Audit and Risk Committee members are set out at pages 32 to 35 of this report.

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

In FY13, the Audit and Risk Committee held five meetings. Each Committee member's attendance at these meetings is set out at page 36. The Managing Director and Chief Executive Officer, 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.

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Independence of the external auditor

The Company's external auditor is KPMG. The effectiveness, performance and independence of the external auditor are 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

Section 307C of 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 FY13. This independence declaration forms part of the Directors' report and is provided on page 69 of this annual report.

Non-Audit Services

During the year, KPMG, the Company's auditor, has performed certain other services in addition to the audit and review of the financial statements.

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 have been reviewed by the Audit and Risk Committee to ensure they do not impact the integrity and objectivity of the auditor; 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 auditor's 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.

Details of the amounts paid to the Company's auditor, KPMG, and its network firms, for audit and non-audit services are found in Note 9 of the Notes to the Financial Statements.

Rotation of lead external audit partner

Mr Rob Gambitta is the lead audit partner for KPMG in relation to the audit of the Company. Mr Gambitta was first appointed as the Lead Partner responsible for Emeco for the 30 June 2009 year end audit. After FY13, Mr Gambitta's five year rotation will expire and he will be replaced as the lead audit partner.

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 Independent Auditor's Report at the Company's annual general meeting.

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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 proactive 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 is responsible 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 has adopted a formal Communications Policy which describes the processes and systems implemented by the Company to facilitate communication between the Company, its shareholders and investors. The Communications Policy is available on the Emeco website.

The Company acknowledges the importance of effective communication with its shareholders.

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

The Company also encourages effective shareholder participation at general meetings, which is the major forum for shareholders to ask questions of the Directors about the performance of the Group. The Company provides its auditor with notice of general meetings of the Company, as required by section 249K of the *Corporations Act 2001*, and requests that its auditor to attend its annual general meetings to answer shareholder questions about the conduct of the audit and the preparation and content of the Independent Auditor's Report.

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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 which is available on the Emeco website.

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

- Classification of risk into strategic, operational, financial and compliance risks.
- Quantification and ranking of risk consequences and likelihood.
- Identification of strategic risk issues.
- Identification of operational risk issues through formalised regional-based risk workshops.
- Development of a Company database for communicating and updating activity and progress on risk matters and maintaining risk registers.
- 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.
- 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. 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 formally reviews the performance of the internal auditor on an annual basis and reports its findings to the Audit and Risk Committee.

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

In respect of FY13, 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.

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Principle 8 Remunerate fairly and responsibly

The Board has established a Remuneration and Nomination Committee. The Committee is currently comprised of four Independent Non-Executive Directors. Details regarding membership of the Committee are set out under Principle 2. Each member's attendance at the two meetings held by the Committee in FY13 is set out at page 36.

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 executives 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 executives of the Group from time to time including the criteria for assessing performance;
- diversity policy compliance and reporting;
- remuneration reviews for Executive and Non-Executive Directors;
- the outcomes of remuneration reviews for executives collectively, individual Executive Directors and other senior executives of the Group;
- 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.

The Charter of the Remuneration and Nomination Committee is available on the Emeco website.

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, or retirement benefits other than superannuation.

A remuneration report detailing the information required by section 300A of the *Corporations Act 2001* in relation to FY13 is included in the Directors' Report on pages 50 to 67.

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Nature of operations and principal activities

The principal activity during FY13 of the Group was the provision of heavy earthmoving equipment rental solutions to mining companies and contractors.

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 FY13, is set out on pages 7 to 17 and in the accompanying financial statements.

Dividends paid

In relation to FY12, the Directors declared a fully franked final dividend of 3.5 cents per share which was paid on 28 September 2012.

During FY13, the Directors declared a fully franked interim dividend of 2.5 cents per share which was paid on 27 March 2013. No further dividends have been declared or paid since the end of FY13.

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

On 30 July 2013 Mr Keith Gordon announced his intention to step down from his role as Managing Director. Mr Gordon will remain in his current position until a new Managing Director is appointed.

Likely developments and expected results

Likely developments in, and expected results of, the operations of the Emeco Group are referred to at pages 7 to 17. 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.

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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 27: Directors' Interests

Director	Ordinary Shares	Options or Rights
Robert Bishop	566,600	-
Alec Brennan	1,581,700	-
John Cahill	120,000	-
Keith Gordon	1,125,000	3,590,149*
Peter Johnston	100,000	-
Peter Richards	40,000	-
Erica Smyth	71,049	-

* Unvested performance shares issued under the Company's LTI plan as approved by shareholders.

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Remuneration report (audited)

Remuneration Report Contents

This report covers the following matters:

1. Introduction
2. Remuneration Governance
3. Executive Remuneration
4. Non-Executive Director Remuneration
5. Details of Remuneration
6. Details of Share-Based Payments
7. Service Contracts

1. Introduction

This report details the Emeco Group's remuneration objectives, practices and outcomes for key management personnel (KMP), which includes directors and senior executives, for the year to 30 June 2013. Any reference to "Executives" in this report refers to KMP who are not non-executive directors.

1.1 Emeco's KMP

The following persons were directors of the Company during FY13:

Table 28: Emeco Directors

Non-Executive Directors
Robert Bishop
Alec Brennan
John Cahill
Peter Johnston (ceased directorship on 30 June 2013)
Peter Richards
Erica Smyth
Executive Director
Keith Gordon, Managing Director & Chief Executive Officer

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The following persons were also employed as Executives of the Company during FY13:

Table 29: Emeco Executives

Other Executives
Stephen Gobby, Chief Financial Officer
Anthony Halls, General Manager Australian Rental
Michael Kirkpatrick, General Manager Corporate Services
Christopher Mossman, President Director Indonesia (ceased employment with Emeco on 31 May 2013)
Grant Stubbs, General Manager Global Asset Management (commenced role on 1 May 2013)
Ian Testrow, President Emeco Americas (ceased role on 25 April 2013) / President New & Developing Business (commenced role on 26 April 2013)
Michael Turner, General Manager Global Asset Management (ceased role on 31 December 2012)

1.2 Summary of changes to the remuneration structure

The following changes were made to the Company's remuneration structure:

- Mr Ian Testrow's maximum short term incentive (STI) cash entitlement and long term incentive (LTI) entitlement increased from 40% to 50% of his total fixed remuneration (TFR). TFR comprises base salary, employer superannuation contributions and other allowances and non-cash benefits.
- All Executives (except for Mr Keith Gordon) became entitled to an additional STI deferred equity component, resulting in maximum total STI entitlements increasing to 60% of respective TFR.
- For the FY11, FY12 and FY13 LTI grants, the total shareholder return (TSR) at the end of the three year vesting period (Vesting Period) will be measured by reference to the volume weighted average share price (VWAP) during the 20 trading days after the announcement of Emeco's annual results. Respective vesting dates of each grant will be deferred to the expiry of the 20 day VWAP period.
- In respect of Mr Christopher Mossman and all other Indonesian resident LTI plan participants, vested performance rights will automatically convert into shares on the vesting date. The terms of the FY11 and FY12 LTI plans provide that vested performance rights can be converted to shares at any time within five years of the grant date at the participant's election.

See sections 3.3.1 and 3.3.2 for more information.

With the exception of Mr Ian Testrow, there was no increase in any KMP fixed remuneration in FY13. Mr Testrow's fixed remuneration increased as a result of the expansion of Mr Testrow's role as President Emeco Americas to include overall responsibility for, in addition to Emeco's Canadian business, the Chilean business.

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2. Remuneration governance

2.1 The Role of the Board and the Remuneration and Nomination Committee

The Board is committed to implementing KMP remuneration structures which achieve a balance between:

- rewarding Executives for the achievement of the Company's short and long term financial, strategic and safety goals; and
- aligning the interests and expectations of Executives, shareholders and other stakeholders.

The Board engages with shareholders, management and other stakeholders as required to continuously refine and improve KMP remuneration policies and practices.

The Remuneration & Nomination Committee is responsible for reviewing and suggesting recommendations to the Board in relation to:

- the general remuneration strategy of the Company;
- the terms of KMP remuneration and the outcomes of remuneration reviews;
- employee equity plans and the allocations under those plans;
- recruitment, retention, performance measurement and termination policies and procedures for all KMP;
- disclosure of remuneration in the Company's public materials including ASX filings and the Annual Report; and
- retirement payments.

The members of the Remuneration and Nomination Committee in FY13 were Mr Alec Brennan (Chair), Mr John Cahill and Mr Peter Johnston. Dr Erica Smyth was also appointed to the Remuneration and Nomination Committee effective from 20 February 2013, however, there were no Remuneration and Nomination Committee meetings held in FY13 after her appointment.

2.2 Services from Remuneration Consultants

The Chairman of the Remuneration and Nomination Committee engaged Guerdon Associates Pty Ltd as a remuneration consultant to the Board to review the maximum STI entitlements for Executives. Guerdon Associates Pty Ltd was paid $12,403.88 for its services and provided no other services during FY13.

The engagement of Guerdon Associates Pty Ltd was based on a documented set of protocols to be followed by Guerdon Associates Pty Ltd, members of the Remuneration and Nomination Committee and KMP for the way in which remuneration recommendations would be developed by Guerdon Associates Pty Ltd and delivered to the Board.

These arrangements were implemented to ensure Guerdon Associates Pty Ltd would be able to carry out its work, including information capture and the formation of recommendations, free from undue influence by KMP.

The Board undertook its own enquiries and review of the processes and procedures followed by Guerdon Associates Pty Ltd during the course of the engagement and is satisfied that the remuneration recommendations were made free from undue influence. These inquiries included arrangements under which Guerdon Associates Pty Ltd was required to provide the Board with a summary of the way in which it carried out its work, details of its interaction with KMP in relation to the engagement and other services.

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3. Executive remuneration

3.1 Remuneration policy

The Group remuneration policy is substantially reflected in the objectives of the Company's Remuneration and Nomination Committee. The Committee's objectives are summarised in the following table:

Table 30: Summary of Group remuneration objectives

Objective	Practices aligned with Objective
Remunerate fairly and appropriately	Maintain balance between the interests of shareholders and the reward of Executives in order to secure the long term benefits of Executive energy and loyalty. Benchmark remuneration structures to ensure alignment with industry trends.
Align Executive interests with those of shareholders	Provide a significant proportion of "at risk" remuneration to ensure that Executive reward is directly linked to the creation of shareholder value. Ensure human resources policies and practices are consistent and complementary to the strategic direction of the Company. Prohibit the hedging of unvested equity to ensure alignment with shareholder outcomes.
Attract, retain and develop proven performers	Provide total remuneration which is sufficient to attract and retain proven and experienced Executives who are capable of: • fulfilling their respective roles with the Group; • achieving the Group's strategic objectives; and • maximising Group earnings and returns to shareholders.

The remuneration structure for the Company's Executives consists of fixed and variable components. The variable component ensures that a proportion of pay varies with Company and personal performance.

3.2 Fixed remuneration

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

Each Executive's fixed remuneration is reviewed and benchmarked annually in September. In FY13, this process did not result in any change in any Executive's fixed remuneration.

However, Mr Ian Testrow's fixed remuneration increased in FY13 as a result of the expansion of Mr Testrow's role as President Emeco Americas to include overall responsibility for, in addition to Emeco's Canadian business, the Chilean business.

The level of remuneration is set to enable the Company to attract and retain proven performers once they are working within the business.

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Fixed remuneration for Executives is set by reference to the fixed remuneration of comparable positions in comparable sized companies in the mining and mining services sectors. These sectors are considered to be appropriate as they are the key source of talent for the Company. The Company's policy is to set the fixed remuneration for Executive positions at or near the 75th percentile of the fixed remuneration for the relevant comparable position in these sectors.

An Executive's responsibilities, experience, qualifications, performance and geographic location are also taken into account.

3.3 Variable remuneration

Variable remuneration is performance linked remuneration which consists of STIs and LTIs.

STI entitlements are for performance assessed over one year. See section 3.3.1 for more information.

LTI entitlements are for performance over a three year period. See section 3.3.2 for more information.

If maximum performance is achieved, the maximum remuneration attributable to each incentive component (as a percentage of TFR) for each Executive is shown in the following table:

Table 31: Components of variable remuneration

Executive [A]	Maximum STI Cash Component (% of TFR)	Maximum STI Equity Component (% of TFR)	Maximum STI (% of TFR)	Maximum LTI (% of TFR)	Maximum Total Variable Remuneration (% of TFR)
Keith Gordon, Managing Director & Chief Executive Officer	100	-	100	75	175
Stephen Gobby, Chief Financial Officer	50	10	60	50	110
Anthony Halls, General Manager Australian Rental	40	20	60	40	100
Michael Kirkpatrick, General Manager Corporate Services	40	20	60	40	100
Christopher Mossman, President Director Indonesia	40	20	60	40	100
Ian Testrow, President Emeco Americas / President New & Developing Business	50	10	60	50	110
Michael Turner, General Manager Global Asset Management [B]	40	20	60	40	100

[A] Mr Grant Stubbs was appointed as an Executive on 1 May 2013. Mr Stubbs had no FY13 STI or LTI entitlement as an Executive.

[B] Mr Michael Turner ceased his role as an Executive on 31 December 2012. Mr Turner's maximum STI entitlement was adjusted on a pro-rata basis.

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3.3.1 STI remuneration

Cash and Equity

STIs are used to reward the performance of Executives over a full financial year. The actual amount of STI granted is determined at the end of the financial year in light of the Executive's performance against agreed key performance indicators (KPIs). An Executive's maximum STI entitlement is set as a percentage of TFR (refer to table 31 above for details).

In respect of FY13, STI entitlements are made in cash up to the maximum STI cash component (refer to table 31 above) after the financial year audit is completed and following review and approval by the Remuneration and Nomination Committee and the Board.

Any STI entitlements above the maximum STI cash component are made to Executives in equity. The number of shares issued to each Executive is based on the Company's June 2013 VWAP. However, the grant of the shares are deferred to, and is subject to the Executive remaining employed by the Group, the day after the announcement of Emeco's annual results in 2014.

Key performance indicators

The STI KPIs are chosen to ensure that important non-financial metrics which are aligned with the long term sustainability and strategic success of the Company are included, along with financial performance indicators.

The financial KPIs for the FY13 STI plan are:

- Budgeted Net Profit After Tax (NPAT) – This profit figure quantifies the Company's financial performance.
- Budgeted Return on Capital (ROC) – This ratio indicates the efficiency and profitability of the Company's capital investments and is a good measure of the quality of the Company's financial performance.

The non-financial KPIs for the FY13 STI plan are:

- Safety – The Board reviews the Company's safety performance in detail at each Board meeting and is striving to achieve a "zero-harm" workplace at Emeco. Progress towards this aspiration is included in the STI plan KPIs for Executives. The primary metrics include total recordable injury frequency rates (TRFIR) and the successful implementation of a range of positive safety initiatives, including the completion of safety audits, the enhancement of contractor management systems and the establishment of, and participation in, behavioural based safety programs.

- Business Improvement Initiatives – The Board wants to ensure that effective risk management frameworks and internal controls are in place to protect the Company's assets and shareholder value and to improve efficiency and profitability by streamlining operational and business processes. Implementation of business improvement initiatives is included in the STI plan to reflect its importance to Emeco's performance.

- Personal Goals – The Board recognises each Executive contributes to the Company's business strategy differently. Progress of each Executive's personal set goals is monitored by the Board and is included in the STI plan to ensure that an appropriate balance is maintained between the Company's short term and long term objectives.

In the Board's view, the above KPIs align the reward of Executives with the interests of shareholders.

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The following table sets out the KPIs for the FY13 STI plan and the weightings attributable to each of them:

Table 32: FY13 STI plan KPI weightings and entitlements

KPI		Weighting	Entitlement
Group Net Profit After Tax (NPAT)	[A]	27.5%	0% if NPAT is less than 85% of budgeted outcomes. 25% if NPAT is equal to 85% of budgeted outcomes. 50% if NPAT is equal to 90% of budgeted outcomes. 75% if NPAT is equal to 100% of budgeted outcomes. 100% if NPAT is greater than or equal to 110% of budgeted outcomes. Pro rata payments between these levels.
Group Return on Capital (ROC)	[A]	32.5%	0% if ROC is less than 85% of budgeted outcomes. 25% if ROC is equal to 85% of budgeted outcomes. 50% if ROC is equal to 90% of budgeted outcomes. 75% if ROC is equal to 100% of budgeted outcomes. 100% if ROC is greater than or equal to 110% of budgeted outcomes. Pro rata payments between these levels.
Safety	TRIFR [B]	7.5%	0% if FY13 TRIFR in the relevant region is less than 10% lower than FY12 TRIFR. 100% if FY13 TRIFR in the relevant region is more than 20% lower than FY12 TRIFR. Pro rata payments between these levels. Notwithstanding the above, no entitlement if there is a serious, permanently disabling injury or a fatality.
	Positive Initiatives	7.5%	Managing Director's entitlement is assessed by the Board. Executives' entitlement is assessed by the Managing Director and approved by the Board.
Business Improvement		15.0%	Managing Director's entitlement is assessed by the Board. Executives' entitlement is assessed by the Managing Director and approved by the Board.
Personal Goals		10.0%	Managing Director's entitlement is assessed by the Board. Executives' entitlement is assessed by the Managing Director and approved by the Board.

[A] The Board has discretion to adjust NPAT and ROC for abnormal items. Any such adjustment may have a positive or negative impact on the NPAT and ROC outcomes used by the Board to assess STI entitlements. In FY13 there was no award in respect of the NPAT and ROC components of the STI.

[B] TRIFR = $\frac{\text{Number of recordable injuries x 1,000,000 hours}}{\text{Total hours worked in 12 months}}$

Changes from Prior Period

The FY13 STI grant to Executives includes the following changes:

- Following the expansion of Mr Ian Testrow's role as President Emeco Americas to include overall responsibility for, in addition to Emeco's Canadian business, the Chilean business, Mr Testrow's maximum STI entitlement increased from 40% to 50% of TFR.
- Following a review of the Company's STI plan and advice from Guerdon Associates Pty Ltd, the Company introduced the additional STI deferred equity component. Notwithstanding this change to the STI plan, the actual STI outcomes for Executives in FY13 are significantly less than the outcomes for FY12. See section 5.2 for more information.

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3.3.2 LTI remuneration

Performance Shares and Performance Rights

Emeco has established an equity-based LTI plan that provides for a reward that varies with Company performance over a three year Vesting Period. The LTI plan applies to the Company's senior managers (which includes Executives).

LTI remuneration aligns the interests of Emeco's senior managers with the long term interests of its shareholders by providing Emeco's senior managers with an ongoing incentive to deliver the long term objectives of the Emeco Group.

LTI remuneration is in the form of performance shares or performance rights (LTI Securities).

A performance share is a fully paid ordinary Emeco share, the vesting of which is subject to the performance condition described below being met. A performance right is a right to receive a fully paid ordinary Emeco share, the vesting of which is subject to the performance condition being met.

Australian-based executives

In FY13, performance shares were granted to Australian-based Executives, with the number of shares granted being determined by reference to the Executive's maximum LTI entitlement and the fair value of the share as at the commencement of the Vesting Period. Performance shares were granted at no cost to the Executive.

Executives based outside Australia

In FY13, Emeco Executives who were resident outside Australia were issued performance rights instead of performance shares due to the complexity and cost of the compliance issues associated with the issue of shares in the relevant foreign jurisdictions. These grants were on substantially identical terms to that of the performance shares issued to Australian-based Executives.

Performance condition

The performance condition for the vesting of LTI Securities under the FY13 LTI plan (and the FY12 and FY11 LTI plans) is based on the relative TSR of the Company measured against a peer group (Peer Group) over the Vesting Period.

TSR is a performance measure that calculates the return to a shareholder taking into account share price growth, dividend payments and capital returns.

At the time of the FY13 LTI grant, the Peer Group comprised a total of 94 companies from the S&P/ASX Small Industrials (excluding banks, insurance companies, property trusts/companies and investment property trusts/companies and other stapled securities), including 18 companies that were considered direct peers to Emeco.

At the end of the Vesting Period, the TSR for each company in the Peer Group, including Emeco, will be measured and ranked. Emeco will be allocated a percentile rank accordingly, which represents the percentage of companies in the Peer Group that has a lower TSR than Emeco (Percentile Rank).

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LTI Securities will only vest if a certain Percentile Rank is achieved by Emeco. There is a maximum and minimum vesting range and vesting occurs in this range on a sliding scale as set out in the following table:

Table 33: TSR vesting schedule

Percentile Rank	Percentage of LTI Securities that Vest
50% or lower	Nil
Between 50% and 75%	50% plus 2% for each Percentile Rank over 50%
75% or higher	100%

LTI Securities that do not vest at the end of the Vesting Period will lapse. The shares associated with these LTI Securities will be transferred to a nominee of the Company and held on trust for subsequent re-allocation.

Performance shares which vest will automatically be transferred into the name of the participant. Performance rights which vest will automatically be converted into shares on the vesting date and transferred into the name of the participant.

Vesting on involuntary termination

If an Executive's employment is terminated due to death, total and permanent disability, retrenchment or retirement then the TSR of the Executive's unvested LTI Securities will be tested at the date of termination. If the performance condition has been met then the LTI Securities will vest based on the vesting schedule. The actual amount of LTI Securities that vest will be pro-rated based on the period that the Executive has been employed with Emeco during the Vesting Period.

All unvested LTI Securities lapse if an Executive resigns or is terminated for cause.

Prohibition of hedging LTI securities

Emeco's share trading policy prohibits Executives, directors and other officers of the Company from entering into transactions intended to hedge their exposure to Emeco securities which have been issued as part of remuneration.

Changes from Prior Period

The FY13 LTI grant to Executives includes the following changes:

- Dividends and shadow dividends in respect of Performance Shares and Performance Rights respectively will accumulate during the LTI Vesting Period and will be paid at the end of the Vesting Period if and only if there is a vesting and only in respect of vested LTI Securities. This was outlined in the Company's 2012 Annual Report.
- If there is an absolute change in control of the Company, unvested LTI Securities will automatically vest only if the performance condition has been met at the date of the change of control, provided that the Board will retain discretion to vest a greater amount. This was outlined in the Company's 2012 Annual Report.
- Following the expansion of Mr Ian Testrow's role as President Emeco Americas to include overall responsibility for, in addition to Emeco's Canadian business, the Chilean business, Mr Testrow's maximum LTI entitlement increased from 40% to 50% of TFR.

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- In respect of Mr Christopher Mossman (and all other Indonesian resident LTI plan participants), vested performance rights will automatically convert into shares on the vesting date. The terms of the FY11 and FY12 LTI plans provide that vested performance rights can be converted to shares at any time within five years of the grant date at the participant's election. The reason for the change relates to the operation of Indonesian taxation laws.
- The total shareholder return at the end of the Vesting Period will now be measured by reference to the VWAP during the 20 trading days (increased from ten trading days) after the announcement of Emeco's annual results. This change has been made to the FY11, FY12 and FY13 LTI plans in light of the high volatility of Emeco's share price as the longer VWAP period reduces the likelihood of anomalous TSR outcomes. The extension of the VWAP period results in the deferral of the vesting date for each grant by two weeks.

3.4 Relationship between Remuneration and Company Performance

Emeco's remuneration objectives effectively align the interests of Emeco's Executives with the interests of the Company and its shareholders.

This has been achieved by ensuring that a significant proportion of Executives' remuneration is "at risk" in the form of STI and LTI components. STI entitlements are linked to the achievement of financial measures of the Company's profitability and return on capital, and to the achievement of non-financial measures of operational and strategic outcomes. LTI entitlements are linked to performance relative to a comparator group of similar companies.

The KPIs used to determine STI entitlements have been devised to ensure that Executives are rewarded for robust earnings performance and the achievement of key strategic objectives.

Details of the KPIs for the FY13 STI and LTI plans are set out in the following table:

Table 34: Financial and Non-Financial LTI and STI measures

	LTI	STI
Financial	Total shareholder return	Budgeted NPAT Budgeted ROC
Non-financial	Not Applicable	Safety Business improvement Personal goals

Further details regarding Emeco's Executive remuneration structure are set out in sections 3.2 and 3.3.

The extent to which Emeco has set financial KPIs which are genuinely challenging - and which entail that STI entitlements are genuinely at risk - is highlighted by the fact that only two Executives received a STI payment in FY09 and no Executive received a STI payment in FY10. In FY11 all Executives received a STI payment in line with the improved performance of the Group and the successful execution of its strategy. STI payments to Executives in FY12 decreased from the amounts paid in FY11, with a further decrease in FY13, principally because FY12 and FY13 financial KPIs were not met to the same extent as they were in FY11. Details of these KPIs are set out above in section 3.1.1.

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Details of the Group's performance and benefits for shareholder wealth are set out in the following table:

Table 35: Consequences of performance on shareholder wealth

	FY13	FY12	FY11	FY10	FY09
Profit/Loss from Continuing Operations ($m)	6.0	70.0	50.0	12.3	55.0
Profit/Loss from Discontinued Operations ($m)	-	(0.2)	(0.4)	(61.6)	(41.8)
Statutory Profit ($m)	6.0	69.7	49.6	(49.3)	13.3
Total Dividends Declared ($m)	15.0	37.9	63.1	12.6	25.3
Statutory Return on Capital Employed	4.2%	13.0%	10.3%	-1.1%	6.0%
Closing Share Price as at 30 June	$0.28	$0.87	$1.13	$0.58	$0.41

The primary focus of the Company is to increase its return on capital to levels acceptable to shareholders. After two consecutive years of significant improvement in FY 11 and FY12, statutory return on capital employed decreased from 13.0% to 4.2% in FY13. Similarly, statutory profit decreased from the five year record high in FY12 by 91.4% in FY13 to $6.0 million.

As noted above, the STI entitlements of Emeco's Executives significantly increased in FY11 and FY12 compared with FY09 and FY10 in line with the improved performance of the Company. However, the recent decline in the Company's financial performance has resulted in a significant reduction in STI entitlements in FY13.

The Company's share price declined significantly in FY09 and FY10 before increasing nearly 100% from 58 cents at close of trading on 30 June 2010 to $1.13 at close of trading on 30 June 2011. During FY12 the Company's share price peaked at $1.18 and ended the financial year at 87 cents. A factor which was a primary cause of the volatility in the Company's share price during FY12 was the uncertainty in the global macroeconomic environment. In FY13, continued macroeconomic uncertainty, a downturn in the resources sector globally, difficult trading conditions in Emeco's markets and a resultant decline in the Company's earnings saw the Company's share price close at 28 cents on 30 June 2013.

The Company's dividend policy (which was amended in FY12) is to pay shareholders between 40% and 60% of the Company's profit, franked to the fullest extent possible. The Board has decided not to declare a dividend for the half year ended 30 June 2013. The total dividend in respect of FY13 is, therefore, 2.5 cents per share.

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.

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4. Non-Executive Director Remuneration

There has been no change to the basis of setting non-executive director fees since the prior reporting period.

Fees for non-executive directors are fixed and are not linked to the financial performance of the Company. The Board believes this is necessary for non-executive directors to maintain their independence.

Non-executive director fees are reviewed and benchmarked annually in September. In FY13, this process did not result in any change in non-executive director fees.

An annual cap of $1,200,000 is currently prescribed in the Company's constitution as the total aggregate remuneration available to non-executive directors.

The allocation of fees to non-executive directors within this cap has been determined after consideration of a number of factors including the time commitment of directors, the size and scale of the Company's operations, the skillsets of Board members, the quantum of fees paid to non-executive directors of comparable companies and participation in Board Committee work.

The Chairman is entitled to an annual fee of $197,798. All other non-executive directors receive an annual base fee of $113,027. An additional annual fee of $8,477 is paid to a director who is a member of a Board Committee. This fee is increased to $11,303 for a director who chairs a Committee. All amounts specified in this section are inclusive of superannuation contributions.

5. Details of Remuneration

5.1 Remuneration received in relation to FY13

Details of the elements comprising the remuneration of the Group's KMP in FY13 are set out in Table 36 below. The table does not include the following components of remuneration because they were not provided to KMP during FY13:

- Short term cash profit-sharing bonuses.
- Payments made to KMP or in respect of a period before or after the person held the KMP position.
- Long term incentives distributed in cash.
- Post-employment benefits other than superannuation
- Share based payments other than shares and units and share based payments in the form of options.

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Table 36: FY13 KMP remuneration (Company and Consolidated)

	Short-term employee benefits			Post-employment benefits			Share based payments				
	Salary and Fees $	STI cash bonuses [1] $	Non-monetary $	Super-annuation benefits $	Other long term benefits $	Termina-tion benefits $	LTIP $	MISP $	Total $	% of remuneration performance related %	Value of options as a % of total remuneration %
Non-Executive Directors											
Alec Brennan	199,612	-	-	17,965	-	-	-	-	217,577	-	-
Robert Bishop	119,189	-	-	2,315	-	-	-	-	121,504	-	-
John Cahill	121,841	-	-	10,966	-	-	-	-	132,807	-	-
Peter Johnston	111,472	-	-	10,032	-	-	-	-	121,504	-	-
Peter Richards	111,472	-	-	10,032	-	-	-	-	121,504	-	-
Erica Smyth	106,327	-	-	9,569	-	-	-	-	115,896	-	-
Executive Director											
Keith Gordon	894,360	228,691	-	25,000	-	-	509,113	-	1,657,164	44.5	-
TOTAL ALL DIRECTORS	**1,664,273**	**228,691**	**-**	**85,879**	**-**	**-**	**509,113**	**-**	**2,487,956**	**29.7**	**-**
Executives											
Stephen Gobby	464,276	74,229	-	25,000	-	-	180,058	-	743,563	34.2	-
Anthony Halls	363,960	59,511	-	25,000	-	-	113,714	-	562,185	30.8	-
Michael Kirkpatrick	342,212	55,561	-	21,788	-	-	106,977	-	526,538	30.9	-
Christopher Mossman [A]	312,162	49,344	117,729	-	-	-	(62,128)	-	417,107	(3.1)	-
Grant Stubbs [B]	58,493	-	-	-	-	-	5,330	-	63,823	-	-
Ian Testrow [C]	464,398	82,617	80,807	-	-	-	112,667	-	740,489	26.4	-
Michael Turner [D]	209,633	26,735	-	18,867	-	-	74,635	-	329,870	30.7	-
TOTAL ALL EXECUTIVES	**2,215,134**	**347,997**	**198,536**	**90,655**	**-**	**-**	**531,253**	**-**	**3,383,575**	**26.0**	**-**
TOTAL	**3,879,407**	**576,688**	**198,536**	**176,534**	**-**	**-**	**1,040,366**	**-**	**5,871,531**	**27.5**	**-**

[1] The amount awarded to each Executive under the FY13 STI plan was finally determined on 21 August 2013 after completion of performance reviews (Refer to Table 38).

[A] Mr Christopher Mossman's remuneration has been converted to Australian dollars on the basis of an AUD/USD exchange rate of 1.0334. Mr Mossman ceased employment with Emeco on 31 May 2013.

[B] Mr Grant Stubbs commenced his role as KMP on 1 May 2013.

[C] Mr Ian Testrow's remuneration has been converted to Australian dollars on the basis of an AUD/CAD exchange rate of 1.0306.

[D] Mr Michael Turner ceased his role as KMP on 31 December 2012.

Comparative information relating to remuneration of the Group's KMP for the prior financial year is set out below:

Table 37: FY12 KMP remuneration (Company and Consolidated)

	Short-term employee benefits			Post-employment benefits			Share based payments				
	Salary and Fees $	STI cash bonuses [A] $	Non-monetary $	Super-annuation benefits $	Other long term benefits $	Termina-tion benefits $	LTIP $	MISP $	Total $	% of remuneration performance related %	Value of options as a % of total remuneration %
Non-Executive Directors											
Alec Brennan	197,545	-	-	17,779	-	-	-	-	**215,324**	-	-
Robert Bishop	111,089	-	-	9,157	-	-	-	-	**120,246**	-	-
John Cahill	120,580	-	-	10,430	-	-	-	-	**131,010**	-	-
Peter Johnston	110,318	-	-	9,928	-	-	-	-	**120,246**	-	-
Peter Richards	110,318	-	-	9,928	-	-	-	-	**120,246**	-	-
Erica Smyth [B]	54,639	-	-	4,917	-	-	-	-	**59,556**	-	-
Executive Director											
Keith Gordon	884,673	531,140	-	25,000	-	-	563,540	-	**2,004,353**	54.6	-
TOTAL ALL DIRECTORS	1,589,162	531,140	-	87,139	-	-	563,540	-	**2,770,981**	39.5	-
Executives											
Stephen Gobby	458,739	143,641	-	25,000	-	-	217,934	-	**845,314**	42.8	-
Michael Kirkpatrick	330,487	85,573	-	29,744	-	-	130,896	-	**576,700**	37.5	-
Anthony Halls	360,560	89,885	-	24,372	-	-	124,556	-	**599,373**	35.8	-
Michael Turner	428,129	107,437	-	24,294	-	-	167,719	-	**727,579**	37.8	-
Christopher Mossman [C]	349,377	76,084	119,204	-	-	-	72,187	-	**616,852**	24.0	-
Ian Testrow [D]	332,278	97,386	120,852	-	-	-	147,901	-	**698,417**	35.1	-
David Tilbrook [E]	131,538	-	-	11,838	-	-	75,285	-	**218,661**	34.4	-
Hamish Christie-Johnston [F]	139,771	-	-	12,579	-	26,182	66,322	(31,669)	**213,185**	16.3	(14.9)
TOTAL ALL EXECUTIVES	2,530,879	600,006	240,056	127,827	-	26,182	1,002,800	(31,669)	**4,496,081**	34.9	(0.7)
TOTAL	4,120,041	1,131,146	240,056	214,966	-	26,182	1,566,340	(31,669)	**7,267,062**	36.7	(0.4)

[A] The amount awarded to each Executive under the FY12 STI plan was finally determined on 20 August 2012 after completion of performance reviews.

[B] Dr Erica Smyth was appointed as a non-executive director on 15 December 2011.

[C] Mr Christopher Mossman's remuneration has been converted to Australian dollars on the basis of an AUD/USD exchange rate of 1.0319.

[D] Mr Ian Testrow's remuneration has been converted to Australian dollars on the basis of an AUD/CAD exchange rate of 1.0342.

[E] Mr David Tilbrook ceased employment with Emeco on 7 October 2011.

[F] Mr Hamish Christie-Johnston ceased employment with Emeco on 26 November 2011.

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5.2 FY13 STI grants

The terms of the FY13 STI Plan are discussed at pages 55 to 56.

Details of the vesting profile of the STI grants awarded to Executives in respect of FY13 are set out below:

Table 38: FY13 Executive STI Vesting Information

Executive [A]	Maximum STI Value [1] $	STI Cash Awarded [2] $	STI Equity Awarded $	% of STI Awarded %	% of STI Forfeited [3] %
Keith Gordon	919,360	228,691	-	24.88	75.13
Stephen Gobby	293,280	74,229	-	25.31	74.69
Anthony Halls	233,376	59,511	-	25.50	74.50
Michael Kirkpatrick	218,400	55,561	-	25.44	74.56
Christopher Mossman [B]	224,289	49,344	-	22.00	78.00
Ian Testrow [C]	246,618	82,617	-	33.50	66.50
Michael Turner [D]	137,100	26,735	-	19.50	80.50

[1] The minimum STI value for each KMP is zero.
[2] These payments were made in cash in respect of FY13 and approved on 21 August 2013 based on the achievement of KPIs.
[3] Amounts forfeited were due to KPIs not being met.
[A] Mr Grant Stubbs was appointed as an Executive on 1 May 2013. Mr Stubbs was not entitled to an FY13 STI grant in his capacity as an Executive.
[B] Mr Christopher Mossman's remuneration has been converted to Australian dollars on the basis of an AUD/USD exchange rate of 1.0334.
[C] Mr Ian Testrow's remuneration has been converted to Australian dollars on the basis of an AUD/CAD exchange rate of 1.0306.
[D] Mr Michael Turner ceased his role as an Executive on 31 December 2012. Mr Turner's maximum STI value and STI awards were adjusted on a pro-rata basis.

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6. Details of Share-Based Payments

6.1 Equity instruments

6.1.1 LTI grants

The terms of the LTI plan are discussed at pages 57 to 58.

Grants of LTI Securities made to Executives under the Company's LTI Plan in FY10, FY11, FY12 and FY13 are set out in the following table:

Table 39: LTI Security Grants to Executives

Executive	Grant Date	Equity Instrument	Number Granted	Maximum Value [1]	% Vested in FY13	% Forfeited in FY13	Vesting Date [2]	Fair Value Per Share/Right at Grant Date [3]
Keith Gordon	19/04/2010	Rights	925,926	456,131	51.3%	48.7%	30/09/2012	$0.49
	19/11/2010	Shares	1,183,929	$663,000	-	-	Sep-13	$0.56
	18/11/2011	Shares	907,263	$689,520	-	-	Sep-14	$0.76
[A]	20/11/2012	Shares	1,498,957	$410,714	-	-	Sep-15	$0.27
Stephen Gobby	19/04/2010	Rights	300,926	$148,243	51.3%	48.7%	30/09/2012	$0.49
	19/11/2010	Shares	419,643	$235,000	-	-	Sep-13	$0.56
	18/11/2011	Shares	321,579	$244,400	-	-	Sep-14	$0.76
	19/10/2012	Shares	531,304	$244,400	-	-	Sep-15	$0.46
Anthony Halls	19/04/2010	Rights	166,667	$82,104	51.3%	48.7%	30/09/2012	$0.49
	19/11/2010	Shares	267,143	$149,600	-	-	Sep-13	$0.56
	18/11/2011	Shares	204,716	$155,584	-	-	Sep-14	$0.76
	19/10/2012	Shares	338,226	$155,584	-	-	Sep-15	$0.46
Michael Kirkpatrick	19/04/2010	Rights	185,185	$91,226	51.3%	48.7%	30/09/2012	$0.49
	19/11/2010	Shares	250,000	$140,000	-	-	Sep-13	$0.56
	18/11/2011	Shares	191,579	$145,600	-	-	Sep-14	$0.76
	19/10/2012	Shares	316,522	$145,600	-	-	Sep-15	$0.46
Christopher Mossman [B]	19/04/2010	Rights	70,574	$34,766	51.3%	48.7%	30/09/2012	$0.49
	19/11/2010	Rights	107,012	$59,927	0%	100.0%	Sep-13	$0.56
	23/12/2011	Rights	192,093	$145,991	0%	100.0%	Sep-14	$0.76
	19/10/2012	Rights	323,875	$148,983	0%	100.0%	Sep-15	$0.46
Grant Stubbs	19/11/2010	Shares	69,643	$39,000	-	-	Sep-13	$0.56
	23/12/2011	Shares	68,684	$52,200	-	-	Sep-14	$0.76
[C]	19/10/2012	Shares	93,214	$52,200	-	-	Sep-15	$0.56
Ian Testrow	19/04/2010	Rights	239,077	$117,775	51.3%	48.7%	30/09/2012	$0.49
	19/11/2010	Rights	269,393	$150,860	-	-	Sep-13	$0.56
	18/11/2011	Rights	189,000	$143,640	-	-	Sep-14	$0.76
	19/10/2012	Rights	451,371	$207,631	-	-	Sep-15	$0.46
Michael Turner	19/04/2010	Rights	240,741	$118,594	51.3%	48.7%	30/09/2012	$0.49
	19/11/2010	Shares	314,286	$176,000	-	-	Sep-13	$0.56
	18/11/2011	Shares	240,526	$182,800	-	-	Sep-14	$0.76
	19/10/2012	Shares	397,391	$182,800	-	-	Sep-15	$0.46

[1] The minimum value of each grant is zero.

[2] For LTI Securities granted in FY11, FY12 and FY13 the earliest vesting date is the twentieth trading day after the announcement of the Company's annual results in 2013, 2014 and 2015 respectively.

[3] The fair value of the LTI Securities 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 KMP remuneration table (table 36) is the portion of the fair value of the LIT Securities recognised in FY13.

[A] The number of performance shares granted to Mr Keith Gordon (and all Executives except for Mr Grant Stubbs) in respect of the FY13 LTI grant was determined by reference to the fair value of $0.46 per share as at 18 September 2012, being the commencement of the Vesting Period.

[B] Mr Christopher Mossman ceased employment with Emeco on 31 May 2013. Accordingly, all unvested LTI Securities granted to Mr Mossman were forfeited in accordance with the terms of the respective grants.

[C] Mr Grant Stubbs commenced his role as KMP on 1 May 2013, after the FY13 grant date. The number of performance shares granted to Mr Stubbs in respect of the FY13 LTI grant was $0.56 per share, which was the value of the performance shares issued to non-KMP.

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6.1.2 Management Incentive Share Plan

Emeco established a Management Incentive Share Plan (MISP) in 2005. The MISP was closed in 2008 at which time the last allocation of shares was made to KMP.

MISP Terms and Conditions

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 five year period as set out in the following table:

Table 40: TSR Vesting Schedule

Vesting Date	% of Shares Which Vest	Total % of Vested Shares	% of Unvested Shares
2 years after the issue date	6.25%	6.25%	93.75%
3 years after the issue date	18.75%	25.00%	75.00%
4 years after the issue date	31.25%	56.25%	43.75%
5 years after the issue date	43.75%	100.00%	0.00%

If a MISP participant ceases employment with the Group before all of the MISP shares vest on the fifth anniversary of the issue date, the Company is required to buy back, cancel or transfer to a nominee of the Board all of the shares for a purchase price which is subject to the Company setting off the Loan amount outstanding in respect of the shares. In relation to the unvested shares, the purchase price is the Loan amount outstanding in respect of these shares. In relation to the vested shares, the purchase price is the market value of these 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, being 1 July 2015.

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 and the inclusion of time based vesting conditions in the terms of issue were intended to provide participants with an incentive to remain with the Group. That is, the terms upon which the shares were issued to the participants were intended to operate as a retention incentive arrangement rather than a performance incentive arrangement.

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2013 MISP entitlements

The last allocation of shares to KMP under the Company's MISP was made to Mr Ian Testrow in June 2006. During FY13, the Company recognised share based payments to Mr Testrow under the MISP as set out below:

Table 41: MISP grant to Ian Testrow

MISP Grant to Ian Testrow	
Number of shares issued	300,000
Issue price of shares	$1.16
Grant date	12/06/2006
Amount of Loan outstanding as at 30 June 2013	$249,000
Highest amount of indebtedness during FY13	$267,000
Fair value recognised as remuneration during FY13	$0.00

6.1.3 Emeco Employee Share Ownership Plan

Emeco's Employee Share Ownership Plan (ESOP) is an elective plan which is open to all Australian employees. During FY13 several Executives participated in the ESOP.

Details of the shares purchased on their behalf and the matching shares allocated to them under the ESOP are set out below:

Table 42: ESOP shares purchased and acquired by executives

Executive	Shares Purchased	Matching Shares Granted
Stephen Gobby	8,974	1,790
Anthony Halls	8,974	1,790
Michael Turner	8,974	1,790
Grant Stubbs	8,974	1,790

ESOP Terms and Conditions

Australian-based employees may salary sacrifice a minimum of $500 and a maximum of $5,000 of pre-tax salary or wage to acquire Emeco ordinary shares in accordance with the terms of the ESOP.

For every 5 shares acquired by the employee under the ESOP, Emeco provides one matching share at no cost to the employee.

The matching shares are subject to a vesting condition. Under the ESOP, a participating employee must remain employed with Emeco for one year after the end of the calendar year in which the matching shares are acquired (Restriction Period). If an employee leaves the Company before the expiry of the Restriction Period, the matching shares are forfeited.

All shares acquired under the ESOP are held in a trust on behalf of ESOP participants by the trustee, Pacific Custodians Pty Limited, which is an independent party separate from the Company.

The ESOP shares are held by the trustee during the Restriction Period. The ESOP administrator, Link Market Services, releases the ESOP shares from the trust at the earlier of the expiry of the Restriction Period and the termination of the employee's employment with Emeco.

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7. Service contracts

7.1 Managing Director & Chief Executive Officer: Mr Keith Gordon

Mr Gordon's employment is for an indefinite term. Mr Gordon's employment may be terminated by 6 months' notice from either party. However, Emeco may terminate Mr Gordon's employment with a lesser period of notice on payment in lieu of notice not given.

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

- FY11 and FY12 LTI grants will automatically vest. The FY13 LTI grant and all future LTI grants will vest only if the performance condition is met at the date of the change of control, provided that the Board will retain discretion to vest a greater amount.

- 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 Mr Gordon's agreement), Mr Gordon may serve written notice on the Board advising that the change in duties constitutes a repudiation of the contract and that Mr Gordon elects to bring his employment to an end, in which case Mr Gordon will be entitled to receive a payment equivalent to 12 months' base salary in lieu of notice.

7.2 Chief Financial Officer: 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, 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 on a pro-rata basis.

7.3 Other Executives

Except as outlined above in sections 7.1 and 7.2, each Executive is 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.

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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 current and former officers of the Emeco Group, including Executives, against liabilities incurred by such an officer 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 auditor, KPMG.

Non-audit services

During the year, KPMG, the Company's auditor, has performed certain other services in addition to the audit and review of the financial statements.

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 have been reviewed by the Audit and Risk Committee to ensure they do not impact the integrity and objectivity of the auditor; 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 auditor's 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.

Details of the amounts paid to the Company's auditor, KPMG, and its network firms, for audit and non-audit services are found in Note 9 of the Notes to the Financial Statements.

Lead Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 69 and forms part of the Directors' Report.

Rounding

The amounts contained in the Financial Report have been rounded to the nearest $1,000 (unless otherwise stated) 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, 21 day of August 2013.

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KPMG

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 2013 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

KPMG

R Gambitta
Partner

Perth

21 August 2013

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Continuing operations			
Revenue from rental income		370,025	440,299
Revenue from the sale of machines and parts		27,533	66,689
Revenue from maintenance services		42,132	58,182
		439,690	565,170
Changes in machinery and parts inventory		(28,953)	(68,887)
Repairs and maintenance		(122,225)	(155,101)
Employee expenses		(48,139)	(47,937)
Hired in equipment and labour		(7,762)	(3,231)
Gross profit		232,611	290,014
Other income	7	3,352	3,900
Other expenses	8	(48,406)	(31,920)
Impairment of tangible assets	8	(12,116)	(1,487)
EBITDA [(1)]		175,441	260,507
Impairment of goodwill	8	(17,844)	-
Depreciation expense	8	(112,547)	(135,470)
Amortisation expense	8	(192)	(217)
EBIT [(2)]		44,858	124,820
Finance income	8	1,449	361
Finance costs	8	(30,223)	(24,775)
Profit before tax expense		16,084	100,406
Tax expense	10	(10,080)	(30,434)
Profit from continuing operations		6,004	69,972
Discontinued operations			
Loss from discontinued operations (net of tax) before equity transfers	14	-	(71)
FCTR of discontinued operations disposed [(3)]	14	-	(156)
Loss on sale of discontinued operations (net of tax)	14	-	-
Loss from discontinued operations		-	(227)
Profit for the year		6,004	69,745
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss:			
Foreign currency translation differences for foreign operations		16,731	3,252
FCTR of discontinued operations disposed [(3)]		-	156
Effective portion of changes in fair value of cash flow hedges		1,697	(54)
Total other comprehensive income/(loss) for the period		18,428	3,354
Total comprehensive income for the period		24,432	73,099

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 75 to 151.

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Consolidated statement of profit or loss and other comprehensive income (continued)

For the year ended 30 June 2013

	2013 $'000	2012 $'000
Profit attributable to:		
Equity holders of the Company	6,004	69,745
Profit for the year	6,004	69,745
Total comprehensive income attributable to:		
Equity holders of the Company	24,432	73,099
Total comprehensive income for the year	24,432	73,099

	Note	2013 Cents	2012 Cents
Earnings per share:			
Basic earnings per share	35	1.03	11.4
Diluted earnings per share	35	1.02	11.2
Earnings per share-continuing operations			
Basic earnings per share	35	1.03	11.5
Diluted earnings per share	35	1.02	11.2

(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 consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 75 to 151.

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Consolidated Statement of Financial Position

as at 30 June 2013

	Note	2013 $'000	2012 $'000
Current Assets			
Cash assets	17	5,754	73,091
Trade and other receivables	18	97,073	99,009
Derivatives	19	691	776
Inventories	20	14,758	35,114
Prepayments		2,975	3,180
Current tax asset	11	13,940	563
Assets held for sale	15	7,200	405
Total current assets		142,391	212,138
Non-current Assets			
Trade and other receivables	18	856	1,057
Derivatives	19	4,489	3,643
Intangible assets and goodwill	21	158,076	173,948
Property, plant and equipment	22	820,210	825,220
Deferred tax assets	12	-	110
Total non-current assets		983,631	1,003,978
Total assets		1,126,022	1,216,116
Current Liabilities			
Trade and other payables	23	40,562	64,296
Derivatives	19	1,281	2,239
Interest bearing liabilities	24	9,308	3,339
Current tax liabilities	11	-	14,100
Provisions	26	3,388	3,966
Total current liabilities		54,539	87,940
Non-current Liabilities			
Other payables	23	1,284	-
Derivatives	19	1,502	3,369
Interest bearing liabilities	24	406,118	452,270
Deferred tax liabilities	12	50,159	31,106
Provisions	26	1,244	1,044
Total non-current liabilities		460,307	487,789
Total liabilities		514,846	575,729
Net assets		611,176	640,387
Equity			
Share capital	13	593,616	610,424
Reserves		(10,717)	(29,456)
Retained earnings		28,277	59,419
Total equity attributable to equity holders of the Company		611,176	640,387

The consolidated 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 75 to 151.

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Consolidated Statement of Changes in Equity

For the year ended 30 June 2013

	Share capital $'000	Share based payment reserve $'000	Hedging reserve $'000	Foreign currency translation reserve $'000	Reserve for own shares $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2011	610,304	6,462	(3,987)	(24,222)	(10,715)	24,392	602,234
Total comprehensive income for the year							
Profit or (loss)	-	-	-	-	-	69,745	69,745
Other comprehensive income							
Foreign currency translation differences	-	-	-	3,252	-	-	3,252
Exchange differences of disposed foreign operations	-	-	-	156	-	-	156
Effective portion of changes in fair value of cash flow hedge, net of tax	-	-	(54)	-	-	-	(54)
Total comprehensive income/(loss) for the year	-	-	(54)	3,408	-	69,745	73,099
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Own shares acquired by employee share plan trust	-	-	-	-	(3,041)	-	(3,041)
Dividends to equity holders	98	-	-	-	-	(34,718)	(34,620)
Share-based payment transactions	22 [(1)]	2,693	-	-	-	-	2,715
Total contributions by and distributions to owners	120	2,693	-	-	(3,041)	(34,718)	(34,946)
Balance at 30 June 2012	610,424	9,155	(4,041)	(20,814)	(13,756)	59,419	640,387

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

	Share capital $'000	Share based payment reserve $'000	Hedging reserve $'000	Foreign currency translation reserve $'000	Reserve for own shares $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2012	610,424	9,155	(4,041)	(20,814)	(13,756)	59,419	640,387
Total comprehensive income for the year							
Profit or (loss)	-	-	-	-	-	6,004	6,004
Other comprehensive income							
Foreign currency translation differences	-	-	-	16,731	-	-	16,731
Effective portion of changes in fair value of cash flow hedge, net of tax	-	-	1,697	-	-	-	1,697
Total comprehensive income/(loss) for the year	-	-	1,697	16,731	-	6,004	24,432
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Own shares acquired by employee share plan trust	-	-	-	-	(2,678)	-	(2,678)
Share Buy-back	(16,919)	-	-	-	-	-	(16,919)
Dividends to equity holders	96	-	-	-	-	(37,146)	(37,050)
Share-based payment transactions	15	2,989	-	-	-	-	3,004
Total contributions by and distributions to owners	(16,808)	2,989	-	-	(2,678)	(37,146)	(53,643)
Balance at 30 June 2013	593,616	12,144	(2,344)	(4,083)	(16,434)	28,277	611,176

The consolidated 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 75 to 151.

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Consolidated Statement of Cash Flows

For the year ended 30 June 2013

	Note	30 June 2013 $'000	30 June 2012 $'000
Cash flows from operating activities			
Cash receipts from customers		449,976	544,227
Cash paid to suppliers and employees		(221,779)	(277,481)
Cash generated from operations		228,197	266,746
Interest received		1,449	361
Interest paid		(27,408)	(22,857)
Taxes paid		(20,935)	(13,783)
Net cash from operating activities	30(ii)	181,303	230,467
Cash flows from investing activities			
Proceeds on disposal of non-current assets		49,776	35,191
Payment for property, plant and equipment		(178,900)	(317,008)
Net cash used in investing activities		(129,124)	(281,817)
Cash flows from financing activities			
Proceeds from borrowings		553,453	181,302
Repayment of borrowings		(607,943)	(162,195)
Proceeds from issue of notes (USPP US$140m)	24	-	144,022
Purchase of own shares		(19,597)	(3,042)
Payment for debt establishment costs		(4,709)	(1,849)
Payment of finance lease liabilities		(3,339)	(4,562)
Dividends paid		(37,146)	(34,718)
Net cash from/(used in) financing activities		(119,281)	118,958
Net increase/(decrease) in cash		(67,102)	67,608
Cash at 1 July		73,091	5,502
Effects of exchange rate fluctuations on cash held		(235)	(19)
Cash at 30 June	30(i)	5,754	73,091

The consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 75 to 151.

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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 2013 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is a for profit entity and primarily involved in the provision of safe, reliable and maintained heavy earthmoving equipment solutions to customers in the mining industry (refer note 16).

2 Basis of preparation

(a) Statement of compliance

The consolidated statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 21 August 2013.

(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;
- financial instruments at fair value through profit or loss are measured at fair value.

The methods used to measure fair values are discussed further in note 5.

(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 the consolidated financial statements in conformity with the IFRSs 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.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

Impairment of assets

The recoverable amount of each non financial asset is determined as the higher of the value-in-use and fair value less costs to sell, in accordance with the Company's accounting policy note 3(h)(ii). Determination of the recoverable amount of an asset based on a discounted cash flow model, requires the use of estimates and assumptions, including; the appropriate rate at which to discount the cash flows, the timing of the cash flow, market risk premium, interest rates, exchange rates, growth rates, future capital requirements and future operating performance. Changes in these estimates and assumptions impact the recoverable amount of the asset, and accordingly could result in an adjustment to the carrying amount of that asset. The carrying amount of such assets is set out in note 21.

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2 Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

Impairment of assets (continued)

In light of the recent developments in the Indonesian CGU, the Company is reviewing the various options for the ongoing management and operation of this CGU. The outcome of the review may not be known for some time. Impairment testing of the Indonesian CGU has been assessed on a value in use methodology on the basis the business continues to operate in its current form. Should the review conclude a different strategy for the CGU, the estimates and assumption that impact the recoverable amount of the assets may change, which could result in an adjustment to the carrying amount of that asset.

Recognition of tax losses

In accordance with the Company's accounting policies for deferred taxes (refer note 3(o)), a deferred tax asset is recognised for unused tax losses only if it is probable that future taxable profits will be available to utilise these losses. This includes estimates and judgements about future profitability and tax rates. Changes in these estimates and assumptions could impact on the amount and probability of unused tax losses and accordingly the recoverability of deferred tax assets. The carrying amount of deferred tax assets are set out in note 12.

Share based payments

The share based payments are recognised in accordance with the Company's accounting policies (refer note 3(j)(v)) where the value of the share based payment is expensed from the grant date to vesting date. This valuation includes estimates and judgements about volatility, risk free rates, dividend yields, total shareholder return (TSR) and underlying share price. Changes in these estimates and assumptions could impact on the measurement of the share based payment as set out in note 27.

(e) Changes in accounting policies

From 1 July 2012 the Group applied amendments to AASB 101 *Presentation of Financial Statements* outlined in AASB 2011-9 *Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income.* The change in accounting policy only relates to disclosures and has had no impact on consolidated earnings per share or net income. The changes have been applied retrospectively and require the Group to separately present those items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. These changes are included in the statement of profit or loss and other comprehensive income.

(f) Going concern basis of accounting

The financial statements have been prepared using the going concern assumption which contemplates the realization of assets and the settlement of liabilities in the ordinary course of business. As at 30 June 2013 the Group has a working capital position of A$76.6m, unused debt facilities of $214.1m and was in compliance with its borrowing facility covenants.

The Group has forecast the continued compliance with its financial covenants. That compliance is dependent on the Group achieving its revenue and EBITDA forecasts which the Directors consider reasonable. However, the present economic environment, where mining industry activity has slowed and the pace of recovery remains uncertain, increases the risk to the Group achieving its forecasts and in turn meeting its financial covenants. The Directors believe the operational strategies being implemented will mitigate this risk and ensure continued compliance with covenants.

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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 except for the changes in accounting policies as explained in note 2(e).

Certain comparative amounts in the consolidated statement of profit or loss and other comprehensive income have been reclassified to conform with the current years presentation.

(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) 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 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 year.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the functional currency 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, and presented in the foreign currency translation reserve (FCTR) in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain 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 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 in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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3 Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

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 them 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

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(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, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised costs using the effective interest rate method unless the Group has applied fair value hedge accounting, in which case the non-derivative financial liability or a portion is recognised at fair value in profit or loss.

Other financial liabilities comprise loans and borrowings, debt securities issued, bank overdrafts, and trade and other payables.

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 statement of cash flows.

(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.

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3 Significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Derivative financial instruments, including hedge accounting (continued)

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, 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 attributable to hedged risk 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 profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for as described below.

Fair value hedges

The risk being hedged in a fair value hedge is a change in the fair value of an asset or liability or unrecognised firm commitment that may affect the income statement. Changes in fair value might arise through changes in interest rates or foreign exchange rates. The Group's fair value hedges principally consist of interest rate swaps that are used to protect against changes in the fair value of fixed-rate long-term financial instruments due to movements in market interest rates. The application of fair value hedge accounting results in the fair value adjustment on the hedged item attributable to the hedged risk being recognised in the income statement at the same time the hedging instrument impacts the income statement. If a hedging relationship is terminated, the fair value adjustment to the hedged item continues to be recognised as part of the carrying amount of the item or group of items and is amortised to the income statement as a part of the effective yield over the period to maturity. Where the hedged item is derecognised from the Group's balance sheet, the fair value adjustment is included in the income statement as a part of the gain or loss on disposal.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with the recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the non-financial item affects profit or loss. In other cases the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects 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. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified in profit or loss.

Other non-trading derivatives

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

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3 Significant accounting policies (continued)

(c) Financial instruments (continued)

(iv) Share capital

Ordinary shares

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

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, net of any tax effects, is recognised as a deduction from equity. Purchased shares are classified as treasury shares and are presented in the reserve for own shares net of any tax effects. 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.

Dividends

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

Repurchase and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchasing shares are classified as treasury shares and are presented in the reserve for own shares. 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 presented in retained earnings.

(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 following:

- the cost of materials and direct labour,
- any other costs directly attributable to bringing the assets to a working condition for their intended use,
- when the Group has an obligation to remove the assets or restore the site, and estimate of the costs of dismantling and removing the items and restoring the site on which they are located, and
- capitalised borrowing costs.

Cost includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. 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.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

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3 Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. 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 and on-going repairs and maintenance are expensed 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 statement of comprehensive income. 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 and charged on machine hours worked over their estimated useful life.

The estimated 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 and goodwill

(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 any accumulated impairment losses.

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3 Significant accounting policies (continued)

(e) Intangible assets and goodwill (continued)

(iii) Amortisation

Except for goodwill, intangible assets are amortised on a straight line basis in profit or loss over their estimated useful lives, from the date they are available for use.

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. 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 reporting date and adjusted if appropriate.

(f) 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 other costs incurred in 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 estimated costs necessary to make the sale.

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 charge is recognised against the carrying value of inventory on RPOs to reflect the consumption of economic benefits related to that inventory.

(g) Work in progress

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.

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3 Significant accounting policies (continued)

(h) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss, including an interest in an equity accounted investee, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss events had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes 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 and economic conditions that correlate the defaults.

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment.

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. When an event occurring after the impairment was recognised 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. Goodwill and indefinite life intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU 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 CGUs. 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. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

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3 Significant accounting policies (continued)

(h) Impairment (continued)

(ii) Non-financial assets (continued)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. For other assets, 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 2013 as part of the Group's process of annually testing goodwill for impairment.

(i) Assets held for sale or distribution

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale or distribution, intangible assets and property, plant and equipment are no longer amortised or depreciated.

(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 has 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 related 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. 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 and that are denominated in the same currency in which the benefits are expected to be paid.

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3 Significant accounting policies (continued)

(j) Employee benefits (continued)

(iii) Termination benefits

Termination benefits are recognised as an expense when the Group is committed demonstrably, 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. 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. The arrangement is accounted for as an in-substance option over ordinary shares. 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 in-substance options 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.

(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. The share option programme concluded on 4 August 2011.

(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 93 Companies (this number may change as a result of takeovers, mergers etc) and includes 18 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.

If the terms of the LTIP are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

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3 Significant accounting policies (continued)

(j) Employee benefits (continued)

(v) Share based payment transactions (continued)

(d) In FY11 an employee share ownership plan (ESOP) was established to allow certain employees to acquire shares in the Company via salary sacrifice up to a limit of $5,000 each year. For every five shares purchased by the employee, recognised as treasury shares, the Company provides one matching share, recognised as a share based payment. Under the ESOP, the matching share will vest to the employee after one year after the end of calendar year in which the matching shares are acquired. These matching shares are fair valued and are expensed evenly over the period from grant date to vesting date. ESOP employees are entitled to dividends on the matching share when the dividends are declared.

(e) Dividends received while satisfying the performance conditions of share issues under the MISP are allocated against the employee outstanding loan. For all previous LTIP and ESOP plans, all LTIP and ESOP recipients are entitled to any dividends that are declared during the vesting period. For the Group's Executives, commencing with the FY13 grant and all subsequent grants, dividends or shadow dividends will not be paid on any unvested securities and dividends or shadow dividends will accrue on unvested LTI securities and will only be paid at the time of vesting on those LTI securities that vest, provided all vesting conditions are met.

(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.

(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. Revenue is measured at the fair value of consideration received or receivable.

(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 significant risks and rewards of ownership have been transferred to the customer, 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.

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3 Significant accounting policies (continued)

(m) Leases

Leased assets
Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. On 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.

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 costs

Finance income comprises interest income, dividend income, fair value gains on 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 costs comprise interest expense on borrowings, fair value losses on financial assets at fair value through profit or loss, losses on hedging instruments that are recognised in profit or loss and impairment losses recognised on financial assets (other than trade receivables). All borrowing costs are recognised in profit or loss.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis in either finance income or finance expense depending on whether foreign currency movements are in a net gain or net loss position.

(o) Tax

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

(i) Current tax
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.

(ii) Deferred tax
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:

- temporary differences on 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
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future
- taxable temporary differences arising on the initial recognition of goodwill.

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3 Significant accounting policies (continued)

(o) Tax (continued)

(ii) Deferred tax (continued)

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

(iii) Tax exposures

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.

(p) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale or distribution, 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 year.

(q) Segment reporting

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 cash, interest bearing liabilities and finance expense.

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4 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2012, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

(i) AASB 9 *Financial Instruments* (2010), AASB 9 *Financial instruments* (2009)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting.

AASB 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of AASB 9 (2010) is expected to have an impact on the Group's financial assets, but no impact on the Group's financial liabilities.

(ii) AASB 13 *Fair Value Measurement* (2011)

AASB 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. Subject to limited exceptions, AASB 13 is applied when fair value measurements or disclosures are required or permitted by other AASBs. The Group is currently reviewing its methodologies in determining fair values (note 5). AASB 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(iii) AASB 119 *Employee Benefits* (2011)

AASB 119 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. For defined benefit plans, removal of the accounting policy choice for recognition of actuarial gains and losses is not expected to have any impact on the Group. However, the Group may need to assess the impact of the change in measurement principles of expected return on plan assets. AASB 119 (2011) is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

5 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. When 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 the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair 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 depreciated replacement cost when appropriate. Depreciated replacement cost estimates reflects adjustments for physical deterioration as well as functional and economic obsolescence.

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5 Determination of fair values (continued)

(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.

(iv) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, are estimated as the present value of future cash flows, discounted at the market rate of interest at the measurement date. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. Fair value is determined at initial recognition and, for disclosure purposes, at each annual reporting date.

(v) Forward exchange contracts and interest rate swaps

The fair value of forward exchange contracts is based on the discounted value of the difference between the rate the contractual forward price and the current forward price for the residual maturity of the contract using a credit adjusted risk free rate.

The fair value of interest rate swaps is based on third party valuations provided by financiers. Those valuations 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. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

(vi) Other non-derivative financial liabilities

Other non-derivative financial liabilities are measured at fair value, at initial recognition and for disclosure purposes, at each annual reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement 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. The employee share ownership plan shares are measured at cost.

(viii) Equity and debt securities

The fair value of equity and debt securities is determined by reference to their quoted closing bid price at the reporting date, or if unquoted determined using a valuation technique. Valuation techniques employed include market multiples and discounted cash flow analysis using expected future cash flows and a market related discount rate. The fair value of held to maturity investments is determined for disclosure purposes only.

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6 Financial instruments

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, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

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

The Group's 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, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The 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. The Committee is assisted in its oversight role by the Internal Audit function. Internal Audit undertakes reviews of risk management controls and procedures at the direction of the Committee. The results of the reviews are reported to the Committee.

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	
		2013	2012
	Note	$'000	$'000
Trade receivables	18	86,357	91,695
Other receivables	18	27,486	9,403
Cash and cash equivalents	17	5,754	73,091
Derivatives	19	5,180	4,419
		124,777	178,608

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6 Financial instruments (continued)

Credit risk (continued)

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, Chile and Canada, and generally operates on a "cash for keys" policy for the sale of equipment and parts.

Both insured and uninsured debtors are subject to the Group's credit policy. The Group's credit policy requires each new customer to be analysed individually 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 according to the external rating and are approved by the appropriate management level dependent on the size of the limit. In the instance that a customer fails to meet the Group's creditworthiness and the Group is unable to secure credit insurance, future transactions with the customer will only be on a prepayment basis, or appropriate 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 (2012: $750 million). The Australian business held insurance for the entire financial year ended 30 June 2013. The Indonesian and Chilean businesses established insurance on its receivables in November 2011 and October 2012 respectively. The Canadian business does not have credit risk insurance.

The Group establishes an allowance for impairment that represents its 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. The specific loss component is made up of the insurance excess for insured debts that have been classified as doubtful and uninsured customers that are classified as doubtful.

As at 30 June 2013 the Group's doubtful debts provision was $16.8 million (2012: $2.1 million). The change in provision for doubtful debts was $16.8 million during the financial year comprising the following:

- $13.5 million related to contract disputes with two customers in Indonesia where the Company continued invoicing in accordance with contract terms, after the equipment had been stood down. The Company is continuing negotiations with the respective parties on these matters.
- $0.7 million related to the unrecovered portion of a legal settlement with an Indonesian customer relating to a prior period.
- $2.6 million represents provision for doubtful debts in the ordinary course in Australia and Canada totalling $1.7 million and $0.9 million respectively.

As at 30 June 2013 the Group recognised bad debt write-offs for a total amount of $2.1 million (2012: $11.1 million) of which $1.7 million related to two customers in the Indonesian business and $0.4 million related to one customer in the Australian business. $1.3 million was provided for as doubtful debts at 30 June 2012.

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.

The Group held cash and cash equivalents of $5.8 million at 30 June 2013 (2012: $73.1 million), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties which are rated greater than AA-.

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6 Financial instruments (continued)

Credit risk (continued)

Trade and other receivables (continued)

The Group also held derivative assets in relation to interest rate swaps and cross currency interest rate swaps of $Nil (2012: $1.8 million) and $5.2 million (2012: $2.5 million) respectively at 30 June 2013, which represents its maximum credit exposure on these assets. The interest rate swaps and cross currency interest rate swaps are held with bank and financial institution counter parties which are rated greater than A-.

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

	Consolidated		Consolidated	
	Gross 2013 $'000	Impairment 2013 $'000	Gross 2012 $'000	Impairment 2012 $'000
Australia	34,359	(1,675)	55,281	(412)
Asia	29,536	(13,503)	18,814	(933)
North America	14,876	(1,592)	17,600	(744)
South America	7,586	-	-	-
	86,357	(16,770)	91,695	(2,089)

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

	Consolidated	
	Carrying amount	
	2013 $'000	2012 $'000
Insured	49,103	47,962
Blue Chip (including subsidiaries)	22,628	36,552
Other security	319	2
Uninsured	14,307	7,179
	86,357	91,695

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

	Consolidated		Consolidated	
	Gross 2013 $'000	Impairment 2013 $'000	Gross 2012 $'000	Impairment 2012 $'000
Not past due	19,311	(1,667)	35,614	(22)
Past due 0-30 days	26,625	-	39,491	(155)
Past due 31-60 days	15,213	(415)	5,896	(101)
Past due 61 days	25,208	(14,688)	10,694	(1,811)
	86,357	(16,770)	91,695	(2,089)

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6 Financial instruments (continued)

Credit risk (continued)

Trade and other receivables (continued)

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

	Consolidated	
	2013 $'000	2012 $'000
Balance at 1 July	2,089	12,165
Bad debt written off	(2,053)	(11,083)
Change in provision for doubtful debts	16,734	1,007
Balance at 30 June	16,770	2,089

Collateral

Collateral is held for customers that are assessed to be a higher risk. At 30 June 2013 the Group held $Nil of bank guarantees (2012: $2.8 million) and $0.3 million of prepayments (2012: $0.1 million).

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. At 30 June 2013 $75,000 guarantees were outstanding (2012: $122,500).

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.

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6 Financial instruments (continued)

Liquidity risk (continued)

The Group's syndicated senior debt facility (debt facility) comprises a three year $200.0 million tranche, which matures on 28 September 2015, a four year $125.0 million tranche which matures on 28 September 2016 and a five year $125.0 million tranche which matures on 28 September 2017. The debt facility also comprises of one year $22.1 million (2012: $22.1 million) working capital facility. The debt facility is a revolver. At year end the undrawn portion of the debt facilities was $214.1 million (2012: $169.9 million). In May 2012, the Group issued secured fixed interest notes in the United States Private Placement market (USPP) comprising US$140.0 million of which US$40.0 million matures on 22 May 2019 and US$100.0 million which matures 22 May 2022. These notes will remain fully drawn until maturity (refer note 24). The Group has finance lease facilities totalling $12.4 million (2012: $15.7 million) which matures on 15 August 2015. The Group has also financed its insurance payments with $0.5 million remaining at year end which matures in August 2013.

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

Consolidated 30 June 2013	Carrying amount $'000	Contract-ual cash flows $'000	6 mths or less $'000	6-12 mths $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Non-derivative financial liabilities							
Secured bank loans	(249,646)	(283,689)	(5,645)	(5,645)	(11,289)	(261,110)	-
Secured notes issue	(147,702)	(214,075)	(3,832)	(3,832)	(7,665)	(22,994)	(175,752)
Finance lease liabilities	(12,358)	(13,696)	(2,181)	(2,181)	(4,362)	(4,973)	-
Insurance financing	(464)	(464)	(464)	-	-	-	-
Working capital facility	(5,256)	(5,256)	(5,256)	-	-	-	-
Trade and other payables	(41,846)	(41,846)	(40,562)	-	-	(1,284)	-
	(457,272)	(559,026)	(57,940)	(11,658)	(23,316)	(290,361)	(175,752)
Derivative financial liabilities							
Interest rate swaps used for hedging asset/(liability)	(1,700)	(1,844)	(1,578)	(161)	(148)	43	-
Interest rate swaps used for hedging asset/(liability)	(1,063)	(1,434)	407	399	688	9	(2,937)
Cross-currency interest rate swaps used for hedging asset/(liability)	5,180	5,722	(422)	(262)	(854)	(5,306)	12,566
Forward exchange contracts used for hedging:							
Outflow	(20)	(9,477)	(9,477)	-	-	-	-
Inflow	-	9,497	9,497	-	-	-	-
	2,397	2,464	(1,573)	(24)	(314)	(5,254)	9,629

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

6 Financial instruments (continued)

Liquidity risk (continued)

Consolidated 30 June 2012	Carrying amount $'000	Contract-ual cash flows $'000	6 mths or less $'000	6-12 mths $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Non-derivative financial liabilities							
Secured bank loans	(299,920)	(324,327)	(6,372)	(6,372)	(249,059)	(62,524)	-
Secured notes issue	(139,992)	(201,990)	(3,491)	(3,491)	(6,982)	(20,946)	(167,080)
Finance lease liabilities	(15,697)	(18,058)	(2,181)	(2,181)	(4,362)	(9,334)	-
Trade and other payables	(64,296)	(64,296)	(64,296)	-	-	-	-
	(519,905)	(608,671)	(76,340)	(12,044)	(260,403)	(92,804)	(167,080)
Derivative financial liabilities							
Interest rate swaps used for hedging asset/(liability)	(5,608)	(5,725)	(1,902)	(1,998)	(1,589)	(236)	-
Interest rate swaps used for hedging asset/(liability)	1,801	1,803	303	327	612	1,340	(779)
Cross-currency interest rate swaps used for hedging asset/(liability)	2,519	10,436	511	375	821	3,694	5,035
Forward exchange contracts used for hedging:							
Outflow	106	(6,339)	(6,339)	-	-	-	-
Inflow	(7)	6,241	6,241	-	-	-	-
	(1,189)	6,416	(1,186)	(1,296)	(156)	4,798	4,256

The gross inflows/(outflows) disclosed in the previous table represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes and which are usually not closed out prior to contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement, e.g. forward exchange contracts.

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6 Financial instruments (continued)

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, assets 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) and Canadian Dollars (CAD). The currencies in which these transactions primarily are denominated are AUD, USD, CAD, Euro dollars (EURO), Indonesian Rupiah (IDR), Chilean Peso (PSO) and Japanese Yen (YEN).

The Group hedges all trade receivables and trade payables that are denominated in a currency that is not the functional currency of the respective subsidiary exposed to the transaction, and is an amount 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 from the syndicated debt facility is denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily AUD, but also USD and CAD. 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 currency exposure denominated on the senior debt facility is not hedged to manage the risk of breaching its syndicated debt facility limit of $450.0 million as the Group considers there to be appropriate headroom for any adverse movement in exchange rates (refer note 25).

In May 2012 the Group issued US$140.0 million of notes in the USPP market of which US$20.0 million and US$30.0 million of the 7 and 10 year maturities, respectively, were swapped back to AUD through the use of cross currency interest rate swaps. As derivatives have been entered into, hedge accounting will apply to these instruments. The remainder of the USD foreign exchange exposure at 30 June 2013 is expected to be offset by financial assets denominated in the same currency providing an economic hedge without derivatives being entered into. In addition, some of the Group's subsidiaries operate in USD which further mitigates the USD foreign currency exposure.

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6 Financial instruments (continued)

Market risk (continued)

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

	30 June 2013		30 June 2012	
	USD $'000	CAD $'000	USD $'000	CAD $'000
Cash	124	-	44,212	-
Senior secured debt	(15,000)	-	-	-
Secured notes issued	(43,802)	-	(94,336)	-
Gross balance sheet exposure	(58,678)	-	(50,124)	-
Cross currency interest rate swap to hedge the secured notes issued	50,000	-	49,155	-
Forecast purchases	-	-	(4,471)	(1,108)
Forward exchange contracts [1]	8,800	-	4,389	1,091
	58,800	-	49,073	(17)
Net exposure	122	-	(1,051)	(17)

[1] Forecast purchases for which the forward exchange contracts were entered into are disclosed.
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.

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2013	2012	2013	2012
CAD	1.0306	1.0342	0.9701	1.0423
USD	1.0266	1.0319	0.9266	1.0172
EURO	0.7947	0.7704	0.7100	0.8084
IDR	9,885	9,231	9,254	9,545
YEN	89.70	81.12	91.58	80.34
CLP	491.47	-	467.24	-
GBP	0.6545	-	0.6075	-

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6 Financial instruments (continued)

Market risk (continued)

Sensitivity analysis
A strengthening of the Australian dollar, as indicated below, against the following currencies at 30 June 2013 would have affected the measurement of financial instruments denominated in a foreign currency and 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 2012, as indicated below:

	Consolidated			
	Strengthening		Weakening	
	Equity $'000	Profit or loss $'000	Equity $'000	Profit or loss $'000
30 June 2013				
USD (10 percent movement)	(703)	(78)	860	96
CAD (10 percent movement)	35	-	(43)	-
30 June 2012				
USD (10 percent movement)	(2,398)	(90)	2,398	90
CAD (10 percent movement)	-	180	-	(180)

Interest rate risk
In accordance with the Board's policy the Group is required to maintain a range between a maximum of 70% and a minimum of 30% of its exposure to changes in interest rates on borrowings on a fixed rate basis, taking into account assets with exposure to changes in interest rates for an average tenure of no less than 2 years into the future. This is achieved by entering into interest rate swaps and the issue of fixed interest notes.

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6 Financial instruments (continued)

Market risk (continued)

Profile
At the end of the reporting date the interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group was:

	Note	Consolidated 2013 $'000	Consolidated 2012 $'000
Variable rate instruments:			
Cash at bank	17	5,754	73,091
Working capital facility		(5,256)	-
Interest bearing liabilities		(252,746)	(299,920)
Effective interest rate swaps to hedge interest rate risk			
Australian dollars (USPP US$50m)		5,180	2,519
United States dollars (USPP US$40m)		(1,063)	1,801
Australian dollars (A$80M)		(1,061)	(2,607)
Canadian dollars C$80M (2012: C$120M)		(557)	(2,827)
United States dollars USD$15M (2012: USD$15M)		(82)	(174)
		(249,831)	(228,117)
Fixed rate instruments:			
Interest bearing liabilities (notes)	24	(149,557)	(141,807)
Interest bearing finance leases	24	(12,358)	(15,697)
Insurance financing		(464)	-
		(162,379)	(157,504)

The Group classifies its debt related derivatives into three categories being floating-to-fixed interest rate swaps, fixed-to-floating interest rate swaps and cross currency interest rate swaps.

Cash flow hedges and fair value hedges
The floating-to-fixed interest rate swaps (hedging instrument) are designated as cash flow hedges through equity. Therefore a change in interest rates at the reporting date would not affect profit or loss to the extent they are effective hedges. The interest rate swaps are designated to hedge the exposure to variability in cash flows attributed to market interest rate risk.

The fixed-to-floating interest rate swaps (hedging instrument) are accounted for as fair value hedges. Therefore a change in interest rates at the reporting date affects profit or loss. The interest rate swaps are designated to hedge the exposure to liquidity risk through the benchmark interest rate.

The cross currency interest rate swaps (hedging instrument) are accounted for as both cash flow hedges and fair value hedges. The cross currency interest rate swaps are designated to hedge the exposure to variability in foreign exchange rates and exposure to liquidity risk through the benchmark interest rate.

6 Financial instruments (continued)

Market risk (continued)

Fair value sensitivity analysis for fixed rate instruments
The Group accounts for certain fixed rate financial liabilities at fair value through profit or loss, and the Group designates derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would affect profit or loss and not equity on these instruments.

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss		Equity	
Fair Value Hedges	100bp increase $'000	100bp decrease $'000	100bp increase $'000	100bp decrease $'000
30 June 2013				
Fixed rate instruments (USPP)	8,241	(6,723)	-	-
Interest rate swap	(8,241)	6,723	-	-
Cash flow sensitivity (net)	-	-	-	-
30 June 2012				
Fixed rate instruments (USPP)	7,996	(7,996)	-	-
Interest rate swap	(7,996)	7,996	-	-
Cash flow sensitivity (net)	-	-	-	-

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6 Financial instruments (continued)

Market risk (continued)

Detailed below is the profit and loss impact of fair value hedges during the year.

Financial Instrument	Profit or loss 2013 $'000	Profit or loss 2012 $'000
Floating to fixed		
- Swap	-	-
- Hedged Item (debt)	-	-
Fixed to floating		
- Swap	(1,063)	1,801
- Hedged item (debt)	1,085	(1,875)
Cross currency interest rate swap		
- Swap	(472)	2,519
- Hedged item (debt)	448	(2,299)
Net profit and loss impact before tax	(2)	146

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 2012.

Cash Flow Hedges	Profit or loss 100bp increase $'000	Profit or loss 100bp decrease $'000	Equity 100bp increase $'000	Equity 100bp decrease $'000
30 June 2013				
Variable rate instruments	522	(543)	-	-
Interest rate swap	-	-	(1,181)	458
Cash flow sensitivity (net)	522	(543)	(1,181)	458
30 June 2012				
Variable rate instruments	(708)	708	-	-
Interest rate swap	-	-	(2,139)	2,139
Cash flow sensitivity (net)	(708)	708	(2,139)	2,139

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6 Financial instruments (continued)

Market risk (continued)

Fair values

Interest rates used for determining fair value

The range of 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 excluding margins, and were as follows:

	2013			2012		
Derivatives	0.3%	-	4.2%	0.3%	-	5.0%
Loans and borrowings	0.2%	-	3.6%	0.2%	-	5.0%
USPP	4.6%	-	5.3%	4.6%	-	5.3%
Leases	7.2%	-	7.2%	7.2%	-	7.2%

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 2013		30 June 2012	
	Note	Carrying Amount $'000	Fair Value $'000	Carrying Amount $'000	Fair Value $'000
Assets carried at fair value					
Interest rate swaps used for hedging	19	5,180	5,180	4,320	4,320
Forward exchange contracts used for hedging	19	-	-	99	99
		5,180	5,180	4,419	4,419
Assets carried at amortised cost					
Receivables	18	97,073	97,073	99,009	99,009
Cash and cash equivalents	17	5,754	5,754	73,091	73,091
		102,827	102,827	172,100	172,100
Liabilities carried at fair value					
Secured notes issue (USD $90m)	24	(94,403)	(95,596)	(91,485)	(92,652)
Interest rate swaps used for hedging	19	(2,763)	(2,763)	(5,608)	(5,608)
Forward exchange contracts used for hedging	19	(20)	(20)	-	-
		(97,186)	(98,379)	(97,093)	(98,260)
Liabilities carried at amortised cost					
Secured bank loans	24	(249,646)	(252,746)	(299,920)	(301,980)
Secured notes issue (USD $50m)	24	(53,299)	(53,961)	(48,507)	(51,473)
Insurance financing		(464)	(464)	-	-
Finance lease liabilities	24	(12,358)	(14,181)	(15,697)	(18,058)
Trade and other payables	23	(41,846)	(41,846)	(69,906)	(69,906)
		(357,613)	(363,198)	(434,030)	(441,417)

The basis for determining fair values is disclosed in note 5.

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6 Financial instruments (continued)

Market risk (continued)

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.

Capital management
Underpinning Emeco's strategic framework is consistent value creation for shareholders. Central to this is the continual evaluation of the Company's capital structure to ensure it is optimised to deliver value to shareholders. The Board's policy is to maintain diversified, long-term sources of funding to maintain investor, creditor and market confidence and to support the future growth of the business. This policy is being achieved through optimising the mix of debt and equity to match the Company's requirements and through a blended maturity profile of employing a mixture of 3 year, 4 year and 5 year tranches with a syndicate of investment grade financial institutions. The issue of US$140.0 million notes in the USPP market diversifies the Group's source of debt funding and extends the Group's debt maturity profile with the notes being tranches of 7 and 10 years.

The Board of Directors also evaluates and monitors the level of distributions to ordinary shareholders in the form of dividends or other capital initiatives such as the payment of dividends in FY13 and the Board approved an on-market buyback of 5% (31,561,879) of the Company's shares for consideration of $16.9 million.

Historically, the Board maintained a balance between higher returns possible with higher levels of borrowings and the security afforded by a sound capital position. However, given current market condition, the Board seeks to reduce the levels of borrowings to maintain a strong capital position and protect the gearing ratio. Throughout the year the Group monitors its gearing ratio determined as total debt excluding the effects of hedge accounting and fair value adjustments over the last twelve months divided by normalised EBITDA. The gearing ratio is targeted to be at a level of less than 3.0 times as defined by the Company's banking covenant. During the year the gearing ratio remained within the range of 1.7 times to 2.5 times (2012: 1.4 – 1.8 times).

The Company's primary return metric is return on capital (ROC), which the Group defines as earnings before interest and tax (EBIT) divided by Invested Capital defined as the average over the period of equity, plus interest bearing liabilities, less cash and cash equivalents. The Group's ROC for the year was 4.2% (2012: (13.0%)). This includes non-recurring items of $29.2 million (2012: $1.1 million) (after tax). Had the non-recurring items not been included the Group EBIT return on capital for the year would have been 7.1% (2012: 13.2%).

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6 Financial instruments (continued)

Market risk (continued)
Capital management (continued)
The Group's return on invested capital at the end of the reporting period was as follows:

	Consolidated	
	2013 $'000	2012 $'000
EBIT (for continuing and discontinued operations)	44,858	124,566
Average invested capital	1,066,423	955,595
EBIT return on capital at 30 June	4.2%	13.0%

In order to satisfy potential future obligations under its employee share plans the Group purchases, via an employee share trust, its own shares on market. The quantum of these purchases depends on the number of securities that have been issued under its employee share plans. The purchase of shares by the employee share trust is done on a periodic basis by Emeco's share registry service provider acting as agent for the trustee of the employee share trust.

There have been no changes to externally imposed capital restrictions or the Board's approach to capital management during the year other than referred to above.

7 Other income

	Consolidated	
	2013 $'000	2012 $'000
Net profit on sale of non current assets [1]	1,999	3,503
Sundry income [2]	1,353	397
	3,352	3,900

[1] Included in net profit on the sale of non-current assets is the sale of rental equipment. The gross proceeds from the sale of this equipment in 2013 is $49.8 million (2012: $35.0 million).

[2] Included in sundry income are fees charged on overdue accounts, bad debts recovered and procurement fees on machines sourced for third parties.

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8 Profit before income tax expense for continuing operations

	Note	Consolidated 2013 $'000	Consolidated 2012 $'000
Profit before income tax expense has been arrived at after charging/ (crediting) the following items:			
Cost of sale of machines and parts		28,953	68,887
Cost of sales inventory on rent	20	-	1,478
Impairment of tangible assets:			
- inventory	20	8,664	1,277
- property, plant and equipment	22	3,452	210
		12,116	1,487
Employee expenses:			
- superannuation		3,424	4,839
Other expenses:			
- bad debts [1]		2,053	11,083
- doubtful debts/(reversal) [2]		13,108	(10,348)
- insurance		4,347	3,616
- motor vehicles		4,370	4,125
- rental expense		4,015	3,574
- safety		1,664	1,612
- travel and subsistence expense		3,239	3,021
- telecommunications		1,911	1,718
- workshop consumables, tooling and labour		3,557	4,732
- other expenses		10,142	8,787
		48,406	31,920
Depreciation of:			
- buildings		957	1,732
- plant and equipment - owned		103,953	126,143
- plant and equipment - leased		3,167	3,810
- furniture fittings and fixtures		187	140
- office equipment		543	445
- motor vehicles		1,649	1,040
- leasehold improvements		548	680
- sundry plant		1,543	1,480
		112,547	135,470
Amortisation of:			
- other intangibles		192	217
Impairment of:			
- goodwill		17,844	-
		18,036	217
Total depreciation, amortisation and impairment of goodwill		130,583	135,687

(1) $1.7 million of the $2.1 million bad debt expense in FY13 related to two debtors in the Indonesian business of which $1 million was provided for as a doubtful debt in FY12 (refer note 6). $10.9 million of the $11.1 million bad debt expense in FY12 related to two debtors in the Indonesian business that was provided for as a doubtful debt in FY11.

(2) Included in the movement of the provision for Doubtful debts is $13.5 million related to contract disputes with two customers in Indonesia where the Company continued invoicing in accordance with contract terms, after the equipment had been stood down. The Company is continuing negotiations with the respective parties on these matters.

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8 Profit before income tax expense for continuing operations (continued)

	Consolidated	
	2013 $'000	2012 $'000
Financial expenses:		
- interest expense	24,926	21,451
- ineffective hedge expense/(reversal)	32	3
- amortisation of debt establishment costs	1,141	1,180
- write off previous facility costs	1,910	-
- other facility costs	2,214	2,141
	30,223	24,775
Financial income:		
- interest income	(1,449)	(361)
Net financial expenses	28,774	24,414
Net foreign exchange (gain)/loss	(235)	(416)

9 Auditor's remuneration

	Consolidated	
	2013 $	2012 $
Audit services		
Auditors of the Company		
KPMG Australia:		
- audit and review of financial reports	458,300	441,200
Overseas KPMG Firms:		
- audit and review of financial reports	195,536	181,123
	653,836	622,323
Other services		
Auditors of the Company		
KPMG Australia:		
- taxation services [1]	174,016	192,280
Overseas KPMG Firms:		
- taxation services	134,896	64,841
	308,912	257,121
	962,748	879,444

[1] The increase in taxation services during FY12 represents the taxation advice relating to the Group's entry into the Chile market. It is also due to the taxation advice required for expatriate employees participating in the Group's employee share scheme.

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10 Taxes

a. Recognition in the income statement

	Note	Consolidated 2013 $'000	Consolidated 2012 $'000
Current tax expense:			
Current year		27,302	36,784
Adjustments for prior years		(130)	82
		27,172	36,866
Deferred tax expenses:			
Origination and reversal of temporary differences		(17,092)	(6,460)
	12	(17,092)	(6,460)
Tax expense		10,080	30,406
Tax expense from continuing operations		10,080	30,434
Tax expense/(benefit) from discontinued operations	14	-	(28)
Total tax expense		10,080	30,406

b. Current and deferred tax expense recognised directly in equity

	Consolidated 2013 $'000	Consolidated 2012 $'000
Share purchase costs	374	641
	374	641

Tax recognised in other comprehensive income

	Consolidated 2013			Consolidated 2012		
	Before Tax $'000	Tax (expense) benefit $'000	Net of tax $'000	Before Tax $'000	Tax (expense) benefit $'000	Net of tax $'000
Foreign currency translation differences for foreign operations	16,731	-	16,731	3,252	-	3,252
FCTR of discontinued operations disposed [1]	-	-	-	156	-	156
Cash flow hedges	3,394	(1,697)	1,697	(102)	48	(54)
	20,125	(1,697)	18,428	3,306	48	3,354

[1] FCTR – transfer of Foreign Currency Translation Reserve (FCTR) from equity reserve to profit upon foreign operations of the Group being disposed.

10 Taxes (continued)

(c) Numerical reconciliation between tax expense and pre tax net profit/(loss)

	Consolidated	
	2013 $'000	2012 $'000
Prima facie tax expense calculated at 30% on net profit	4,825	30,122
Increase/(decrease) in income tax expense due to:		
Effect on tax rate in foreign jurisdictions	(1,205)	(286)
Current year losses for which no deferred tax asset was recognised	53	3
Bad debt expense	-	294
Superannuation adjustment	-	366
Goodwill impairment	5,353	-
Tangible asset impairment	938	-
Sundry	246	(175)
Under/(over) provided in prior years	(130)	82
Tax expense	10,080	30,406

11 Current tax assets and liabilities

The current tax asset for the Group of $13,940,000 (2012: $563,000) 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 $Nil (2012: $14,100,000) represents the amount of income taxes payable in respect of current and prior financial periods.

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12 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Consolidated	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Property, plant and equipment	(16)	(84)	59,060	40,881	59,044	40,797
Intangible assets	(30)	(37)	-	-	(30)	(37)
Receivables	(8,481)	(4,124)	2,781	222	(5,700)	(3,902)
Accrued revenue	-	-	215	-	215	-
Inventories	(3)	(4)	571	1,365	568	1,361
Payables	(1,280)	(6,707)	-	-	(1,280)	(6,707)
Derivatives - hedge payable	(510)	(1,683)	-	-	(510)	(1,683)
Derivatives - hedge receivable	-	-	1,695	1,296	1,695	1,296
Interest-bearing loans and borrowings	(2,081)	(1,391)	3,054	6,358	973	4,967
Employee benefits	(1,475)	(1,710)	171	4	(1,304)	(1,706)
Equity - capital raising costs	(24)	(8)	-	-	(24)	(8)
Provisions	(15)	(110)	-	-	(15)	(110)
Tax losses carried forward	(3,473)	(3,272)	-	-	(3,473)	(3,272)
Tax (assets)/liabilities	(17,388)	(19,130)	67,547	50,126	50,159	30,996
Set off of tax	17,388	19,020	(17,388)	(19,020)	-	-
Net tax (assets)/liabilities	-	(110)	50,159	31,106	50,159	30,996

Movement in deferred tax balances

	Consolidated				
	Balance 1 July 12 $'000	Recognised in profit or loss $'000	Recognised directly in equity $'000	Recognised in other comprehensive income $'000	Balance 30 June 13 $'000
Property, plant and equipment	40,797	18,247	-	-	59,044
Intangible assets	(37)	7	-	-	(30)
Receivables	(3,902)	(1,583)	-	-	(5,485)
Inventories	1,361	(793)	-	-	568
Payables	(6,707)	5,427	-	-	(1,280)
Derivatives - hedge payable	(1,683)	-	-	1,173	(510)
Derivatives - hedge receivable	1,296	(125)	-	524	1,695
Interest-bearing loans and borrowings	4,967	(3,994)	-	-	973
Employee benefits	(1,706)	402	-	-	(1,304)
Equity - capital raising costs	(8)	(390)	374	-	(24)
Provisions	(110)	95	-	-	(15)
Tax losses carried forward	(3,272)	(201)	-	-	(3,473)
	30,996	17,092	374	1,697	50,159

12 Deferred tax assets and liabilities (continued)

Movement in deferred tax balances

	Consolidated				
	Balance 1 July 11 $'000	Recognised in profit or loss $'000	Recognised directly in equity $'000	Recognised in other comprehensive income $'000	Balance 30 June 12 $'000
Property, plant and equipment	33,642	7,155	-	-	40,797
Intangible assets	(17)	(20)	-	-	(37)
Receivables	(2,962)	(940)	-	-	(3,902)
Inventories	1,141	220	-	-	1,361
Payables	(3,860)	(2,847)	-	-	(6,707)
Derivatives - hedge payable	(1,709)	-	-	26	(1,683)
Derivatives - hedge receivable	-	1,370	-	(74)	1,296
Interest-bearing loans and borrowings	4,151	816	-	-	4,967
Employee benefits	(1,525)	(181)	-	-	(1,706)
Equity - capital raising costs	(30)	(619)	641	-	(8)
Provisions	(2,871)	2,761	-	-	(110)
Tax losses carried forward	(2,017)	(1,255)	-	-	(3,272)
	23,943	6,460	641	(48)	30,996

Unrecognised deferred tax assets

	Consolidated	
	2013 $'000	2012 $'000
The following deferred tax assets have not been brought to account as assets:		
Tax losses	18,308	16,530

Unutilised tax losses are in the United Kingdom, United States and Europe.

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13 Capital and reserves

	Consolidated	
	2013 $'000	2012 $'000
Share capital		
599,675,707 (2012: 631,237,586) ordinary shares, fully paid	669,503	686,311
Acquisition reserve	(75,887)	(75,887)
	593,616	610,424

Share buy back
On 23 August 2012 the Board announced an on market share buy back program to acquire up to 5% of shares on issue. The share buy back was completed on 23 November 2012 having acquired a total of 31,561,879 shares at an average price of 53.4 cents. As a result of all acquired shares being cancelled, shares on issue at 30 June 2013 totalled 599,675,707 (30 June 2012: 631,237,586).

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. Shares have no par value.

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 will remain in the reserve. As at 30 June 2013 the Company held 16,804,359 treasury shares (2012: 17,943,211) in satisfaction of the employee share plans.

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 hedging instruments used in cash flow hedges pending subsequent recognition of hedged cash flows.

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)).

13 Capital and reserves (continued)

Dividends

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

	Cents per share	Total amount $'000	Franked/ unfranked	Date of payment
2013				
Final 2012 ordinary	3.5	22,154	Franked	28 September 2012
Interim 2013 ordinary	2.5	14,992	Franked	27 March 2013
		37,146		

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

Subsequent to 30 June 2013

The Directors have declared that no Final dividend will be paid and no amount has been paid or declared by way of dividends since March 2013, or to the date of this report.

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

	Cents per share	Total amount $'000	Franked/ unfranked	Date of payment
2012				
Final 2011 ordinary	3.0	18,937	Franked	30 September 2011
Interim 2012 ordinary	2.5	15,781	Franked	29 March 2012
		34,718		

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13 Capital and reserves (continued)

Dividends (continued)

(ii) Franking account

	The Company	
	2013 $'000	2012 $'000
Dividend franking account		
30% franking credits available to shareholders of Emeco Holdings Limited for subsequent financial years	29,391	59,733

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 $Nil (2012: $9,468,000). In accordance with the tax consolidation legislation, the Company as the head entity in the Australian tax-consolidated group has also assumed the benefit of $29,391,000 (2012: $59,733,000) franking credits.

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14 Discontinued operations

As at 30 June 2013 the Victorian Rental business was no longer in operation.

As at 30 June 2012 the discontinued operations consisted of the Victorian Rental business and Emeco Europe. The Victorian Rental business had significantly decreased its assets and held minimal assets available for sale.

The Emeco Europe business was materially disposed of in FY12 and was presented as a discontinued operation for this prior comparative period. During FY13, the Group reclassified the Emeco Europe discontinued operations to continuing operations, which is now a dormant entity.

	2013 $'000	2012 $'000
Losses of discontinued operations		
Revenue	-	523
Other income	-	10
Direct costs	-	(208)
Profit/(loss) on sale of assets	-	220
Impairment of fixed assets	-	(365)
Other expenses	-	(24)
Employee expenses	-	(113)
FCTR on discontinued operations disposed	-	(156)
EBITDA	-	(113)
Depreciation	-	(142)
EBIT	-	(255)
Income tax	-	28
Loss for the period	-	(227)
Earnings per share	-	0.00

The loss from discontinued operation of $Nil (2012: loss of $227,000) is attributable entirely to the owners of the Company.

	2013 $'000	2012 $'000
Cash flows from/(used in) discontinued operation		
Net cash used in operating activities	-	(282)
Net cash from investing activities	-	7,569
Net cash from financing activities	-	(7,349)
Net cash from (used in) discontinued operation	-	(62)

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15 Disposal groups and non-current assets held for sale

At 30 June 2013 the disposal groups and non-current assets held for sale comprised assets of $7.2 million (2012: $0.4 million) being Australian land and buildings. The Group has engaged real estate agents to actively market these assets and they are expected to be disposed of within 12 months. These assets were impaired by $3.04 million and are disclosed at its fair value less costs to sell.

	2013 $'000	2012 $'000
Assets classified as held for sale		
Property, plant and equipment - land and building	7,200	405
	7,200	405

16 Segment reporting

The Group has four 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 geographic region. 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:

Australia	Provides a wide range of earthmoving equipment and maintenance services to customers in Australia.
Indonesia	Provides a wide range of earthmoving equipment and maintenance service to customers in Indonesia.
Canada	Provides a wide range of earthmoving equipment and maintenance services to customers who are predominately within Canada.
Chile	Provides a wide range of earthmoving equipment and maintenance service to customers in Chile.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before interest and income tax as included in the internal management reports that are reviewed by the Group's Managing Director and Board of Directors. Segment profit before interest and income tax 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.

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16 Segment reporting (continued)

Information about reportable segments 2013

	Australia	Indonesia	Canada	Chile	Victorian Rental [1] (discont'd)	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
External revenues	267,829	60,316	94,179	17,366	-	-	439,690
Inter-segment revenue	27,156	5,102	17,198	3,182	-	285	52,923
Depreciation	(70,317)	(14,390)	(23,131)	(4,709)	-	-	(112,547)
Reportable segment profit/(loss) before interest and income tax	45,375	(8,162)	23,340	6,281	-	(399)	66,435
Other material non-cash items:							
Impairment of receivables	(1,675)	(13,503)	(990)	-	-	(602)	(16,770)
Impairment on property, plant and equipment	(3,257)	(116)	(79)	-	-	-	(3,452)
Impairment of intangible assets	-	(17,844)	-	-	-	-	(17,844)
Reportable segment assets	607,637	135,011	233,661	143,477	-	482	1,120,268
Capital expenditure	(56,295)	(14,363)	(23,665)	(63,995)	-	-	(158,318)
Reportable segment liabilities	(37,369)	(12,887)	(32,045)	(16,671)	-	(448)	(99,420)

Information about reportable segments 2012

	Australia	Indonesia	Canada	Chile	Victorian Rental [1] (discont'd)	Other (discont'd)	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
External revenues	448,042	49,931	67,197	-	505	-	565,675
Inter-segment revenue	10,896	1,853	-	-	-	18	12,767
Depreciation	(100,515)	(15,223)	(19,732)	-	(142)	-	(135,612)
Reportable segment profit/(loss) before interest and income tax	118,363	9,955	16,155	(597)	(92)	(480)	143,304
Other material non-cash items:							
Impairment of receivables	(412)	(934)	(195)	-	-	(548)	(2,089)
Impairment on property, plant and equipment	(203)	(7)	-	-	(365)	-	(575)
Impairment of intangible assets	-	-	-	-	-	-	-
Reportable segment assets	746,077	141,978	248,119	6,278	405	169	1,143,026
Capital expenditure	(138,058)	(72,645)	(118,409)	(5,203)	-	-	(334,315)
Reportable segment liabilities	(56,384)	(36,980)	(20,853)	(5,784)	-	(119)	(120,120)

[1] Victorian Rental forms part of Australia segment but has been separated out as it was discontinued in 30 June 2012.

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16 Segment reporting (continued)

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

	2013 $'000	2012 $'000
Revenues		
Total revenue for reportable segments	492,612	578,442
Elimination of inter-segment revenue	(52,922)	(12,767)
Elimination of discontinued operations	-	(505)
Consolidated revenue from continuing operations	439,690	565,170
Profit or loss		
Total EBIT for reportable segments	66,435	143,304
Elimination of discontinued operations	-	254
Unallocated amounts:		
Other corporate expenses	(21,577)	(18,738)
Net interest expense	(28,774)	(24,414)
Consolidated profit before income tax from continuing operations	16,084	100,406
Assets		
Total assets for reportable segments	1,120,268	1,143,026
Unallocated assets	5,754	73,091
Consolidated total assets	1,126,022	1,216,117
Liabilities		
Total liabilities for reportable segments	99,420	120,120
Unallocated liabilities	415,426	455,609
Consolidated total liabilities	514,846	575,729

	Reportable segment totals $'000	Discontinued operations $'000	Consolidated Total $'000
Other material items 2013			
Capital expenditure	(158,318)	-	(158,318)
Depreciation	(112,547)	-	(112,547)
Other material items 2012			
Capital expenditure	(334,315)	-	(334,315)
Depreciation	(135,612)	142	(135,470)

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16 Segment reporting (continued)

Geographical information
Operating segments are the same as the geographical segments. Refer to the segment table for the geographical segments.

Major customer
In the year ended 30 June 2013 the Group had no single major customer that would amount to 10% or more of the Group's total revenues.

17 Cash assets

	Consolidated	
	2013 $'000	2012 $'000
Cash at bank	5,754	73,091

18 Trade and other receivables

	Consolidated	
	2013 $'000	2012 $'000
Current		
Trade receivables	86,357	91,695
Less: Impairment of receivables	(16,770)	(2,089)
	69,587	89,606
VAT/GST receivable	21,100	-
Other receivables	6,386	9,403
	97,073	99,009
Non-Current		
Other receivables	856	1,057
	856	1,057

The Group's exposure to credit risks, currency risks and impairment losses associated with trade and other receivables are disclosed in note 6.

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19 Derivatives

	Consolidated	
	2013 $'000	2012 $'000
Current Assets		
Forward exchange contract	-	99
Interest rate swaps	-	308
Cross currency interest rate swaps	691	369
	691	776
Non Current Assets		
Interest rate swaps	-	1,493
Cross currency interest rate swaps	4,489	2,150
	4,489	3,643
Current Liabilities		
Forward exchange contract	(20)	-
Interest rate swaps	(1,261)	(2,239)
	(1,281)	(2,239)
Non Current Liabilities		
Interest rate swaps	(1,502)	(3,369)
	(1,502)	(3,369)

20 Inventories

	Consolidated	
	2013 $'000	2012 $'000
Equipment and parts - at cost	1,130	26,797
Work in progress - at cost	4,496	2,730
Consumables, spare parts - at cost	2,851	2,729
Total at cost	8,477	32,256
Equipment and parts - at NRV [1]	6,281	2,858
Total inventory	14,758	35,114
Balance at 1 July	35,114	48,569
Additions	9,476	44,758
Impairment loss on inventory [1]	(8,664)	(1,277)
Cost of sales inventory on rent [1]	-	(1,478)
Disposals	(21,168)	(55,458)
Balance at 30 June	14,758	35,114

[1] During the year ended 30 June 2013 the write-down of inventories to net realisable value (NRV) recognised as an expense in the consolidated statement of profit or loss and other comprehensive income amounted to $8,664,000 (2012: $2,755,000).

21 Intangible assets and goodwill

	Consolidated	
	2013 $'000	2012 $'000
Goodwill		
Carrying amount at the beginning of the year	173,636	172,830
Impairment of goodwill	(17,844)	-
Effects of movement in foreign exchange	2,008	806
	157,800	173,636
Contract intangibles - at cost	712	712
Less: Accumulated amortisation	(712)	(712)
	-	-
Other intangibles - at cost	1,306	2,062
Less: Accumulated depreciation	(1,030)	(1,750)
	276	312
Total intangible assets	158,076	173,948

Amortisation and impairment losses

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

	Consolidated	
	2013 $'000	2012 $'000
Amortisation expense	192	217
Impairment of goodwill	17,844	-
Total expense for the year for continuing operations	18,036	217

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21 Intangible assets and goodwill (continued)

Impairment tests for cash generating units containing goodwill
For the purpose of impairment testing, goodwill is allocated to the Group's geographical operating divisions.

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

	Consolidated	
	2013 $'000	2012 $'000
Australian rental	151,744	151,745
Canada rental	6,056	5,637
Asian rental	-	16,255
Total rental	157,800	173,637

The Group has determined the recoverable amount of its cash generating units (CGU) using a value in use methodology (2012: value in use) which is based on discounted cash flows for five years plus a terminal value. Impairment testing is intended to assess the recoverable amount of both tangible and intangible assets. As such, although the Chile Rental CGU has nil goodwill, impairment testing has been performed for this CGU. Nominal 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 appropriate CGU three year swap rate plus a margin for three year tenor debt of equivalently credit rated businesses at 30 June 2013. 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 nominal post tax discount rates for determining the rental CGU's valuations range between 9.2% and 12.8% (2012: 7.4% and 11.7%). For future cashflows of each CGU, the revenue growth in the first year of the business reflects the best estimate for the coming year taking account of macroeconomic, business model, strategic and market factors. Growth rates for subsequent years are based on Emeco's five year outlook taking into account all available information at this current time and are subject to change over time. Compound annual growth rates (CAGR) over the five years of the forecast range between negative 0.5% and 1.0% (2012: 2.0% and 10%). The range excludes the Chilean CGU given its full first year of operation will be FY14.

30 June 2013 impairment testing which resulted in the estimated recoverable amount of a CGU exceeding its carrying amount are as follows:

	Amount by which CGU recoverable amount exceeds its carrying amount (in $ millions)
Australian rental	6.2
Canada rental	32.7
Chile rental	7.5

Impairment loss
For the interim period ended 31 December 2012, impairment testing indicated the Indonesian Rental CGU was not impaired. Following capital investment in Indonesia during FY12, the business suffered significant utilisation decline during the year which is expected to translate into revenue growth of negative 75% in FY14. Consequently, annual impairment testing conducted at 30 June 2013 has identified a total goodwill impairment charge of $17.8 million for the financial year ended 30 June 2013. The impairment charge is included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income (page 70). Refer to note 2(c).

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21 Intangible assets and goodwill (continued)

Impairment testing sensitivities

The CGU valuations are sensitive to changes in the discount rate and underlying fleet utilisation assumptions for cashflow forecasts and terminal value. The following table shows the amount by which these two assumptions would need to change individually in order for the estimated recoverable amount of the CGU to be equal to the carrying amount:

	Change required for carrying amount to equal the recoverable amount (in percent)	
CGU	**Discount Rate %**	**Utilisation %**
Australian rental	0.1	(0.4)
Canada rental	1.4	(7.3)
Chile rental	0.9	(3.9)

22 Property, plant and equipment

	Consolidated	
	2013 $'000	2012 $'000
Freehold land and buildings - at cost	12,808	23,801
Less: Accumulated depreciation	(3,223)	(3,918)
	9,585	19,883
Leasehold improvements at cost	4,950	4,936
Less: Accumulated depreciation	(2,748)	(2,398)
	2,202	2,538
Plant and equipment - at cost	1,284,734	1,254,698
Less : Accumulated depreciation	(498,572)	(476,671)
	786,162	778,027
Leased plant and equipment - at capitalised cost	21,228	21,228
Less : Accumulated depreciation	(9,294)	(6,127)
	11,934	15,101
Furniture, fixtures and fittings - at cost	1,378	1,373
Less : Accumulated depreciation	(690)	(614)
	688	759
Office equipment - at cost	2,606	2,510
Less : Accumulated depreciation	(1,637)	(1,433)
	969	1,077
Motor vehicles - at cost	9,644	8,682
Less : Accumulated depreciation	(5,005)	(4,117)
	4,639	4,565
Sundry plant - at cost	14,171	11,984
Less : Accumulated depreciation	(10,140)	(8,714)
	4,031	3,270
Total property, plant and equipment - at net book value	820,210	825,220

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22 Property, plant and equipment (continued)

	Consolidated	
	2013 $'000	2012 $'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	19,883	26,142
Additions	643	239
Depreciation	(957)	(1,732)
Disposals	(468)	(4,844)
Effects of movement in foreign exchange	686	78
Impairment	(3,031)	-
Reclassified to assets held for sale	(7,171)	-
Carrying amount at the end of the year	9,585	19,883
Leasehold improvements		
Carrying amount at the beginning of the year	2,538	2,859
Additions	367	398
Disposals	(124)	(40)
Depreciation	(548)	(680)
Effects of movement in foreign exchange	5	1
Impairment	(7)	-
Reclassified to assets held for sale	(29)	-
Carrying amount at the end of the year	2,202	2,538
Plant and equipment		
Carrying amount at the beginning of the year	778,027	591,721
Additions	132,504	309,772
Net movement in capital work in progress	(13,270)	6,449
Transferred from leased plant and equipment	-	10,049
Net movement in rental inventory [1]	(376)	12,052
Disposals	(46,679)	(26,050)
Depreciation	(103,953)	(126,143)
Impairment loss	(377)	(210)
Effects of movements in foreign exchange	40,286	388
Carrying amount at the end of the year	786,162	778,027
Furniture, fixtures and fittings		
Carrying amount at the beginning of the year	758	680
Additions	178	237
Disposals	(41)	(19)
Depreciation	(187)	(140)
Impairment	(37)	-
Effects of movement in foreign exchange	17	-
Carrying amount at the end of the year	688	758

[1] Included in this movement are purchases totalling $19.9 million for the year ended 30 June 2013.

22 Property, plant and equipment (continued)

	Consolidated	
	2013 $'000	2012 $'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	1,077	1,059
Additions	432	545
Disposals	(17)	(88)
Depreciation	(543)	(445)
Effects of movement in foreign exchange	20	6
Carrying amount at the end of the year	969	1,077
Motor vehicles		
Carrying amount at the beginning of the year	4,565	4,412
Additions	1,881	1,590
Disposals	(234)	(397)
Depreciation	(1,649)	(1,040)
Effects of movement in foreign exchange	76	-
Carrying amount at the end of the year	4,639	4,565
Sundry plant		
Carrying amount at the beginning of the year	3,270	2,700
Additions	2,379	2,264
Disposals	(214)	(250)
Depreciation	(1,543)	(1,480)
Effects of movement in foreign exchange	139	36
Carrying amount at the end of the year	4,031	3,270
Leased plant and equipment		
Carrying amount at the beginning of the year	15,101	28,960
Transferred to owned plant and equipment	-	(10,049)
Depreciation	(3,167)	(3,810)
Carrying amount at the end of the year	11,934	15,101

Security

The Group's assets are subject to a fixed and floating charge under the terms of the syndicated debt facility. Refer note 24 for further details.

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23 Trade and other payables

	Consolidated	
	2013 $'000	2012 $'000
Current		
Trade payables		
Trade payables	13,780	20,558
Other payables and accruals [1]	26,782	43,738
	40,562	64,296
Non-current		
Other payables		
Other payables and accruals	1,284	-
	1,284	-

[1] This includes $Nil accruals for equipment received but not yet paid for at 30 June 2013 (2012: $26.8 million).

The Group's exposure to currency and liquidity risk associated with trade and other payables is disclosed in note 6.

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.

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24 Interest bearing liabilities

	Consolidated	
	2013 $'000	2012 $'000
Current		
Amortised cost		
Working capital facility	5,256	-
Insurance financing	464	-
Lease liabilities - secured	3,588	3,339
	9,308	3,339
Non-current		
Fair value		
Notes issue - secured (USPP)	95,596	92,652
Debt raising costs (USPP)	(1,193)	(1,167)
Amortised cost		
Bank loans - secured	252,746	301,980
Notes issue - secured (USPP)	53,961	49,155
Lease liabilities - secured	8,770	12,358
Debt raising costs (bank loans)	(3,100)	(2,060)
Debt raising costs (USPP)	(662)	(648)
	406,118	452,270

Bank loans

The Group refinanced its senior secured syndicated loan facility with a limit of $450 million (2012: $450 million) on 28 September 2012. The debt facility comprises a three year $200 million, a four year $125 million and a five year $125 million revolving multi-currency facility of AUD, USD and CAD that matures on September 2015, September 2016 and September 2017 respectively. The syndicated facility allows for funds to be drawn in Australian, United States and Canadian dollars. The nominal interest rate is based on USD Libor, BBSW and CAD CDOR (2012: USD Libor, BBSW and CAD Libor) for their respective currencies, plus a margin. The Group's syndicated loan facility is measured at amortised cost. At year end the Group had the following drawn:

	FY13		FY12	
	Funds drawn in functional currency $'000	Funds drawn translated to AUD $'000	Funds drawn in functional currency $'000	Funds drawn translated to AUD $'000
AUD	$151,000	$151,000	$80,000	$80,000
CAD	C$83,000	$85,558	C$216,000	$207,234
USD	US$15,000	$16,188	US$15,000	$14,746

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24 Interest bearing liabilities (continued)

USPP notes issue

Under the terms of the note purchase agreement, the noteholders hold a joint fixed and floating charge with the syndicated bank group over the assets and undertakings of the Group. The US$140.0 million notes were issued on 22 May 2012 and comprises a 7 year US$40.0 million tranche and a US$100.0 million 10 year tranche which matures 22 May 2019 and 22 May 2022 respectively. The nominal interest rate for the 7 and 10 year notes are 4.63% and 5.25% respectively. Of the notes, US$20.0 million, with a maturity of 7 years, and US$30.0 million of notes, with a maturity of 10 years, are measured at amortised cost. The remaining notes are measured at fair value through profit and loss and the Group designated derivatives (interest rate swaps and cross currency interest rate swaps) as hedge instruments against this underlying debt.

	FY13		FY12	
	Funds drawn in functional currency $'000	Funds drawn translated to AUD $'000	Funds drawn in functional currency $'000	Funds drawn translated to AUD $'000
USD	US$140,000	$149,557	US$140,000	$141,807

Working capital facility

The working capital facility is secured under the syndicated facility mentioned above, and has a limit of $20.0 million (2011: $25.0 million). The Group also obtained working capital facilities for Emeco Canada Limited of C$2.0 million (2011: C$2.0 million). The $20.0 million facility expires on 16 November 2013 and it is the intention that it will be renegotiated for another 12 months. The C$2.0 million facility expires 11 December 2013. The working capital facility is drawn to $5.3 million at 30 June 2013 (2012: $Nil).

Other financial liabilities

Under the terms of the syndicated loan facility, the Group can enter into other permitted indebtedness of A$100.0 million, which is incurred in the ordinary course of business, and asset backed indebtedness for the higher of A$100.0 million or 15% of total tangible assets up to a maximum of A$200 million and can be increased to a maximum of A$200.0 million. These limits are subject to an aggregate financial indebtedness limit not exceeding A$800.0 million. At year end the Group had established finance lease facilities totalling $12.4 million (2012: $15.7 million), financed its insurance premium totalling $0.5 million and issued notes in the USPP market totalling US$140.0 million (A$149.6 million) (2012: US$140.0 million (A$141.8 million)) which are included within this permitted indebtedness limit. Assets leased under the facility are secured by the assets leased.

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24 Interest bearing liabilities (continued)

Finance lease liabilities

Finance lease liabilities of the Group are payable as follows:

Consolidated	Future minimum lease payments 2013 $'000	Interest 2013 $'000	Present value of minimum lease payments 2013 $'000	Future minimum lease payments 2012 $'000	Interest 2012 $'000	Present value of minimum lease payments 2012 $'000
Less than one year	4,362	(774)	3,588	4,362	(1,023)	3,339
Between one and five years	9,334	(564)	8,770	13,696	(1,338)	12,358
More than five years	-	-	-	-	-	-
	13,696	(1,338)	12,358	18,058	(2,361)	15,697

The Group leases plant and equipment under finance leases. The Group's lease liabilities are secured by the leased assets of $11,934,000 (2012: $15,139,000). In the event of default, the leased assets revert to the lessor.

25 Financing arrangements

The Group has the ability to access the following lines of credit:

	Consolidated 2013 $'000	Consolidated 2012 $'000
Total facilities available:		
Bank loans	450,000	450,000
USPP Notes	149,557	141,807
Finance leases	12,358	15,697
Insurance financing	464	-
Working capital	22,062	21,919
	634,441	629,423
Facilities utilised at reporting date:		
Bank loans	252,746	301,980
USPP Notes	149,557	141,807
Finance leases	12,358	15,697
Insurance financing	464	-
Working capital	5,256	-
	420,381	459,484
Facilities not utilised or established at reporting date:		
Bank loans	197,254	148,020
USPP Notes	-	-
Finance leases	-	-
Insurance financing	-	-
Working capital	16,805	21,919
	214,059	169,939

26 Provisions

	Consolidated	
	2013 $'000	2012 $'000
Current		
Employee benefits:		
- annual leave	2,807	3,404
- long service leave	533	447
- other	48	115
	3,388	3,966
Non-current		
Employee benefits - long service leave	1,244	1,044

Defined contribution superannuation funds
The Group makes contributions to defined contribution superannuation funds. The expense recognised for the year was $3,424,000 (2012: $4,879,000). During the prior period there was a one-off expense totalling $1.2 million (post tax) which relates to unpaid employee superannuation from prior years arising from a payroll system error identified during an internal payroll systems review which has now been rectified.

27 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)).

During the year the Company issued matching shares to certain employees of the Group under its ESOP (refer note 3j(v)).

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

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27 Share-based payments (continued)

Long term incentive plan

Grant date / employees entitled	Number of Instruments	Vesting conditions	Contractual life of performance shares/rights
Matured in FY11:			
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
Matured in FY12:			
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
Matured in FY13:			
Performance shares/rights 2010 [(1)]	4,608,076	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	3 years
Unvested plans:			
Performance shares/rights 2011 [(1)]	5,889,200	3 years service TSR ranking to a basket of direct and indirect peers of 97 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	3 years
Performance shares/rights 2012	4,246,661	3 years service TSR ranking to a basket of direct and indirect peers of 97 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	3 years
Performance shares/rights 2013	6,881,251	3 years service TSR ranking to a basket of direct and indirect peers of 93 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	3 years

(1) On 16 November 2010 shareholders approved the grant of 925,926 performance rights and 1,183,929 performance shares for nil consideration for the 2010 and 2011 financial year respectively to the Managing Director. The 925,926 and 1,183,929 instruments have been included in the number of instruments for the performance shares/rights 2010 and 2011 respectively above.

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27 Share-based payments (continued)

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

	Number of performance shares/rights 2013	Number of performance shares/rights 2012
Outstanding at 1 July	16,970,271	15,794,934
Forfeited during the period	(3,355,878)	(798,954)
Exercised during the period	(3,598,452)	(2,272,370)
Granted during the period	6,881,251	4,246,661
Outstanding at 30 June	16,897,192	16,970,271
Exercisable at 30 June	3,364,390	4,955,409

Management incentive share plan

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		

The number of MISPs are as follows:

	Number of MISP 2013	Number of MISP 2012
Outstanding at 1 July	1,600,000	2,160,000
Forfeited during the period	-	(375,000)
Exercised during the period	-	(185,000)
Granted during the period	-	-
Outstanding at 30 June	1,600,000	1,600,000
Exercisable at 30 June [(1)]	1,600,000	1,040,000

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

27 Share-based payments (continued)

Employee share ownership plan

Grant date / employees entitled	Number of Instruments	Vesting conditions	Contractual life of MISP
Matured in January 2012 ESOP 2011	26,976	Service requirement. Full vesting entitlement after 1 year after the end of the calendar year in which they are acquired.	1 year
Matured in January 2013 ESOP 2012	28,898	Service requirement. Full vesting entitlement after 1 year after the end of the calendar year in which they are acquired.	1 year
ESOP 2013	75,388	Service requirement. Full vesting entitlement after 1 year after the end of the calendar year in which they are acquired.	1 year
	131,262		

The number of ESOPs are as follows:

	Number of ESOP 2013	Number of ESOP 2012
Outstanding at 1 July	44,215	23,752
Forfeited during the period	(3,584)	(2,120)
Exercised during the period	(26,333)	(6,315)
Granted during the period	75,388	28,898
Outstanding at 30 June	89,686	44,215
Exercisable at 30 June [1]	-	-

[1] The shares are not considered exercisable until the full vesting period has been satisfied.

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27 Share-based payments (continued)

The fair value of services received in return for the performance shares and rights granted during the year are based on the fair value of the LTIPs granted, measured using Monte Carlo simulation analysis. Expected volatility is estimated by considering the Company's historical daily and monthly share price movement and an analysis of comparable companies. Market conditions are detailed in note 3(j)(v). The inputs used in the measurement of the fair values at grant date are as follows:

Fair value of performance shares/rights	Chief Executive Officer 2013	Key management personnel 2013	Key management personnel 2012	Senior employees 2013	Senior employees 2012	ESOP 2013	ESOP [1] 2012
Fair value at grant date	$0.27	$0.46	$0.76	$0.56	$0.76	$0.28 - $0.86	$0.86 - $1.16
Share price	$0.51	$0.70	$0.98	$0.70	$0.98	$0.28 - $0.86	$0.86 - $1.16
Exercise price	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil
Expected volatility (weighted average volatility)	40% - 60%	40% - 60%	40% - 60%	40% - 60%	40% - 60%	n/a	n/a
Maturity (expected weighted average life)	3 years	3 years	3 years	3 years	3 years	1 year	1 year
Expected dividends	7.6%	8.7%	4.8%	8.7%	4.8%	n/a	n/a
Risk-free interest rate (based on government bonds)	2.6%	2.7%	3.8%	2.7%	3.8%	n/a	n/a

[1] The ESOP was established in November 2010.

The fair value assumptions for unvested MISPs that continued to be expensed have not changed since the fair value was determined at grant date in previous years.

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27 Share-based payments (continued)

For the Group's key management personnel commencing with the FY13 grant and all subsequent grants of LTI securities the following applies:

Dividends:

- dividends (or shadow dividends) will not be paid on unvested LTI securities;
- dividends (or shadow dividends) will accrue on unvested LTI securities and will only be paid at the time of vesting on those LTI securities that vest, provided all vesting conditions are met; and

Absolute change in control:

- the proportion of vesting LTI securities will be pro-rated to reflect the performance achieved;
- the proportion of vesting LTI securities will be in accordance with the relevant TSR vesting schedule for each grant; and
- the Board retains the discretion to vest a greater amount.

Employee expenses

	Consolidated	
In AUD	**2013**	**2012**
Performance shares/rights	2,811,633	2,492,552
MISP	583	(29,517)
ESOP	41,188	25,153
Total expense recognised as employee costs [1]	2,853,404	2,488,188

[1] 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.

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28 Commitments

(a) Operating lease commitments

	Consolidated	
	2013 $'000	2012 $'000
Future non-cancellable operating leases not provided for in the financial statements and payable:		
Less than one year	7,850	3,981
Between one and five years	19,491	5,682
More than five years	3,351	2,991
	30,692	12,654

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 2013 an amount of $5,703,000 was recognised as an expense in profit or loss in respect of operating leases (2012: $4,091,000).

(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 $1,413,000 (2012: $77,107,000) payable within one year.

29 Contingent Liabilities

Guarantees
The Group has guaranteed the repayments of $75,000 (2012: $122,500) in relation to office premises with varying expiry dates out to 30 June 2014.

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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	2013 $'000	2012 $'000
Cash assets	17	5,754	73,091

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

		Consolidated	
	Note	2013 $'000	2012 $'000
Net profit		6,004	69,745
Add/(less) items classified as investing/financing activities:			
Net profit on sale of non-current assets	8	(1,999)	(3,723)
Add/(less) non-cash items:			
Amortisation	21	192	217
Depreciation	22	112,547	135,611
Amortisation of borrowing costs	8	1,141	1,180
Write off previous deferred borrowing costs	8	1,910	-
(Gain)/loss on fair value hedge	8	32	3
Realised foreign currency exchange (gain)/loss		452	-
Unrealised foreign exchange (gain)/loss		(235)	416
Impairment losses on property, plant & equipment	22	3,452	785
Impairment of goodwill	21	17,844	-
Write down on inventory	20	8,664	1,277
Cost of sales equipment on rent	8	-	1,478
Bad debts	8	2,053	11,083
Provision for doubtful debts [(1)]	8	13,108	(10,348)
FCTR of discontinued operations disposed		-	156
Other non-cash items		237	342
Equity settled share based payments		2,849	2,488
(Decrease)/increase in income taxes payable		(27,476)	7,310
(Decrease)/increase in deferred taxes		19,162	7,053
Net cash provided by operating activities before change in assets/(liabilities) adjusted for assets and (liabilities) acquired		159,937	225,073
(Increase)/decrease in trade and other receivables		2,273	(21,980)
(Increase)/decrease in inventories		20,355	13,456
Increase/(decrease) in payables		(884)	13,784
Increase/(decrease) in provisions		(378)	134
Net cash provided by operating activities		181,303	230,467

(1) Included in the movement of the provision for Doubtful debts is $13.5 million related to contract disputes with two customers in Indonesia where the Company continued invoicing in accordance with contract terms, after the equipment had been stood down. The Company is continuing negotiations with the respective parties on these matters.

31 Controlled entities

(a) Particulars in relation to controlled entities

	Note	Country of Incorporation	Ownership Interest 2013 %	Ownership Interest 2012 %
Parent entity				
Emeco Holdings Limited				
Controlled entities				
Pacific Custodians Pty Ltd as trustee for Emeco Employee Share Ownership Plan Trust		Australia	100	100
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
PT Prima Traktor IndoNusa (PTI)	(iii)	Indonesia	100	100
Emeco International Europe BV	(iv)	Netherlands	100	100
Emeco Europe BV	(v)	Netherlands	100	100
Euro Machinery BV	(vi)	Netherlands	100	100
Emeco Canada Ltd	(vii)	Canada	100	100
Enduro SPA	(viii)	Chile	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. This was classified as a discontinued operation in 2010 but was reclassified as a continuing operation at 30 June 2012.

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

(iv) Emeco International Europe BV was 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. This was classified as a discontinued operation in 2012 but was reclassified as a continuing operation in 2013.

(v) Emeco Europe BV was incorporated in and carries on a business in the Netherlands. This was classified as a discontinued operation in 2012 but was reclassified as a continuing operation in 2013.

(vi) Euro Machinery BV was acquired on 4 January 2007 and carries on business in the Netherlands. This was classified as a discontinued operation in 2012 but was reclassified as a continuing operation in 2013.

(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.

(viii) Enduro SpA was incorporated on 24 February 2012 and carries on business in Chile.

(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.

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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
Robert Bishop
Alec Brennan, Chairperson
John Cahill
Peter Johnston (ceased directorship on 30 June 2013)
Peter Richards
Erica Smyth
Executive Director
Keith Gordon, Managing Director & Chief Executive Officer
Other Executives
Stephen Gobby, Chief Financial Officer
Anthony Halls, General Manager Australian Rental
Michael Kirkpatrick, General Manager Corporate Services
Christopher Mossman, President Director Indonesia (ceased employment with Emeco on 31 May 2013)
Grant Stubbs, General Manager Global Asset Management (commenced role on 1 May 2013)
Ian Testrow, President Emeco Americas (ceased role on 25 April 2013) / President New & Developing Business (commenced role on 26 April 2013)
Michael Turner, General Manager Global Asset Management (ceased role on 31 December 2012)

Key management personnel compensation

The key management personnel compensation is as follows:

	Consolidated	
	2013	2012
In AUD		
Short-term employee benefits	4,654,631	5,491,243
Other long term benefits	-	-
Post-employment benefits	176,534	214,966
Termination benefits	-	26,182
Equity compensation benefits	1,040,366	1,534,671
	5,871,531	7,267,062

32 Key management personnel disclosure (continued)

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 50 to 67.

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.

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 97 Companies. The shares have been accounted for as an option in accordance with AASB 2 *Share Based Payments.*

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32 Key management personnel disclosure (continued)

The movement during the reporting year in the number of shares issued under the management incentive share plan, performance shares under the long term incentive plan and matching employee share ownership plan in the Company held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows. These plans have been combined for the purposes of this note as they represent direct interests over the shares. Directors or Executives with no holdings are not included in the following tables. The disclosure table has included all vested shares to the key management personnel's equity holdings. The prior year comparatives have been restated to reflect this change.

2013 Shares	Held at 1 July 2012	Granted as compensation	Vested during the year	Forfeited/ lapsed	Held at 30 June 2013
Directors & Executives					
Stephen Gobby	743,127	531,304	-	-	1,274,431
Michael Turner [(2)]	556,717	397,391	-	-	n/a
Ian Testrow	-	-	-	-	-
Michael Kirkpatrick	441,579	316,522	-	-	758,101
Anthony Halls	473,764	338,226	-	-	811,990
Christopher Mossman [(2)]	-	-	-	-	n/a
Keith Gordon	2,091,192	1,498,957	-	-	3,590,149
Grant Stubbs [(3)]	n/a	n/a	n/a	n/a	138,327

2012 Shares	Held at 1 July 2011	Granted as compensation	Vested during the year	Forfeited/ lapsed	Held at 30 June 2012
Directors & Executives					
Hamish Christie-Johnston	1,261,408	413	(727,849)	(533,972)	n/a
Stephen Gobby	1,152,538	322,571	(731,982)	-	743,127
David Tilbrook	1,039,714	-	(812,495)	(227,219)	n/a
Michael Turner	900,785	241,518	(585,586)	-	556,717
Ian Testrow [(1)]	540,541	-	(540,541)	-	-
Michael Kirkpatrick	700,450	191,579	(450,450)	-	441,579
Anthony Halls	430,218	205,708	(162,162)	-	473,764
Christopher Mossman	171,667	-	(171,667)	-	-
Keith Gordon	1,183,929	907,263	-	-	2,091,192

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 Mr Testrow held 300,000 MISP shares at 30 June 2011. These shares vested during FY12.

(2) Mr Turner and Mr Mossman ceased to be key management personnel on 31 December 2012 and 31 May 2013 respectively.

(3) Mr Stubbs became a key management personnel on 1 May 2013. The shares held at 30 June 2013 were granted as compensation prior to Mr Stubbs becoming a key management personnel.

n/a Not applicable as not in a position of key management at reporting date.

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32 Key management personnel disclosure (continued)

The movement during the reporting year in the number of performance rights issued under 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.

2013 Rights	Held at 1 July 2012	Granted as compensation	Vested during the Year	Forfeited/ lapsed	Held at 30 June 2013
Directors & Executives					
Stephen Gobby	300,926	-	(154,375)	(146,551)	-
Michael Turner [1]	240,741	-	(123,500)	(117,241)	n/a
Ian Testrow	697,470	451,371	(122,647)	(116,430)	909,764
Michael Kirkpatrick	185,185	-	(95,000)	(90,185)	-
Anthony Halls	166,667	-	(85,500)	(81,167)	-
Christopher Mossman [1]	369,679	323,875	(36,204)	(34,370)	n/a
Keith Gordon	925,926	-	(475,000)	(450,926)	-

2012 Rights	Held at 1 July 2011	Granted as compensation	Vested during the Year	Forfeited/ lapsed	Held at 30 June 2012
Directors & Executives					
Hamish Christie-Johnston	203,704	-	(146,273)	(57,431)	n/a
Stephen Gobby	300,926	-	-	-	300,926
David Tilbrook	281,481	-	(189,437)	(92,044)	n/a
Michael Turner	240,741	-	-	-	240,741
Ian Testrow	508,470	189,000	-	-	697,470
Michael Kirkpatrick	185,185	-	-	-	185,185
Anthony Halls	166,667	-	-	-	166,667
Christopher Mossman	177,586	192,093	-	-	369,679
Keith Gordon	925,926	-	-	-	925,926

[1] Mr Turner and Mr Mossman ceased to be key management personnel on 31 December 2012 and 31 May 2013 respectively.

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

32 Key management personnel disclosure (continued)

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 former key management person, including their related parties is as follows:

2013	Held at 1 July 2012	Granted as compensation	Exercised	Options Forfeited	Other Changes	Held at 30 June 2013	Vested during the year	Vested and exercisable at 30 June 2013
Directors & Executives								
L C Freedman	-	-	-	-	-	-	-	-
R L C Adair	-	-	-	-	-	-	-	-

2012	Held at 1 July 2011	Granted as compensation	Exercised	Options Forfeited	Other Changes	Held at 30 June 2012 [1]	Vested during the year	Vested and exercisable at 30 June 2012
Directors & Executives								
L C Freedman	1,600,000	-	-	(1,600,000)	-	-	-	-
R L C Adair	533,334	-	-	(533,334)	-	-	-	-

[1] The options issued to Mr Freedman and Mr Adair expired 5 years after their date of issue on 4 August 2011.

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32 Key management personnel disclosure (continued)

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, are as follows. The disclosure table has been adjusted to include the transfer of vested shares from the employee share plans to the equity holdings of the members of key management personnel. The prior year comparatives have been restated to reflect this change.

2013	Held at 1 July 2012 Ordinary Shares	Transferred from Share Plan	Purchases	Sales	Held at 30 June 2013 Ordinary Shares
Directors					
K D Gordon	650,000	475,000	-	-	1,125,000
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	300,000	-	266,600	-	566,600
P I Richards	40,000	-	-	-	40,000
E L Smyth	-	-	71,049	-	71,049
Executives					
M A Turner	3,187,151	124,903	3,816	(1,190,000)	n/a
S G Gobby	201,547	155,778	8,974	-	366,299
I M Testrow	892,541	-	-	-	892,541
M R Kirkpatrick	-	-	-	-	-
A G Halls	171,817	86,813	8,974	-	267,604
C Mossman	184,167	36,204	-	-	n/a
G Stubbs	n/a	n/a	1,869	-	19,942

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

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32 Key management personnel disclosure (continued)

2012	Held at 1 July 2011 Ordinary Shares	Transferred from Share Plan	Purchases	Sales	Held at 30 June 2012 Ordinary Shares
Directors					
K D Gordon	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	300,000	-	-	-	300,000
P I Richards	40,000	-	-	-	40,000
E L Smyth	-	-	-	-	-
Executives					
D O Tilbrook	3,352,000	812,495	n/a	n/a	n/a
M A Turner	3,056,578	585,586	4,987	(460,000)	3,187,151
S G Gobby	465,578	731,982	4,987	(1,001,000)	201,547
I M Testrow	352,000	540,541	-	-	892,541
H A Christie-Johnston	92,067	727,849	n/a	n/a	n/a
M R Kirkpatrick	-	450,450	-	(450,450)	-
A G Halls	24,668	162,162	4,987	(20,000)	171,817
C Mossman	12,500	171,667	-	-	184,167

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.

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32 Key management personnel disclosure (continued)

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	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Key management person and their related parties	**Transaction**					
Mr P Richards - Kangaroo Resources Limited	Rental of heavy earthmoving equipment	(1)	399	4,408	-	947
Total current assets			399	4,408	-	947

(1) PT Prima Traktor IndoNusa (refer note 31) rents heavy earthmoving equipment to PT Mamahak Coal Mining, a subsidiary of Kangaroo Resources Limited for an annual revenue of A$399,000 (2012: A$4,408,000) (inclusive of VAT) translated at an AUD/USD average exchange rate of 1.0378 for FY13 (2012: 1.0319). The balance outstanding as at 30 June 2013 was A$Nil (2012: A$947,238) translated at the 30 June 2013 AUD/USD rate of N/A (2012: 1.0172). The rental contract was negotiated on an arm's length basis. One of the Group's Non-Executive Directors, Mr Peter Richards, was a Non-Executive Director of Kangaroo Resources Limited.

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33 Other related party transactions

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 arm's length mark up.

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

34 Subsequent events

On 30 July 2013 Mr Keith Gordon announced his intention to step down from his role as Managing Director. Mr Gordon will remain in his current position until a new Managing Director is appointed.

35 Earnings per share

Basic earnings per share
The calculation of basic earnings per share at 30 June 2013 was based on the profit/(loss) attributable to ordinary shareholders of $6,004,000 (2012: $69,745,000) and a weighted average number of ordinary shares outstanding less any treasury shares for the year ended 30 June 2013 of 585,137,181 (2012: 609,182,029).

Profit attributed to ordinary shareholders

	Consolidated					
	2013			2012		
	Continuing operations $'000	Discontinued operations $'000	Total $'000	Continuing operations $'000	Discontinued operations $'000	Total $'000
Profit/(loss) for the period	6,004	-	6,004	69,972	(227)	69,745

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35 Earnings per share (continued)

Weighted average number of ordinary shares

	Consolidated	
	2013 '000	2012 '000
Issued ordinary shares at 1 July	631,238	631,238
Effect of purchased treasury shares	(46,101)	(22,056)
Weighted average number of ordinary shares at 30 June	585,137	609,182

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2013 was based on profit attributable to ordinary shareholders of $6,004,000 (2012: $69,745,000) and a weighted average number of ordinary shares outstanding less any treasury shares during the financial year ended 30 June 2013 of 588,094,138 (2012: 624,198,215).

Profit attributed to ordinary shareholders (diluted)

	Consolidated					
	2013			2012		
	Continuing operations $'000	Discontinued operations $'000	Total $'000	Continuing operations $'000	Discontinued operations $'000	Total $'000
Profit/(loss) attributed to ordinary shareholders (basic)	6,004	-	6,004	69,972	(227)	69,745

Weighted average number of ordinary shares (diluted)

	Consolidated	
	2013 '000	2012 '000
Weighted average number of ordinary shares at 30 June	631,238	631,238
Effect of the vesting of contingently issuable shares	2,957	15,016
Effect of purchased treasury shares	(46,101)	(22,056)
Weighted average number of ordinary shares (diluted) at 30 June	588,094	624,198

Comparative information

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

36 Parent entity disclosure

As at and throughout the financial year ending 30 June 2013 the parent entity (the "Company") of the Group was Emeco Holdings Limited.

	Company	
	2013 $'000	2012 $'000
Result of the parent entity		
Profit/(loss) for the period	(96,802)	44,654
Other comprehensive income	-	-
Total comprehensive income for the period	-	-
Financial position of parent entity at year end		
Current assets	10,595	22
Non-current assets	544,519	710,376
Total assets	458,312	710,398
Current liabilities	-	15,627
Total liabilities	-	15,627
Total equity of the parent entity comprising of:		
Share capital	593,616	610,424
Share based payment reserve	12,144	9,155
Reserve for own shares	(16,433)	(13,757)
Retained earnings	(121,047)	12,840
Total equity	468,280	618,662

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.

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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' reports.

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 2013 is set out as follows:

Statement of profit or loss and other comprehensive income and retained earnings

	Consolidated	
	2013 $'000	2012 $'000
Revenue	270,757	455,183
Cost of sales	(188,210)	(289,730)
Gross profit	82,547	165,453
Operating expense	(62,213)	(64,455)
Finance income	5,377	2,522
Finance costs	(21,048)	(18,727)
Impairment of investment	(120,278)	-
Profit before tax	(115,615)	84,793
Tax expense	(2,892)	(25,861)
Net profit after tax	(118,507)	58,932
Other comprehensive income	1,697	546
Total comprehensive income for the period	1,697	546
Retained earnings at beginning of year	107,925	83,165
Dividends recognised during the year	(37,146)	(34,718)
Retained earnings at end of year	(46,031)	107,925
Attributable to:		
Equity holders of the Company	(46,031)	107,925
Profit/(loss) for the period	(118,507)	58,932

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37 Deed of cross guarantee (continued)

Statement of financial position

	Consolidated	
	2013 $'000	2012 $'000
Current assets		
Cash assets	218	69,483
Trade and other receivables	37,717	60,050
Derivatives	691	776
Current tax assets	11,376	-
Inventories	9,739	32,926
Assets held for sale	-	405
Total current assets	59,741	163,640
Non-current assets		
Trade and other receivables	101,138	58,692
Derivatives	4,489	3,643
Intangible assets	151,555	151,622
Investments	211,310	158,388
Property, plant and equipment	400,556	497,687
Total non-current assets	869,048	870,032
Total assets	928,789	1,033,672
Current liabilities		
Trade and other payables	23,486	30,688
Derivatives	1,281	2,239
Interest bearing liabilities	9,308	3,339
Current tax liabilities	-	15,627
Provisions	2,327	3,158
Total current liabilities	36,402	55,051
Non-current liabilities		
Derivatives	1,502	3,369
Interest bearing liabilities	321,399	248,106
Deferred tax liabilities	27,050	15,970
Provisions	1,484	1,478
Total non-current liabilities	351,435	268,923
Total liabilities	387,837	323,974
Net assets	540,952	709,698
Equity		
Issued capital	593,616	610,424
Share based payment reserve	12,144	9,155
Reserves	(18,777)	(17,806)
Retained earnings	(46,031)	107,925
Total equity attributable to equity holders of the parent	540,952	709,697

Directors' Declaration

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

   (a) the consolidated financial statements and notes as set out on pages 70 to 151, and Remuneration report in the Directors' report, set out on pages 50 to 67 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 2013 and of its performance for the financial year ended on that date; and

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

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

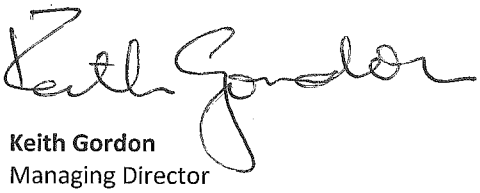
2. There are reasonable grounds to believe that the Company and the group entities identified in Note 37 will be able to meet any obligation or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC 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 2013.

4. The Directors draw attention to note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Dated at Perth, 21 day of August 2013

Signed in accordance with a resolution of the Directors:



Keith Gordon
Managing Director

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KPMG

Independent auditor's report to the members of Emeco Holdings Limited

Report on the financial report

We have audited the accompanying financial report of Emeco Holdings Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2013, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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 of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, a true and fair 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.

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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 2013 and of its performance for the year ended on that date; and

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

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

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. 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 2013, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

R Gambitta
Partner

Perth

21 August 2013