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Emeco Holdings Limited and its Controlled Entities

ABN 89 112 188 815

Annual Financial Report

30 June 2019

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Chairman's Report

Dear Shareholder,

I am pleased to present the Emeco Holdings Limited Annual Report for the 2019 financial year (**FY19**).

Safety and sustainability

Emeco continues to maintain its commitment to our people, the environment and the communities in which we operate. Emeco's most valued assets are our people and their safety is at the forefront of all decisions across the business.

Emeco's lost time injury frequency rate is zero, however despite our continued focus on safety performance, the number of employees being injured during the past year rose, with the total recordable injury frequency rate increasing from 1.2 to 4.6. Given we have a 'zero harm' target, steps have been taken within the business to ensure our most important resources are provided a safe workplace at all times.

For more information on our sustainability performance and policies, please refer to Emeco's FY19 Sustainability Report available on our website.

Growing earnings and cash flow

Emeco continued to execute well upon its growth strategy. Our earnings, supported by a growing asset fleet, increased equipment utilisation and underpinned by tight cost control, increased significantly in FY19. Importantly, Emeco is well-placed to generate stronger earnings and cash flow in FY20 and is on track building a business of scale, quality and lowest cost to ensure we are stronger and more resilient.

Reduction in outstanding debt and leverage

During the year, Emeco bought back US$33.8 million of the outstanding notes and refinanced the $40.0 million revolving cash facility in September 2018 with a new $65.0 million facility expiring in 2021 (with a two-year option to extend). This not only provided greater flexibility and liquidity it allowed us to enter into additional financial instruments to hedge our remaining USD notes exposure. We have now fully hedged our US senior notes at 72.9 cents.

While investing in growth assets during the year, leverage decreased from 2.6x to below 2.0x and is targeted to decrease further in FY20 through growth in earnings generating strong operating cash flow. This will ensure the notes can be refinanced at the optimal time and on materially better terms.

With a strengthening balance sheet, we look forward to re-establishing our dividend program in coming years.

I would like to take this opportunity to thank our shareholders for their continued support of Emeco. I would also like to thank management and all our employees for their efforts in continuing to build the company to sustainability. This continued support is critical to Emeco's short and long-term success.

Peter Richards
Chairman

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Managing Director's Report

Dear Shareholder,

During FY19, Emeco continued to execute on our strategy to become the highest quality and lowest cost provider of earthmoving equipment services in Australia.

Safety and sustainability

During the past year, our lost time injury frequency rate was zero, however our total recordable injury frequency rate increased from 1.2 to 4.6. As our people are our most important resource, we have significantly increased our safety resources in response and will continue to focus on our target of zero harm.

Growing earnings, margins and returns

I am pleased to report stronger profitability in FY19, with operating NPAT for the year up 213.9% to $63.1 million, representing shareholder value creation.

Emeco generated operating EBIT of $125.4 million (up 50.7% on FY18) and EBITDA of $214.0 million (up 39.9% on FY18).

Operating EBITDA margin was up 590bps to 46.1%, driven by improvements in operating utilisation and rates, continued tight cost control, strong project management and a full year contribution from Force and Matilda.

The workshops business continued to see significant activity growth in the year as a result of capacity expansion throughout Australia and increased retail work and work on Emeco Rental fleet. The workshops provide an important strategic element to the Group by providing low capital intensive earnings through increasing the services and value Emeco can provide to customers. The internal works ensures Emeco has capability and critical components available to keep the Rental fleet working and customers mining.

Emeco's Workshops and asset management capabilities also provides Emeco with a competitive advantage of minimising the capital intensity of Emeco's assets throughout its life cycle. By being cost effective and extending asset lives, this allows Emeco to maximise returns as evidenced by a strong FY19 return on capital of ROC of 21.0%.

Increasing free cash flow and reduction in leverage

On the back of the strong profitability in the year, we generated operating free cash flow of $90.1m (pre-growth capex of $85.1 million) which enabled debt repayment and investment in strategic growth assets for future earnings.

Notwithstanding this investment, our strong earnings and cash flow reduced net debt / operating EBITDA to below 2.0x at the end of FY19 (from 2.6x in FY18) – a significant milestone in Emeco's deleveraging strategy. We expect the pace of deleveraging to accelerate in FY20 with a greater earnings base combined with the strong operating free cash flow we are now generating.

Emeco is committed to further reducing its gross debt, refinancing the notes on notably improved terms in the future and, subsequently, reaching its goal to be able to pay a dividend to shareholders.

Outlook for FY20

The Company expects to see additional growth in revenue and earnings in FY20, albeit with a greater weighting to earnings in 2H20.

FY20 sees Emeco pursuing greater commodity diversification.

Whilst we expect continued demand in metallurgical coal, particularly as customers remain disciplined with capital expenditure allocation, we are also focused on diversifying Eastern Region exposure to gold and copper.

Improving conditions in the Western Region have been observed in early FY20 with approximately 100 pieces of equipment already committed into new gold and iron ore projects. However, the full benefit of earnings is not expected to be realised until 2H20. We anticipate allocating some growth assets and assets from thermal projects to the Western Region to meet fleet requirements.

With the fast growth experienced in the Force workshops in FY19**,** FY20 will build on this growth by increasing workshop activity by building a larger retail business for low capital-intensive earnings and to service the Rental fleet.

At a higher level, Emeco will investigate opportunities to further build on our business model and widen our value proposition to achieve growth and sustainability through the cycle.

We are excited for the year ahead.

Finally, I would like to thank the Emeco team for all of their continued hard work throughout the last 12 months, and thank our shareholders for their continued support.

Ian Testrow
Managing Director & Chief Executive Officer

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Operating and Financial Review

The Emeco Group is a provider of earthmoving equipment services.

The Group supplies safe, reliable and maintained equipment rental solutions to its customers. The Group also provides repair and maintenance, and component and machine rebuild services for its customers' equipment and offers EOS, an equipment productivity and management tool, for both Emeco and customer owned fleet.

Established in 1972, the business listed on the ASX in July 2006 and is headquartered in Perth, Western Australia.

Emeco generates earnings from the provision of equipment rental and maintenance solutions to the earthmoving industry. Operating costs principally comprise parts and labour associated with maintaining earthmoving equipment. Capital expenditure principally comprises the purchase of equipment and replacement of major components over the asset's life cycle while owned by Emeco.

Table 1: Group financial results

	Operating results[1,2,3]		Statutory results	
A$ millions	**2019**	**2018**	**2019**	**2018**
Revenue	464.5	381.0	464.5	381.0
EBITDA[4]	214.0	153.0	195.1	130.7
EBIT[4]	125.4	83.2	99.1	49.7
NPAT[4]	63.1	20.1	33.7	5.3
ROC[4] %	21.0%	19.6%	18.0%	11.7%
EBIT margin	27.0%	21.8%	21.3%	13.0%
EBITDA margin	46.1%	40.2%	42.0%	34.3%

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. Operating results exclude the Chile discontinued operations for FY19.
   Operating results include the Canada discontinued operations but exclude the Chile discontinued operations for FY18.
3. Operating results are non-IFRS.
4. EBITDA: Earnings before interest, tax, depreciation and amortisation; EBIT: Earnings before interest and tax; NPAT: Net profit after tax; ROC: Return on capital (EBIT / Average capital employed).

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Table 2: 2019 operating results to statutory results reconciliation

A$ millions	Statutory	Tangible asset impairments	Redundancy and restructuring costs	Acquisition costs	Long-term incentive program	Refinancing costs	Contract amortisation	Operating
EBITDA	195.1	-	4.4	(0.3)	14.7	-	-	214.0
EBIT	99.1	6.7	4.4	(0.3)	14.7	-	0.7	125.4
NPAT	33.7	6.7	4.4	(0.3)	14.7	3.2	0.7	63.1

Reconciliation of differences between operating and statutory results:

1. FY19 operating results (non-IFRS) excludes the following:
   - **Tangible asset impairments:** During FY19 net impairments totalling $6.7 million were recognised across the business on assets held for sale and subsequently disposed during the period.
   - **Redundancy and restructuring costs:** One-off costs related to redundancy and restructuring totalled $4.4 million before tax.
   - **Acquisition costs:** The reversal of $0.3 million of costs recognised in FY18 in relation to the acquisition of Matilda Equipment net of GST refunds from previous acquisitions.
   - **Long-term incentive program:** During FY19 Emeco recognised $14.7 million of non-cash expenses relating to the employee incentive plan.
   - **Refinancing costs:** One off costs of $3.2 million relating to the repurchase of US$33.8 million outstanding notes were incurred.
   - **Contract amortisation:** One-off costs of $0.7 million relating to amortisation of contract intangibles recognised on the acquisition of Matilda Equipment.
2. Refer to the 2018 Annual Report for reconciliation of differences between FY18 operating and statutory results.
3. All reconciling items relating to FY19 operating results are discussed in further detail later in the operating and financial review.

IMPROVED OPERATING EBITDA

Operating EBITDA increased to $214.0 million (up $61.0 million or 39.9% on FY18) as a result of recent acquisitions, increased utilisation of the fleet by customers, rental rate increases and further cost management measures implemented over FY19.

Group operating revenue from continuing operations increased to $464.5 million in FY19 (FY18: $381.0 million). Rental revenue increased to $363.3 million (FY18: $324.0 million) as a result of the acquisition of Matilda Equipment (**Matilda**) in July 2018, increased operating utilisation of the rental fleet and improvements in rental rates on new and renewed contracts. Maintenance services revenue from both rental maintenance services and workshop increased 80.3% to $99.5 million (FY18: $55.2 million) as a result of a full year contribution of the Workshop division and an additional three workshops opening midway through the year.

Operating EBITDA margins increased to 46.1% (FY18: 40.2%) as a result of disciplined cost management and increased rental rates achieved across all regions, in addition to the benefit of operational efficiencies achieved through business improvement initiatives. The increase in Operating EBITDA margin is especially strong given the lower margin generated by the Force workshops. Operating EBIT recovery improved operating return on capital (**ROC**) to 21.0% in FY19 (FY18: 19.6%).

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Table 3: Operating cost summary (operating results)

A$ millions	2019	2018
Revenue	**464.5**	**381.0**
Operating expenses		
Repairs and maintenance	(89.1)	(104.9)
External maintenance services	(75.3)	(40.0)
Employee expenses	(38.1)	(30.0)
Cartage and fuel	(13.8)	(10.3)
Hired in equipment and labour	(3.4)	(11.8)
Net other expenses	(30.8)	(31.0)
Operating EBITDA	**214.0**	**153.0**
Depreciation expense	(87.4)	(68.9)
Amortisation	(1.2)	(1.0)
Operating EBIT	**125.4**	**83.2**

Repairs and maintenance expense decreased to $89.1 million (FY18: $104.9 million) driven by increased focus on cost management throughout the business, improved contractual responsibilities and cost synergies obtained through the internal workshop capability. FY18 expenditure also included a large component of catch-up maintenance work on the acquired Andy's and Orionstone fleets which are now complete. This contributed to the decrease in repairs and maintenance expense in FY19 as a percentage of rental revenue from 32.4% in FY18 to 24.5%.

With the acquisition of Matilda and a full year contribution of Force, employee expenses increased 27.0% in FY19 to $38.1 million (FY18: $30.0 million). Total headcount has increased from approximately 500 to 543 over FY19.

Net other expenses were flat at $30.8 million (FY18: $31.0 million).

Depreciation expense increased to $87.4 million in FY19 (FY18: $68.9 million) driven by the increased scale of fleet from recent acquisitions and increased utilisation of equipment.

STRATEGIC INVESTMENT IN FLEET

Table 4: Rental fleet

A$ millions	2019	2018
Rental fleet	574.2	403.2
Non-current assets held for sale	2.9	8.0

The written down value (**WDV**) of the rental fleet and capital WIP and inventory increased to $574.2 million in FY19 primarily due to the acquisition of Matilda adding an additional $79.0 million of fleet, and a further investment of $85.1 million to acquire a package of 35 pieces of growth assets.

A further $88.5 million, net of disposals of $23.6 million, was incurred in sustaining capex.

An investment of $7.3 million was made during the period in component inventory to ensure security of supply of critical components and support Rental fleet machine availability and revenue.

We continually review our rental fleet mix to ensure it meets long term rental demand and to maximise returns on investment. Assets which are surplus to the fleet or are approaching the end of its useful life are transferred to non-current assets held for sale and are actively marketed through Emeco's global network of brokers.

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STRONGER FREE CASH FLOW

Table 5: Operating Cash flow summary

A$ millions	2019	2018
Operating EBITDA	214.0	153.0
Working capital	21.4	29.2
Net Sustaining capital expenditure	(88.5)	(57.6)
Component inventory	(7.3)	-
Finance costs	(49.5)	(46.9)
Net operating cash flow (pre-growth assets)	**90.1**	**77.7**
Growth capex	**85.1**	**-**
Net operating cash flow	**5.0**	**77.7**

Note: 1. 2019 results excludes Chile discontinued operations. 2018 results include Canada discontinued operation and exclude Chile discontinued operations.
2. Operating cash flow excludes any non-recurring items (FY19: Redundancy and restructure expense $4.4 million, Acquisition expense refund $0.2 million (FY18: Redundancy and restructure expense $4.0 million))

Operating EBITDA increased from $153.0 million in FY18 to $214.0 million in FY19. However, the investment in the growth assets in FY19 resulted in a net operating cash flow decrease to $5.0 million (FY18: $77.7 million). Excluding the investment in growth assets, operating free cash flow was $90.1 million.

Working capital management was again an ongoing focus with $7.6 million relating to the package of growth assets being deferred until FY20, so will unwind in FY20.

Net sustaining capital expenditure increased from $57.6 million in FY18 to $88.5 million in FY19 in line with a larger fleet. FY18 capital expenditure also included a large portion of catch-up major component expenditure on the acquired Andy's and Orionstone fleets which are now complete.

Finance costs were higher for the period due to the change the timing of payments with the inception of additional hedging implemented during the period.

REDUCTION IN TOTAL OUTSTANDING DEBT

Table 6: Net debt and gearing summary

A$ millions	2019	2018
Interest bearing liabilities (current and non-current)[1]		
Notes (USD denominated)	441.7	477.1
Revolving credit facility	0.0	0.0
Lease liabilities	21.9	1.2
Other	0.0	1.9
Total Debt	**463.6**	**480.2**
Cash	36.2	171.4
Net proceeds on hand from equity raising	0.0	(87.5)
Net debt	**427.4**	**396.3**
Leverage ratio	2.0	2.6
Interest cover ratio	4.6	3.0

Note: 1. Figures based on facilities drawn – bank guarantees are excluded.
2. Leverage ratio - Net debt : Operating EBITDA
3. Interest cover ratio - Operating EBITDA : Net Interest expense
4. 2019 US$322.1 million converted at the effective hedge rate of 0.7293
5. 2018 US$100.0 million converted at the effective hedge rate at 30 June 2018 of 0.7642 and US$255.9 million converted at the 30 June 2018 rate of 0.7391. This is a weighted average rate of 0.7460

Total outstanding debt reduced by $16.6 million due to the repurchase of US$33.8 million of the outstanding notes, offset by an increase in finance lease liabilities ($21.9 million) as part of the growth asset acquisition and impacts of foreign currency translation until the debt was fully hedged. As a result of the growth assets being fully cash/debt funded, adjusted net debt increased to $427.4 million at 30 June 2019 from $396.3 million at 30 June 2018.

The secured notes mature in March 2022 and a semi-annual coupon of 9.25% is payable in January and July each year. The note terms do not contain maintenance covenants. At 30 June 2019, US$322.1 million of the notes were outstanding (FY18: US$355.9 million)

Additional hedging was entered into during the period to hedge the remaining unhedged US$220.1 million portion of the outstanding notes. The effective hedge rate of the outstanding notes is AUD:USD 0.7293. Due to the movements in the Australian dollar between the inception of the hedge on 31 March 2017 and 30 June 2019 as well as movements in USD and AUD interest rates, a net hedge asset of $7.0 million has been recognised at June 2019. The hedges entered into have quarterly AUD interest obligations as opposed to larger semi-annual obligations previously experienced on the unhedged debt.

The A$40.0 million revolving credit facility (**RCF**), consisting of an A$35.0 million cash advance facility and an A$5.0 million bank guarantee facility maturing in March 2020, was refinanced in September 2018 and was replaced with an A$65.0 million facility maturing in September 2021 (with a two-year option to extend). A$1.7 million of the facility was utilised for bank guarantees at 30 June 2019.

Emeco's cash balance decreased to $36.2 million at 30 June 2019, largely due to cash on hand at 30 June 2018 being used to fund the acquisition of Matilda, in addition to the investment in the growth assets and repurchasing notes. Refer to note 23 in the accompanying financial statements for additional information on Emeco's financing facilities.

Emeco's leverage ratio has improved from 2.6x at 30 June 2018 to 2.0x at 30 June 2019. The Company expects leverage to continue to decrease in FY20 as a result of increased earnings and cash flows.

No dividends were declared or paid during FY19.

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Segment Business Overview

Main markets

The Company's business operations comprised of two segments: Rental and Workshops.

Rental

Revenue in the Rental segment increased by 13.1% to $401.7 million with operating EBITDA margins increasing from 47.3% in FY18 to 50.8% in FY19.

Group operating utilisation[1] increased over FY19 averaging 64%, up from 58% in FY18. Operating utilisation is a measure of how hard the equipment is working. Gross utilisation averaged 90% in FY19 (FY18: 90%). Management is focused on increasing the operating utilisation of machines currently on rent and looking for opportunities to dispose of underutilised fleet to generate greater returns.

Workshops

The Workshops segment contributed a full year of earnings in FY19 after completion of the Force acquisition in November 2017. An additional three workshops were also added to the segment during FY19 (taking the total number of workshops to seven).

Total Workshops activity (as measured by retail and internal revenue pre-intercompany eliminations) increased from $41.8 million in FY18[2] to $114.7 million in FY19. The internal portion of Workshops activity increased in FY19 to 45% (FY18: 40%)

The Operating EBIT contribution from the retail earnings increased 78% to $4.7 million (FY18: $2.7 million). All overheads, including the additional overheads associated with the three new workshops, are allocated to the retail earnings. Given the greater percentage of internal works being completed by the Workshops, Operating EBIT margin for the period decreased to 7.5% (FY18: 8.9%).

[1] Operating utilisation defined as average operating hours per asset as a percentage of 400 hours per month

[2] Force workshops were acquired 30 November 2017

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Table 7: Five year financial summary

		2019	2018	2017	2016	2015
REVENUE						
Revenue from rental income	$'000	363,258	323,986	208,286	139,545	206,718
Revenue from sale of machines and parts	$'000	1,680	1,835	2,648	5,470	2,788
Revenue from maintenance services	$'000	99,548	55,171	22,080	22,956	31,925
Total	$'000	464,486	380,992	233,014	167,970	241,431
PROFIT						
EBITDA[2]	$'000	213,966	153,004	83,504	54,246	43,364
EBIT[2]	$'000	125,352	83,193	(97,066)	(14,219)	(59,225)
NPAT[2]	$'000	63,126	20,068	(90,891)	(90,519)	(94,813)
Statutory profit/(loss) for the year	$'000	33,961	11,376	(180,463)	(225,389)	(127,703)
Basic EPS[3]	cents	11.3	0.4	(3.7)	(15.1)	(15.8)
BALANCE SHEET						
Total assets	$'000	768,669	716,052	520,679	427,692	708,755
Total liabilities	$'000	570,591	562,570	552,686	421,695	487,284
Shareholders' equity	**$'000**	**198,078**	**153,482**	**(32,007)**	**5,997**	**221,471**
Total debt	$'000	481,243	484,581	474,109	377,818	423,971
CASH FLOWS						
Net cash flows from operating activities	$'000	169,464	125,533	14,223	70,644	(2,894)
Net cash flows from investing activities	$'000	(251,024)	(127,087)	486	(23,112)	(13,013)
Net cash flows from financing activities	$'000	(53,718)	156,730	(21,318)	(49,311)	(6,733)
Free cash flow after repayment/(drawdown) of net debt	**$'000**	**(135,278)**	**155,174**	**(6,609)**	**(1,779)**	**(22,640)**
Free cash flow before repayment/(drawdown) of net debt[1]	**$'000**	**(130,373)**	**162,856**	**(334)**	**5,561**	**(18,495)**
DIVIDENDS						
Number of ordinary shares at year end[3]	'000	323,212	3,178,859	2,436,860	599,675	599,675
Total dividends paid in respect to financial year	$'000	0	0	0	0	0
Ordinary dividends per share declared	**cents**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Special dividends per share declared	**cents**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
KEY RATIO'S						
Average fleet utilisation	%	90.1	89.6	87.3	76.5	69.0
Average fleet operating utilisation	%	63.9	57.4	52.9	44.0	45.7
Operating EBIT ROC[2]	%	21.0	19.6	3.3	(2.7)	(9.4)
Net debt to Operating EBITDA[2]	x	2.0	2.62	5.47	6.74	10.29

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).

2 Operating results. Please refer to previous annual reports for reconciliation between Statutory and Operating Results.

3 30 June 2019 includes the impact of a 10:1 share consolidation that occurred on 27 November 2018.

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Directors' Report

For the year ended 30 June 2019

The board of directors (**Board**) 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**) and the auditor's report for the financial year ended 30 June 2019 (**FY19**).

Directors

The directors of the Company during FY19 were:

PETER RICHARDS BCom

Appointment: Independent Non-Executive Director since June 2010. Chairman since January 2016.

Board committee membership: Chairman of the Remuneration and Nomination Committee. Member of the Audit and Risk Management Committee.

Skills and experience: Peter has over 35 years of international business experience with global and regional companies including British Petroleum (including its mining arm Seltrust Holdings), Wesfarmers Limited, Dyno Nobel Limited and Norfolk Holdings 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).

Current appointments:

- Chairman of Elmore Limited (previously known as IndiOre Limited) (since 2018; previously Non-Executive Director 2009 to 2014, Chairman 2014 to 2017, and Non-Executive Director 2017 to 2018).
- Non-Executive Director of Graincorp Limited (since 2015).
- Non-Executive Chairman of Cirralto Limited (since December 2017).

IAN TESTROW BEng (Civil), MBA

Appointment: Managing Director since 20 August 2015.

Skills and experience: Ian was appointed Chief Executive Officer (**CEO**) in August 2015. Prior to this, Ian was Emeco's Chief Operating Officer, responsible for the Australian and Chilean operations as well as Global Asset Management. Ian has also held the positions of President, New and Developing Business after establishing Emeco's Chilean business in 2012 and President, Americas where Ian managed the exit of Emeco's USA business in 2010 and Emeco's Canadian business commencing in 2009. Ian joined Emeco in 2005, responsible for the business in Queensland and Northern Territory and, then in addition in 2007, New South Wales. Prior to Emeco Ian worked for Wesfarmers Limited, BHP Billiton Ltd, Thiess Pty Ltd and Dyno Nobel.

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PETER FRANK BSEE, MBA

Appointment: Non-Executive Director since April 2017.

Skills and experience: Peter is a Senior Managing Director at Black Diamond. Prior to joining Black Diamond, Peter was President of GSC Group, a SEC-registered investment advisor, where he worked since 2001. From 2005 until 2008, he served as the Senior Operating Executive for GSC's private equity funds. Prior to 2001, Peter was the CEO of Ten Hoeve Bros Inc. and was an investment banker at Goldman Sachs & Co. From April 2010 to May 2015, Peter was a director of Viasystems Group Inc. and he is currently a director of Specialty Chemicals International Limited, Harvey Gulf International Marine LLC, IAP Worldwide Services Inc., North Metro Harness Initiative LLC, Grede Holdings LLC and Color Spot Holdings, Inc.. Peter has also served as chairman of the board of Kolmar Labs Group Inc., Scovill Inc. and Worldtex Inc. Peter graduated from the University of Michigan with a BSEE degree and earned an MBA from the Harvard Business School.

KEITH SKINNER B.Comm, FCA, FAICD

Appointment: Independent Non-Executive Director since April 2017.

Board committee membership: Chairman of the Audit and Risk Management Committee. Member of the Remuneration and Nomination Committee.

Skills and experience: Keith was the Chief Operating Officer of Deloitte Australia for 13 years until his retirement from the firm in May 2015. Previously Keith was one of the leading Restructuring and Insolvency practitioners in Australia, leading many corporate turnarounds. Keith was also a director of Deloitte Australia (1995 to 1997) and a director of the Deloitte Global Firm (2013 to 2015), and a member of the Global Governance (2013 to 2015) and Global Risk Committees (2013 to 2015). Keith has also been the Chairman of Emue Technologies Limited (2013 to 2015). Keith was the Independent Chairman of the Audit and Risk Committee for the Australian Digital Health Agency (2016 to 2019).

Current appointments:

- Director of Invocare Limited (since September 2018). Chair of the Audit and Risk Committee and member of the Finance and Investment Committee.
- Director of the North Sydney Local Health District (since 2017).
- Director of the Lysicrates Foundation Limited (since 2015).

DARREN YEATES B Eng., Executive MBA, FAICD, Grad Dip Mgt, Grad Dip App. Fin

Appointment: Independent Non-Executive Director since April 2017.

Board committee membership: Member of the Audit and Risk Management Committee. Member of the Remuneration and Nomination Committee.

Skills and experience: Darren has over 35 years' mining industry experience, most recently as COO of MACH Energy Australia and CEO of Hancock Coal. He has over 22 years' experience with Rio Tinto including as Acting Managing Director and Chief Operating Officer for Coal Australia, General Manager Ports and Infrastructure for Pilbara Iron and General Manager Tarong Coal. Prior to joining Rio Tinto he worked for 6 years for BHP in coal operations and metalliferous exploration.

Current appointments:

- Independent Non-Executive Director of Stanmore Coal Limited (since May 2019).
- Director of WorkPac Pty Ltd (since January 2018).

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Company secretary

The company secretary of the Company during FY19 was:

PENELOPE YOUNG LLB, LLM, BBus

Appointment: Company Secretary since April 2017.

Penny was appointed General Counsel in July 2017 and Company Secretary to the Emeco Board in April 2017. Penny joined Emeco as Senior Legal Counsel in May 2015. Prior to joining Emeco, Penny spent the majority of her career as a corporate and commercial lawyer in private practice. Penny holds a Bachelor of Laws, Master of Laws and a Bachelor of Business.

Directors' meetings

The number of board and committee meetings held and attended by each director in FY19 is outlined in the following table below:

Table 8: Board and committee meetings held and director attendance

Director	Board meetings		Audit & risk management committee meetings		Remuneration & nomination committee meetings	
	A	B	A	B	A	B
Peter Richards	8	8	3	4	1	2
Ian Testrow	8	8	4 *	4	2 *	2
Peter Frank	8	8	0 *	4	0 *	2
Keith Skinner	7	8	4	4	2	2
Darren Yeates	8	8	4	4	2	2

A Number of meetings attended.
B Number of meetings held during the time the director held office during the year.
* Not a member of this committee.

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Corporate governance statement

The Company's corporate governance statement is located on the Company's website at https://www.emecogroup.com/investors-overview/corporate-governance.

Principal activities

The principal activity of the Group during FY19 was the provision of earthmoving equipment services.

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 FY19, is set out in the operating and financial review section at pages 6 to 12 and in the accompanying financial statements.

Dividends

No dividends were declared or paid during FY19. No dividends have been declared or paid since the end of FY19.

Significant changes in state of affairs

Other than those disclosed in the operating and financial review section or the financial statements and the notes thereto, in the opinion of the directors, there were no significant changes in the Group's state of affairs that occurred during the financial year under review.

Events subsequent to report date

No significant events have occurred subsequent to the year ended 30 June 2019.

Likely developments

Likely developments in, and expected results of, the operations of the Group are referred to in the operating and financial review section at pages 6 to 12. This report omits information on likely developments in the 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 Group.

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Directors' interest

At the Company's 2018 annual general meeting on 15 November 2018 (**2018 AGM**), shareholders approved a 10 to 1 share consolidation (**Share Consolidation**). The Share Consolidation was completed on 27 November 2018.

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 9: Directors' Interests

Director	Ordinary shares	Options	Rights
Peter Richards	6,818	-	-
Ian Testrow	15,985 [A]	-	16,192,476 [B]
Peter Frank	-	-	-
Keith Skinner	-	-	-
Darren Yeates	-	-	-

[A] This comprises ordinary shares in which Mr Testrow has a relevant interest.
[B] This comprises unvested rights (performance shares) issued under the Company's FY17, FY18 and FY19 incentive plans after shareholder approval.

Indemnification and insurance of 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 strategy officer, 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, Deloitte Touche Tohmatsu.

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Non-audit services

During the year, Deloitte Touche Tohmatsu, the Group's auditor, has performed certain other services in addition to their statutory duties. This is for provision of audit and tax services as well as other specific assurance and due diligence services around business acquisitions. No other advisory or consulting services were provided by Deloitte during the year.

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 Group and have been reviewed by the audit and risk management committee to ensure they do not impact the integrity and objectivity of the auditor.
- 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 Group, acting as an advocate for the Group or jointly sharing the risks and rewards.

Details of the amounts paid to the auditor of the Group, Deloitte Touche Tohmatsu and its network firms, for audit and non-audit services provided during the year 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 39 and forms part of the directors' report.

Rounding off

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 as referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016. The Company is an entity to which the class order applies.

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Letter from the chair of the remuneration and nomination committee

Dear Shareholders,

On behalf of the Board of Directors of Emeco Holdings Limited (**Emeco**) I am pleased to present the Company's 2019 Remuneration Report.

FY19 performance and remuneration

As Emeco continues on its journey of becoming the highest quality and lowest cost provider of earthmoving equipment services, the Board has sought to ensure that the remuneration strategy for the executive team and management are progressive and consistent with company objectives and shareholder values.

In determining the remuneration for our executives, the Board considers their roles, responsibilities and performance, together with the operational and financial performance of the Company.

In FY19, key performance indicators under the FY19 Emeco Hybrid Incentive Plan (**EHIP**) were partially met reflecting growth in the Company's earnings having first achieved the deleveraging goal targeted at further strengthening the Company's balance sheet. While safety goals were not met, the Company had a lost time injury frequency rate of zero.

A more detailed explanation of the FY19 remuneration outcomes for all executives is included in section 5 of this report.

Existing incentive plans

Management incentive plan

In March 2017, the Company executed the transformative three-way merger and recapitalisation (**Transaction**). The Transaction was conditional upon the establishment of the management incentive plan (**MIP**) with 10% of the post-Transaction issued capital being allocated to Mr Testrow and management. This was a requirement of Emeco, Andy's Earthmovers (Asia Pacific) Pty Ltd (**Andy's**) and Orionstone Holdings Pty Limited (**Orionstone**) creditors and shareholders (all of who ultimately became Emeco shareholders as a result of the Transaction) as they required management to be incentivised to remain employed with the Group in the long term to ensure the successful integration of merged entities and to drive shareholder value. The MIP aligned management with shareholder interests and, since the allocation of the initial MIP, Emeco's share price has increased significantly.

At the 2018 AGM, shareholders approved the last allocation proposed under the MIP to Mr Testrow. As announced by the Company at the time, the allocation, which vests across 5 years, was agreed in conjunction with an extension of Mr Testrow's contract beyond 31 March 2020 and to increase long term alignment with the business and shareholder interests. Extending Ian's contract past 31 March 2020 was key, not only for the business, but in order to extend the vesting date for future equity settled incentive plans.

Ian has led Emeco through a period of extremely challenging market conditions and his tireless work and determination has resulted in a strengthened Emeco and return to profitability. On behalf of the Board, thank you to all shareholders that supported this allocation to Ian.

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Emeco hybrid incentive plan

In mid-2017, we introduced the Emeco Hybrid Incentive Plan (**EHIP**). The EHIP combined short-term incentives (**ST**I) and long-term incentives (**LTI**) into a single incentive plan with the intention to build long-term shareholder alignment through meaningful share ownership subject to achievement of KPIs and continued employment with the Group. Given the transformation and dynamic nature of the Company and the cyclical nature of the market, setting meaningful long term KPIs had become extremely challenging. As a result, the EHIP KPIs focussed on shorter term metrics which the Board believed at that point in the Company's rebuilding program, drove and set up the platform for the Company's long term sustainability and shareholder wealth.

While most stakeholders were supportive of the MIP and EHIP, there were some concerns voiced in respect of certain elements of the plans. In response, the Company undertook a review of executive remuneration arrangements.

Changes to the remuneration structure for FY20

The Board recognises that, with the growth and maturity of the Company, it is now appropriate to evolve the Company's incentive plans. As such, in FY20 the Company will separate the STI and LTI plans. The main consideration for the Board in adopting this more traditional structure is to ensure the LTI performance measures remain relevant throughout the medium to long term so they continue to reflect the Company's circumstances and incentivise management whilst aligning with shareholder interests.

As Emeco is a dynamic company operating in a cyclical market, the FY20 LTI plan will have performance measures which will be set annually but achievement will be assessed over a three-year period. The Board believes that this will give the Company the flexibility necessary to ensure that goals for the upcoming year remain aligned with the interests and expectations of shareholders and other stakeholders.

Details of the Board's understanding of shareholder issues and its responses in relation to the incentive plans and other remuneration arrangements are provided in section 2 of this Remuneration Report.

Looking ahead

The Company is continuing to build a sustainable platform through the cycle and with the remuneration changes to be implemented, we believe this framework will appropriately support Emeco to deliver on the outcomes desired by its shareholders.

The Board looks forward to providing further details of the remuneration changes implemented in FY20 as we continue to engage with stakeholders. We thank you for your ongoing support of Emeco.

Peter Richards
Chairman

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Remuneration report (audited)

Contents

This Remuneration Report for the year ended 30 June 2019 outlines the remuneration arrangements of the Company and is in accordance with the requirements of the *Corporations Act 2001* (**Act**) and its regulations. This information has been audited as required by section 308(3C) of the Act. This report covers the following matters:

1. Introduction
2. Response to "first strike"
3. Remuneration governance
4. Executive remuneration arrangements
   A. Remuneration principles and strategy
   B. Approach to setting remuneration and details of incentive plans
5. Relationship between executive remuneration and company performance
6. Executive remuneration outcomes for FY19
7. Executive contracts
8. Non-executive director remuneration
9. Additional disclosures relating to share-based payments
10. Loans to key management personnel and their related parties
11. Other transaction balances with key management personnel and their related parties

1. Introduction

This report details the Group's remuneration objectives, practices and outcomes for key management personnel (**KMP**), who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company. Any reference to 'executives' in this report refers to KMP who are not non-executive directors.

The following persons were directors of the Company during FY19:

Non-executive directors	
Peter Richards	Chair
Peter Frank	Non-Executive Director
Keith Skinner	Independent Non-Executive Director
Darren Yeates	Independent Non-Executive Director

Executive directors	
Ian Testrow	Managing Director & Chief Executive Officer

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The following persons were also employed as executives of the Company during FY19:

Other executives	Position
Thao Pham	Chief Strategy Officer
Justine Lea	Chief Financial Officer

2. Response to "first-strike"

At the 2018 Annual General Meeting (**2018 AGM**) held on 15 November 2018, approximately 74% of shareholder votes voted in favour of the adoption of the 2018 Remuneration Report. As more than 25% of shareholders voted against the adoption, the Company incurred a 'first strike' pursuant to section 250R of the Act.

Subsequent to the 2018 AGM, the Board has considered the concerns raised, predominantly by proxy advisor groups, in relation to the Remuneration Report and other related resolutions put to the 2018 AGM and although stakeholder engagement is ongoing, has taken the below action to date:

- consultation with a number of the Company's major shareholders;
- the Chair of the Board and Remuneration and Nomination Committee has met with representatives of various proxy advisors and industry shareholder groups to understand their views and further explain the Company position on these matters;
- procurement of independent external advice from The Reward Practice Pty Ltd on some of the issues raised and the likely views of key stakeholders and proxy advisor groups in particular; and
- consideration of all of the above in determining changes for FY20.

The table below provides further information on key remuneration matters raised by proxy advisor groups and the Company's response:

Issue	Company's response
Emeco Hybrid Incentive Plan (EHIP)	
► Too short-term oriented and not performance linked over medium to long term.	► The EHIP was designed to build meaningful executive share ownership which ensures executives are incentivised to drive long term shareholder value which impacts the value of the award upon vesting. ► In recent years, establishing long term KPIs for the Company and management has been exceptionally challenging given the transformation of the Company and the cyclical nature of the market. The EHIP helped to address these challenges by measuring performance on shorter term metrics which impact the Company's long term sustainability and shareholder wealth. ► The Board acknowledges and respects stakeholder views and, as a result, in FY20 the Company will offer separate STI and LTI incentive plans with the LTI performance measures to be assessed over a three year period.

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Issue	Company's response
Management Incentive Plan (**MIP**) ► Quantum is too high, and vesting is based on service condition only.	► Implementation of the MIP was driven by the Emeco, Andy's and Orionstone shareholders and creditors who wanted to ensure management, particularly the Emeco CEO, was incentivised to remain with the Group to ensure the successful integration of the merged entities and drive shareholder value. ► As Emeco's CEO sacrificed a portion of his 2017 MIP allocation (due to vest in March 2020) to ensure the recapitalisation and mergers proceeded, the 2018 MIP allocation was aimed at increasing CEO long term alignment with the business and shareholder interests. ► The MIP has proven an effective retention incentive for management in challenging periods including periods of transformation, integration and significant growth. However, in the Company's current circumstances, and with low management turnover, the Board considers a performance based plan will help to further drive performance and wealth creation for shareholders whilst continuing to effectively incentivise proven performers. ► The Company does not intend to issue any further awards under the MIP although existing awards will be unaffected.
MD fixed remuneration quantum ► Relatively high and historical increases seen as excessive.	► In 2015, Mr Testrow was appointed as CEO with a TFR 29% lower than that of his predecessor. Since Mr Testrow's appointment, the Company has undergone a transformation and continued growth. This is evidenced by: (i) the share price increasing 37% on compound annual growth rate (**CAGR**) basis; (ii) 49% increase in EBITDA on a CAGR basis; and (iii) an absolute increase of 31% in return on capital. ► As a result, CEO fixed remuneration has been increased over time to align with market comparable sector peers and ensure appropriate reward retains the level of skills, experience required for Emeco. ► In line with contemporary practices of large listed companies, the Board recognises some adaptation is required to update Emeco's approach when setting and reviewing executive remuneration.
Dilution impact of employee share plans ► Quantum of recent equity awards viewed as excessive and dilutionary.	► Emeco will continue to monitor employee share ownership at an accepted level and where appropriate, will seek to limit dilution impact through on-market share purchases.

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3. Remuneration governance

Remuneration and Nomination Committee

The Remuneration and Nomination Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the Managing Director, executives and Directors themselves. The Remuneration and Nomination Committee's role also includes responsibility for general remuneration strategy, superannuation and other benefits, and employee share plans.

The members of the remuneration and nomination committee in FY19 were Mr Peter Richards (Chair), Mr Keith Skinner and Mr Darren Yeates.

Further information on the Remuneration and Nomination Committee's role and responsibilities can be found at https://www.emecogroup.com/investors-overview/corporate-governance.

Use of remuneration consultants

To ensure the Remuneration and Nomination Committee is fully informed when making remuneration decisions, it seeks external remuneration advice from time to time. Remuneration consultants are engaged by, and report directly to, the Committee. In selecting remuneration consultants, the Committee considers potential conflicts of interest and requires independence from the Company's key management personnel and other executives as part of their terms of engagement.

During the financial year, the Remuneration and Nomination Committee engaged The Reward Practice Pty Ltd as remuneration consultants to provide remuneration services in respect to external market analysis and general insights for executive remuneration structures. During the period no remuneration recommendations, as defined by the Act, were provided by The Reward Practice Pty Ltd.

Prohibition of hedging securities

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

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4. Executive remuneration arrangements

4.A Remuneration principles and strategy

Emeco's executive remuneration strategy is designed to attract, motivate and retain high performing individuals and align the interests of executives and shareholders.

The following diagram illustrates how the Company's remuneration strategy aligns with the strategic direction and links remuneration outcomes to performance.

Business objective
Differentiating Emeco to create a competitive advantage by being the highest quality and lowest cost provider of earthmoving equipment services to drive value through the cycle

Remuneration strategy linkages to business 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.

Remuneration component	Vehicle	Purpose	Link to performance
Total Fixed Remuneration (TFR or fixed remuneration)	Comprises base salary, employer superannuation contributions and other non-cash benefits.	To provide competitive base salary set with reference to Company size, achievements, role, market and experience.	Changes to an executive's scope of responsibilities are considered during the annual remuneration review and, along with performance, drive remuneration changes.
Variable incentive plan (short term component)	Paid in cash.	Rewards executives for their contribution to achievement of Company key performance indicators (**KPIs**).	Emeco health and safety (total recordable injury frequency rate (**TRIFR**)), earnings before interest, tax, depreciation and amortisation (**EBITDA**) and leverage are the key performance measures in FY19 which determine if any short term component is payable. These measures also determine if any long term/equity component will be awarded for future vesting, subject to continued employment.
Variable incentive plan (long term component)	Awards are made in the form of rights to ordinary Emeco shares (**Rights**).	Rewards executives for their contribution to achievement of Company KPIs. Also aligns executive and shareholder interests by rewarding executives for share price growth and continued employment with the Group over the vesting period.	Vesting of Rights is dependent on continued employment over the vesting period. The value of this incentive is ultimately dependent on the Company's share price at the end of the vesting period.

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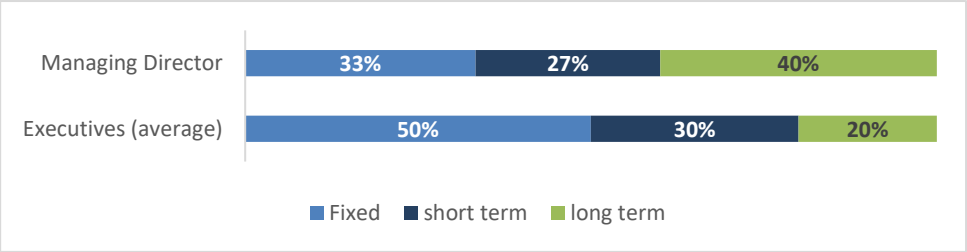
4.B Approach to setting remuneration and details of incentive plans

In FY19, the executive remuneration framework consisted of fixed remuneration and short and long term incentives as outlined below.

Overall remuneration level and mix

How is overall remuneration and mix determined?	The Company aims to reward executives with a level and mix (proportion of fixed remuneration, short term incentives and long-term incentives) of remuneration appropriate to their position, responsibilities and performance within the Company and that which is aligned with targeted market comparators. In FY19 remuneration benchmarking was undertaken with reference to industry peers (mining and mining services companies) and market capitalisation. The chart below summarises the MD's and other executives' target remuneration mix for fixed remuneration, short term incentives and long-term incentives. The target mix is considered appropriate for Emeco based on the Company's current phase of operations.



Fixed remuneration

How is fixed remuneration reviewed and approved?	Fixed remuneration is reviewed annually from benchmarked remuneration data. Any fixed remuneration changes for executives take into account changes in responsibilities and performance within the Company and are aligned with targeted market comparators. Changes to an executive's fixed remuneration is subject to approval from the Board considering recommendations from the Remuneration and Nomination Committee.

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Variable remuneration

What is the Emeco Hybrid Incentive Plan?	In FY18, a variable remuneration review was undertaken. After considering the Group's transformative transactions in FY17 and key items of focus for the FY18 financial year, Emeco's hybrid incentive plan (**EHIP**) was developed. Given the highly dynamic status of the Company, the EHIP has been designed to ensure focus on the Company's current objectives (acknowledging these may change with the transformation of the Company over a longer period) whilst retaining and rewarding the senior management team thereby enhancing alignment between senior management remuneration and wealth creation for shareholders. Retaining senior management is particularly important to the Company given the Group's significant growth and focus on deleveraging in order to drive the success of the Company and position the Group well for refinancing the Group's notes due in 2022. The EHIP includes both short term, cash incentive and long term, equity settled incentive elements, award of which is determined by reference to the Company's performance.
What are the performance criteria and how do they align with business performance?	The key performance indicators (**KPIs**) for the EHIP are based on a balance of both financial and non-financial measures which are aligned with the long term performance and sustainability of the Company. In FY19, a safety KPI was once again included given the importance of safety to the Group's workforce, customers and stakeholders. A financial KPI (EBITDA) was included to further focus executive efforts on strengthening the Group's financial position and the long term sustainability and success of the Group. Achievement of the financial KPI was also subject to a specified leverage ratio. See table 11 for more information on the KPIs.
How much can executives earn?	The below table sets out the maximum incentive opportunity for each executive under the FY19 EHIP attributable to: • short term, cash incentive as a percentage of total fixed remuneration (**TFR**); and • longer term, equity settled incentive as a percentage of TFR if the executives remain employed by the Group until the vesting date if maximum performance is achieved.

Table 10: components of variable remuneration

Executive	Position	Maximum short term % of TFR	Maximum long term % of TFR	Maximum total variable remuneration of TFR
Ian Testrow	Managing Director & Chief Executive Officer	80%	120%	200%
Thao Pham	Chief Strategy Officer	60%	40%	100%
Justine Lea	Chief Financial Officer	60%	40%	100%

When is performance measured?	Variable incentive awards are measured in August, once the Company's annual financial performance is determined.
How are awards determined?	Awards are determined by the Board, on recommendation of the Remuneration and Nomination Committee, after consideration of Company performance against the KPIs.

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Variable remuneration

How is it paid?	An executive's maximum achievable cash and equity award is set as a percentage of TFR (see table 10 above for details pertaining to the FY19 EHIP). The cash component of the EHIP is determined, and paid, after the Company's financial year performance is assessed against the KPIs. The equity settled component of the EHIP is also determined by reference to the KPIs but is subject to an additional service condition in order to incentivise continued employment with the Group (see table 15). The ultimate value of the equity settled component of the EHIP is determined by the share price at the end of the vesting period EHIP equity settled awards are rights (**Rights**) to fully paid ordinary Emeco shares (**Shares**). Rights awarded under the EHIP may vest at the end of the vesting period, subject to the executive remaining employed by the Group (see table 15). Rights that do not vest will lapse. The award of Rights under the FY19 EHIP is at no cost and is calculated by reference to the July 2018 VWAP of Emeco shares.
What happens if an executive leaves?	The cash component of the EHIP is only paid to executives employed by the Group after performance is assessed against the KPIs. Rights awarded under the EHIP may vest on an accelerated basis in the event of an executive's death, total and permanent disability, retrenchment or retirement. If an executive leaves the Group for any other reason, the Rights will lapse (unless otherwise agreed by the Board).
What happens if there is a change in control?	In the event of absolute change in control (i.e., the acquisition by a third party and its associates >50% of Emeco shares), Rights awarded under the EHIP will vest on the change date.
Are executives eligible for dividends?	Dividends are not payable on unvested Rights awarded under the EHIP.

Legacy retention plan - Management Incentive Plan (MIP)

In FY17 the MIP was introduced. Implementation of the MIP was driven by the Emeco, Andy's and Orionstone shareholders and creditors who required executives, particularly the Emeco CEO, to be incentivised to remain with the Group after the Transaction to ensure the successful integration of the companies and drive shareholder value.

At the extraordinary general meeting on 13 March 2017, shareholders approved the making of grants under the MIP over a three-year period. After completion of the Transaction, selected participants were offered Rights under the MIP. Another one off grant under the MIP was made in FY19 in recognition of participants' ability to drive the long term objectives of the Emeco Group.

MIP awards to executives are delivered in the form of Rights to ordinary Shares at no cost. The Rights have been granted in various tranches which may vest over period ranging up to five years, subject to the executive remaining employed by the Group on the vesting date. Rights that do not vest will lapse.

In the event of death, total and permanent disability, retrenchment or retirement resulting in a participant in the MIP ceasing employment prior to the award vesting, Rights may vest on an accelerated basis. If a participant leaves the Group for any other reason, the Rights will lapse (unless otherwise agreed by the Board). In the event of absolute change in control (i.e., the acquisition by a third party and its associates >50% of Emeco shares), Rights awarded under the MIP will vest on the change date.

Table 15 in section 9 provides details of Rights awarded and vested during the year and Table 16 in section 9 provides details of the value of Rights awarded, exercised and lapsed during the year.

Following a review of remuneration arrangements, the Company does not intend to issue any further awards under the MIP although existing awards will be unaffected.

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5. Relationship between executive remuneration and company performance

Historically most of the Company's long term incentive plans included a performance condition based on the relative total shareholder return (**TSR**) of the Company measured against a peer group over a three year vesting period. TSR performance conditions became particularly difficult to satisfy after FY12 given the downturn in the mining sector and this seemingly affected the value of these plans as a retention tool. Recognising the crucial role senior management have in a downturn to recover a business, in FY16 the Company moved to a retention based long term incentive plan, under which the awards vest at the end of a three-year period to incentivise continued service.

In FY17, as part of the Transaction, the Company's shareholders approved the establishment of the MIP and the initial MIP awards to executives. Awards to executives under the MIP formed an important aspect of the Transaction and incentivised management to remain with the Group post-Transaction and beyond in order to achieve timely integration of the businesses and achievement of the Group's long term objectives, thereby aligning the interests of executives with the long term interests of shareholders.

The acquisition of Force Equipment in November 2017 resulted in further consolidation of the equipment rental market and an ability to generate less capital intensive earnings and savings on capital expenditure and R&M through Force's workshops and component rebuild capability. The acquisition of Matilda Equipment in July 2018 further increased the Group's earnings and fleet size. Both transactions have strengthened Emeco's balance sheet.

The Company believes retaining executives over the period and throughout the more recent Matilda Equipment and Force Equipment integrations has been integral to Emeco's continued growth and plays a vital part in Emeco achieving its objective of deleveraging to strengthen its balance sheet and ensuring sustainability through the cycles. As such, retaining and rewarding senior management is key in driving Company performance, deleveraging and achievement of the Group's other business and strategic objectives and therefore value creation for shareholders. To this end, a further grant of awards was made under the MIP in FY19, which was approved by shareholders at the 2018 AGM. See table 15 for more information.

Company performance

A summary of Emeco's business performance as measured by a range of financial and other indicators, including disclosure required by the Act, is outlined in the table below.

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

	FY19	FY18	FY17	FY16	FY15
Profit/(loss) from continuing operations ($m)	33.7	5.3	(156.2)	(225.3)	(123.1)
Profit/(loss) from discontinuing operations ($m)	0.3	6.1	(24.3)	(56.9)	(4.6)
Statutory EBITDA ($m)	195.1	130.7	69.6	47.6	32.8
Statutory profit/(loss) ($m)	33.7	11.4	(180.5)	(225.3)	(127.7)
Total dividends declared ($m)	-	-	-	-	-
Statutory return on capital employed	18.0%	11.7%	(50.2%)	(61.6%)	(20.7%)
Closing share price as at 30 June [1]	$2.10	$0.38	$0.11	$0.03	$0.08

[1] A 10 to 1 share consolidation was approved by the Company's shareholders at the 2018 AGM and effected on 27 November 2018. This is reflected in the share price at 30 June 2019 only.

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6. Executive remuneration outcomes for FY19

Fixed remuneration outcomes

Based on the methodology outlined in Section 4B of the Remuneration Report, an annual review of fixed remuneration was undertaken for each executive.

As a result of the annual review, in FY19 there was a 15% increase to fixed remuneration for Mr Testrow, 39.6% increase to fixed remuneration for Ms Pham and 22.9% increase to fixed remuneration for Ms Lea. These increases recognised expanded responsibilities based on recent transactions, continued strong performance in their respective roles and alignment to market. Notably, the fixed remuneration of Ms Pham and Ms Lea was realigned at the 50th percentile of the market.

Incentive outcomes (EHIP)

In FY19, the executives had identical KPIs to focus executive efforts on the overall performance and strategic objectives of the Group in addition to promoting collaboration and support between the executives.

Table 11 below sets out the KPIs for the FY19 EHIP and the respective weightings attributable. In the Board's view, these KPIs align the reward of executives with the interests of shareholders. The FY19 EHIP provided for pro-rata entitlements where performance in respect of the KPIs was between the thresholds and targets.

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Table 11: FY19 EHIP KPI weightings, payment schedule and achievement

KPI	Weighting	Payment schedule	Rationale	Achievement
Health & Safety	20%	0% if the TRIFR [A] as at 30 June 2019 is higher than the TRIFR as at 30 June 2018. 20% if the TRIFR as at 30 June 2019 is 20% lower than the TRIFR as at 30 June 2018. Pro-rata payments between these levels. Notwithstanding the above, no entitlement if there is a serious, permanently disabling injury or a fatality.	The board regularly reviews the Company's safety performance in detail and is striving to achieve a 'zero-harm' workplace at Emeco. TRIFR measures progress towards this goal.	Below threshold
Financial	80%	0% if actual FY19 EBITDA is equal to or less than 95% of budget FY19 EBITDA. 100% if actual FY19 EBITDA is equal to or greater than 105% of budget FY19 EBITDA. Pro-rata payments between these levels. Notwithstanding the above, no entitltment if FY19 leverage is greater than 2.0x.	Reflects the financial performance and the ability of the Company to pay STI awards along with the Company's focus on deleveraging and ensuring a sustainable business throughout the mining sector cycles.	Between threshold and target

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

The following table outlines the proportion of maximum incentive opportunity that was earned, deferred and forfeited in relation to FY19.

Table 12: FY19 EHIP outcomes

Executive name	Total EHIP opportunity (% of fixed)	Proportion of maximum EHIP earned in FY19 (cash) [1]	Proportion of maximum EHIP deferred (Rights)	Proportion of maximum EHIP forfeited in FY19
Ian Testrow	200%	80%	4.76%	115.24%
Thao Pham	100%	25.43%	16.95%	57.62%
Justine Lea	100%	25.43%	16.95%	57.62%

[1] For Mr Testrow, the first 80% of the EHIP award is paid in cash with the balance granted as Rights.

Legacy incentive plan outcomes (FY16 RI)

In FY16 the Company offered executives retention incentives. The award of these incentives were not conditional on Company performance. These incentives were scheduled to vest at the end of a three-year period (**performance period**), subject to the executive remaining employed by the Group. These incentives were designed to encourage senior management to remain with the Group.

The Rights previously issued to Mr Testrow and Ms Pham under the FY16 retention incentive plan vested in full on 17 September 2018. Further details of vested awards for executives during the FY19, are set out in Table 15.

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Statutory Executive KMP remuneration

The following table sets out total remuneration for executive KMP in FY19 and FY18, calculated in accordance with statutory accounting requirements.

Table 13 – Statutory Executive KMP remuneration

			Short-term employee benefits			Post-employment benefits			Share based payments		
	KMP Name	Financial year	Salary and fees [1] $	Short term bonus payments [2] $	Non-monetary $	Superan-nuation benefits $	Other long term benefits $	Termination benefits $	Long term equity incentives [3] $	Total $	% of remuneration performance related
Executive directors	Ian Testrow	2019	1,077,862	809,600	-	26,321	45,327	-	9,480,523	11,439,633	90%
		2018	961,834	704,000		30,873	40,523	-	3,154,274	4,891,504	79%
Other executives	Thao Pham	2019	555,661	124,379	-	26,389	25,573	-	1,223,083	1,955,085	69%
		2018	366,191	210,240	-	27,338	11,425	-	714,553	1,329,747	70%
	Justine Lea	2019	430,943	102,689	-	25,754	21,485	-	608,680	1,189,551	60%
		2018	335,616	197,100	-	26,489	40,523	-	227,338	827,066	51%
TOTAL KMP remuneration		2019	2,064,466	1,036,668	-	78,465	92,385	-	11,312,286	14,584,270	85%
		2018	1,663,641	1,111,340	-	84,700	92,471	-	4,096,165	7,048,317	74%

[1] This figure includes an increase in annual leave entitlements accrued in FY19 in line with legislation.
[2] This figure includes cash awards under the FY19 EHIP as approved by the Board after review of performance against applicable key performance indicators (see table 11).
[3] This figure includes Rights awarded by the Company in FY16, FY17, FY18 and FY19.

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7. Executive Contracts

Remuneration arrangements for executives are formalised in employment agreements which provide for an indefinite term. The executives' termination provisions are as follows:

	Resignation	Termination for cause	Termination payment*
Managing Director notice period (by company or executive)	12 months	None	Nil
Other executives notice period (by company or executive)	6 months	None	Nil

* Other than salary in lieu of notice and accrued statutory leave entitlements.

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8. Non-executive director remuneration

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 usually reviewed and benchmarked annually in August against fees paid to NEDs of comparable companies with similar market capitalisation and industry of the Company. The Board may consider advice from external consultants when undertaking the annual review process.

A review was undertaken in FY19 (no review in FY18) resulting in some increases to fees as outlined below to align to market, taking effect on 20 August 2018.

The ASX listing rules specify that the NED fee pool shall be determined from time to time by a general meeting. The Company's constitution has provided for an aggregate fee pool of $1,200,000 per year since its listing on the ASX.

The Board will not seek any increase for the NED pool at the 2019 AGM.

Structure

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 skill sets of board members, the quantum of fees paid to non-executive directors of comparable companies and participation in board committee work. Due to the small number of Australian based non-executive directors in FY19, all Australian non-executive directors sit on more than one committee. However, non-executive directors only get paid for sitting on one committee.

The table below summarises the NED fee policy for FY19 (inclusive of superannuation):

Board fees		
Chairman	$158,238	(FY18 $158,238)
Directors	$100,000	(FY18 $90,422)

Committee fees		
Committee Chair	$13,333	(FY18 $9,042)
Committee Member	$10,000	(FY18 $6,782)

NEDs do not receive retirement benefits, nor do they participate in any incentive programs.

The remuneration of NEDs for the year ended 30 June 2019 and 30 June 2018 is detailed in table 14 below.

Table 14 – Statutory Non-executive director remuneration

		Short-term employee benefits	Post-employment benefits	Long-term benefits	
Non-executive directors (NEDs)	**Financial year**	**Salary and fees $**	**Superannuation benefits $**	**Long term equity incentives $**	**Total $**
Peter Richards	2019	148,470	23,503	-	171,973
	2018	153,325	13,955	-	167,280
Peter Frank	2019	90,869	8,633	-	99,501
	2018	82,578	7,844	-	90,422
Keith Skinner	2019	102,841	9,770	-	112,611
	2018	90,835	8,629	-	99,464
Darren Yeates	2019	99,848	9,486	-	109,334
	2018	88,771	8,433	-	97,204
TOTAL NEDs	2019	**442,028**	**51,392**	**-**	**493,420**
	2018	**415,509**	**38,861**	**-**	**454,370**

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9. Additional disclosures relating to share-based payments

Table 15: Summary of executive KMP allocated, vested or lapsed equity

Grants and vesting of equity settled awards made to executives in connection with the FY19 EHIP, and the Company's long term incentive plans in FY16, FY17, FY18 and FY19 are set out in the following table:

			Number of share granted [2]					
Executive	**Grant date**	**Instrument [1]**	**Pre-share consolidation**	**Post-share consolidation**	**% vested in FY19**	**% forfeited in FY19**	**Vesting date [3][4]**	**Fair value per share/right at grant date [5][6]**
Ian Testrow [A]	14/12/2016	Right / performance share	13,021,703	1,302,171	100%	-	17/09/2018	$0.03
	31/03/2017	Right / performance share	108,674,758	10,867,476	-	-	1/04/2020	$0.08
	15/11/2018	Right / performance share	8,250,000	825,000	-	-	31/03/2020	$0.33
	15/11/2018	Right / performance share	15,000,000	1,500,000	-	-	21/08/2019	$0.33
	15/11/2018	Right / performance share	10,000,000	1,000,000	-	-	Aug-21	$0.33
	15/11/2018	Right / performance share	10,000,000	1,000,000	-	-	Aug-22	$0.33
	15/11/2018	Right / performance share	10,000,000	1,000,000	-	-	Aug-23	$0.33
	TBA	Right		[13,646]			30/06/2021	TBA
Thao Pham [B]	05/02/2016	Right / performance share	3,330,756	333,076	100%	-	17/09/2018	$0.03
	31/03/2017	Right / performance right	24,368,606	2,436,861	-	-	1/04/2020	$0.08
	20/08/2018	Right / performance right	1,095,000	109,500	-	-	30/06/2020	$0.36
	10/08/2018	Right / performance right	5,535,566	553,557	-	-	30/06/2023	$0.36
	14/08/2019	Right	-	23,490			30/06/2021	$2.19
Justine Lea [B]	31/03/2017	Right / performance right	8,122,868	812,287	-	-	1/04/2020	$0.08
	20/08/2018	Right / performance right	1,026,563	102,657	-	-	30/06/2020	$0.36
	10/08/2018	Right / performance right	3,321,340	332,134	-	-	30/06/2023	$0.36
	14/08/2019	Right	-	19,393			30/06/2021	$2.19

[A] Mr Ian Testrow's grant of awards under the: (i) FY16 long term incentive plan was approved by shareholders on 14 December 2016; (ii) FY17 MIP was approved by shareholders on 13 March 2017, subject to completion of the Transaction; (iii) FY18 EHIP and FY19 MIP were approved by shareholders on 15 November 2018; and (iv) FY19 EHIP is subject to shareholder approval at the 2019 annual general meeting.

[B] Awards granted to Ms Pham and Ms Lea under the MIP on 10 August 2018 are subject to continued employment to the vesting date.

[1] A 'performance share' is a right to one fully paid ordinary Emeco share currently on issue. A 'performance right' is a right to receive one fully paid ordinary Emeco share. The vesting of performance shares and performance rights is subject to satisfaction of vesting conditions.

[2] For grants made prior to the Share Consolidation being implemented, both pre-share consolidation and post-share consolidation figures are provided.

[3] Vesting of Rights is subject to satisfaction of vesting conditions. The minimum total value of the grants for future financial years is zero if the service condition is not satisfied. An estimate of the maximum possible total value in future financial years is the fair value at grant date multiplied by the number of equity instruments awarded. See table 11 for details of the KPIs applicable to awards under the FY19 EHIP. Full details of the vesting conditions for all prior year equity settled grants to executives are included in the remuneration report for the relevant year.

[4] Where exact vesting dates are not noted, the vesting date will follow release of the Company's full year results.

[5] The fair value of the awards granted in FY16 was determined using a Monte Carlo share price simulation model. The fair value of awards granted under the MIP in FY17 and FY19 and FY18 and FY19 EHIP was determined using the 30-day volume weighted average price on the grant date. For all securities, the fair value 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 13) is the portion of the fair value of the securities recognised in FY19. The fair value of all securities is not related to or indicative of the benefit (if any) that an executive may ultimately realise if the equity instruments vest.

[6] Note that the fair value per share/right at grant date is based on pre-Share Consolidation shares for all grant dates occurring prior to 27 November 2018.

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Table 16: KMP share holdings

Details of shares and equity held by KMP, including their personally related entities, for FY19 are as follows:

		Holding at 1 July 2018						
	Equity instrument	Pre-Share Consolidation	Post-Share Consolidation	Rights granted in FY19 [A]	Rights vested in FY19	Shares granted in FY19	Net changes other	Holding at 30 June 2019 [A]
Non-executive directors								
Peter Richards	Shares	68,179	6,818	-	-	-	-	6,818
Executives								
Ian Testrow	Rights / performance shares	13,021,703	-	-	13,021,703	-	(13,021,703)	0
	Rights / performance shares	108,674,758	10,867,476	5,325,000			5,325,000	16,192,476
	Shares	849,590	84,959	-	-	-	(68,974)	15,985
Thao Pham	Rights / performance shares	3,330,756	-	-	3,330,756	-	(3,330,756)	0
	Rights / performance rights	24,368,606	2,436,861	663,057	-	-	663,057	3,099,918
	Shares	78,238	7,824	-	-	-	(7,824)	0
Justine Lea	Rights / performance rights	8,122,868	812,287	434,791	-	-	434,791	1,247,078
	Shares	5,218	522	-	-	-	-	522

[A] Figures displayed are on a post-Share Consolidation basis.

10. Loans to key management personnel and their related parties

There are no loans to key management personnel and their related parties.

11. Other transactions and balances with key management personnel and their related parties

There are no other transactions and balances with key management personnel and their related parties.

Signed in accordance with a resolution of the directors.

Ian Testrow
Managing Director

Dated at Perth, 20th day of August 2019

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The Board of Directors
Emeco Holdings Limited
3/71 Walters Drive
Perth WA 6017

20 August 2019

Dear Board Members

Emeco Holdings Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Emeco Holdings Limited.

As lead audit partner for the audit of the financial statements of Emeco Holdings Limited for the financial year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Leanne Karamfiles
Partner
Chartered Accountants

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Continuing operations			
Revenue from rental income		363,258	323,986
Revenue from the sale of machines and parts		1,680	1,835
Revenue from maintenance services		99,548	55,171
		464,486	380,992
Repairs and maintenance		(89,092)	(104,888)
Employee expenses	8	(38,134)	(35,416)
External maintenance services		(75,256)	(39,996)
Cartage and fuel		(13,763)	(10,309)
Hired in equipment and labour		(3,439)	(11,824)
Depreciation expense	8	(87,409)	(68,844)
		(307,093)	(271,277)
Other income	7	6,494	2,251
Other expenses	8	(56,428)	(46,314)
Impairment of tangible assets	8	(6,684)	(11,150)
Amortisation expense	20	(1,930)	(1,017)
Business acquisition expenses	8	262	(3,836)
Finance income	8	962	492
Finance costs	8	(55,124)	(50,911)
Net foreign exchange loss	8	(11,271)	(12,617)
Profit/(loss) before tax expense		33,674	(13,387)
Tax benefit/(expense)	10	-	18,707
Profit from continuing operations		33,674	5,320
Discontinued operations			
Profit from discontinued operations (net of tax)	15	287	6,056
Profit from discontinued operations		287	6,056
Profit for the year		33,961	11,376
Other comprehensive (loss)/income			
Items that are or may be reclassified to profit and loss:			
Foreign currency translation differences (net of tax)		(16,715)	(4,639)
Changes in fair value of cash flow hedges (net of tax)		13,075	1,535
Total other comprehensive income/(loss) for the year		(3,640)	(3,104)
Total comprehensive income for the year		30,321	8,272

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 45 to 112.

Emeco Holdings Limited and its Controlled Entities

Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)

For the year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Profit attributable to:			
Owners of the Company	34	33,961	11,376
Profit for the year		33,961	11,376
Total comprehensive profit attributable to:			
Owners of the Company	34	30,321	8,272
Total comprehensive profit for the year		30,321	8,272

	Note	2019 cents	2018 [1] cents
Profit per share:			
Basic profit per share	34	11.26	4.35
Diluted profit per share	34	10.50	4.03
Profit per share from continuing operations			
Basic profit per share	34	11.17	2.03
Diluted profit per share	34	10.41	1.89

[1] Comparatives have been restated for the effect of the 10:1 share consolidation that occurred on 27 November 2018.

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 45 to 112.

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Emeco Holdings Limited and its Controlled Entities

Consolidated Statement of Financial Position

as at 30 June 2019

	Note	2019 $'000	2018 $'000
Current Assets			
Cash and cash equivalents	16	36,189	171,431
Trade and other receivables	17	87,259	90,367
Inventories and work in progress	19	6,345	4,895
Prepayments		4,719	2,722
Assets held for sale	14	2,906	8,007
Total current assets		137,418	277,422
Non-current Assets			
Derivative financial instruments	18	18,496	5,709
Intangible assets	20	9,076	1,994
Property, plant and equipment	21	579,668	407,951
Deferred tax assets	12	23,212	22,177
Investments designated at fair value through profit or loss		799	799
Total non-current assets		631,251	438,630
Total assets		768,669	716,052
Current Liabilities			
Trade and other payables	22	83,714	80,194
Derivative financial instruments	18	11,465	7,866
Interest bearing liabilities	23	4,023	3,012
Provisions	25	7,072	6,769
Total current liabilities		106,274	97,841
Non-current Liabilities			
Interest bearing liabilities	23	463,911	464,343
Provisions	25	406	386
Total non-current liabilities		464,317	464,729
Total liabilities		570,591	562,570
Net assets		198,078	153,482
Equity			
Share capital	13	931,199	915,224
Reserves		1,386	6,326
Retained losses		(734,507)	(768,068)
Total equity attributable to equity holders of the Company		198,078	153,482

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 45 to 112.

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Emeco Holdings Limited and its Controlled Entities

Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

	Share capital $'000	Share based payment reserve $'000	Hedging reserve $'000	Foreign currency translation reserve $'000	Reserve for own shares $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2017	749,117	23,145	(2,474)	17,866	(39,074)	(780,587)	(32,007)
Total comprehensive income for the period							
Profit or (loss)	-	-	-	-	-	11,376	11,376
Other comprehensive income							
Foreign currency translation differences	-	-	(3,705)	(934)	-	-	(4,639)
Changes in fair value of cash flow hedge, net of tax	-	-	1,535	-	-	-	1,535
Reclassfication of FCTR reserve on disposal of subsidiary	-	-	-	(1,143)	-	1,143	-
Total comprehensive income/(loss) for the period	-	-	(2,170)	(2,077)	-	12,519	8,272
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Shares issued during the period, net of issue costs	166,107	-	-	-	-	-	166,107
Shares distributed from trust	-	(6,048)	-	-	6,048	-	-
Share-based payment transactions	-	11,110	-	-	-	-	11,110
Total contributions by and distributions to owners	166,107	5,062	-	-	6,048	-	177,217
Balance at 30 June 2018	915,224	28,207	(4,644)	15,789	(33,026)	(768,068)	153,482

	Share capital $'000	Share based payment reserve $'000	Hedging reserve $'000	Foreign currency translation reserve $'000	Reserve for own shares $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2018	915,224	28,207	(4,644)	15,789	(33,026)	(768,068)	153,482
Adjustment from adoption of AASB 9	-	-	-	-	-	(400)	(400)
Adjusted balance at 1 July 2018	915,224	28,207	(4,644)	15,789	(33,026)	(768,468)	153,082
Total comprehensive income for the period							
Profit or (loss)	-	-	-	-	-	33,961	33,961
Other comprehensive income							
Foreign currency translation differences	-	-	(15,875)	(840)	-	-	(16,715)
Changes in fair value of cash flow hedge, net of tax	-	-	13,075	-	-	-	13,075
Total comprehensive income/(loss) for the period	-	-	(2,800)	(840)	-	33,961	30,321
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Shares issued during the period, net of issue costs	15,975	-	-	-	-	-	15,975
Shares purchased by the trust	-	-	-	-	(15,975)	-	(15,975)
Share-based payment transactions	-	14,675	-	-	-	-	14,675
Total contributions by and distributions to owners	15,975	14,675	-	-	(15,975)	-	14,675
Balance at 30 June 2019	931,199	42,882	(7,444)	14,949	(49,001)	(734,507)	198,078

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 45 to 112.

Emeco Holdings Limited and its Controlled Entities

Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Cash receipts from customers		479,166	413,101
Cash paid to suppliers and employees		(257,019)	(234,892)
Cash generated from operations		222,147	178,209
Finance income received		286	383
Finance costs paid [1]		(53,083)	(46,865)
Net cash inflow/(outflow) from operating activities of discontinued operations		114	(6,194)
Net cash from operating activities	29	169,464	125,533
Cash flows from investing activities			
Proceeds on disposal of non-current assets		23,355	22,726
Payment for property, plant and equipment [2]		(180,507)	(80,500)
Cash acquired from acquired business	35	549	3,395
Payment for acquired entities	35	(94,327)	(72,643)
Acquisition costs		(235)	(3,836)
Dividends received		141	-
Net cash inflow from investing activities of discontinued operations		-	3,771
Net cash (used in) investing activities		(251,024)	(127,087)
Cash flows from financing activities			
Net proceeds from issue of shares		-	164,410
Repayment of borrowings		(47,516)	-
Payment for debt establishment costs		(1,297)	(1,078)
Payment of finance lease liabilities		(4,905)	(5,792)
Net cash outflow from financing activities of discontinued operations		-	(810)
Net cash generated by/(used in) financing activities		(53,718)	156,730
Net increase/(decrease) in cash and cash equivalents		(135,278)	155,176
Cash and cash equivalents at beginning of the period		171,431	16,978
Effects of exchange rate fluctuations on cash held		36	(723)
Cash and cash equivalents at the end of the financial period		36,189	171,431

(1) On 22 October 2018, the Group undertook an excess cash offer to buyback notes on market for 1.0675. This premium charge was equal to A$3,207,000.

(2) This does not include assets purchased by finance lease.

The consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 45 to 112.

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1 Reporting entity

Emeco Holdings Limited (the '**Company**') is 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 2019 comprises 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 earthmoving equipment solutions to customers in the earthmoving industry as well as the maintenance and remanufacturing of major components of heavy earthmoving equipment.

2 Basis of preparation

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (**AAS**) 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 Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2018.

The consolidated financial statements were authorised for issue by the board of directors on 20 August 2019.

(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;
- assets held for sale at fair value less costs of disposal; and
- 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.

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financial /Directors' Reports) Instrument, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest thousand unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with the AASB 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. The impact of 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:

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2 Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

Recognition of tax losses

In accordance with the Company's accounting policies for deferred taxes (refer note 3(q)), 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, capital structure 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. Due to the recent history of losses and cyclical nature of the industry, the company has only brought to account $165,649,000 (2018: $67,932,000) of previously unrecognised Australian tax losses as a deferred tax asset of $49,695,000 (2018: $20,380,000) onto the balance sheet at this time. Of this $49,695,000 of recognised losses, $23,900,000 relates to probable future taxable profits with the remaining $25,795,000 balance relating to the offset of temporary differences. Australian tax losses of $95,263,000 (2018: $121,973,000) (gross) remain unrecognised and available to the Group.

Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use, in accordance with the Company's accounting policy note 3(h). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). The Company applies significant judgement and assumptions in determining the recoverable amount of assets. Changes in these assumptions could impact the recoverable amount and accordingly impairment.

Assets held for sale

In accordance with the Company's accounting policies for assets held for sale (refer note 3(i)), non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs of disposal. Fair value less costs of disposal includes estimates and judgements about the market value of these assets. Changes in these estimates and assumptions could impact on the carrying amount of these assets held for sale. The carrying amount of assets held for sale are set out note 14.

Business combinations

In accordance with the Company's accounting policies for business combinations (refer note 3(t)), assets and liabilities acquired under business combinations are recognised at their fair value at the date of acquisition. Estimates and assumptions have been made about the collectability of trade and other receivables and fair value of inventory and items of property, plant and equipment and provisions. Refer to note 35 for further information on business combinations and note 5(h) for details on determination of fair value.

Provision for doubtful debts

The Company uses significant judgment and assumptions in the expected credit loss model used to measure the fair value of financial assets not classified as fair value through profit or loss. Refer to note 3 (h)(i) for further detail on how the Company determines expected credit losses.

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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.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has the rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which 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 translated 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 the average exchange rates for the period.

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.

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3 Significant accounting policies (continued)

(c) Financial instruments

AASB 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*. The adoption of AASB 9 has not had a significant effect on the Group's accounting policies related to recognition and measurement of financial assets and financial liabilities, or in relation to hedge accounting.

(i) Classification

From 1 July 2018, the Group classifies its financial assets and liabilities in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- Those to be measured at amortised cost.

The classification depends on the Group's business model for managing financial assets and liabilities, and the contractual terms of the cash flows. For assets and liabilities measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Measurement of cash and cash equivalents and trade and other receivables remains at amortised cost consistent with the comparative period.

Non-derivative financial liabilities

Interest bearing liabilities

All loans and borrowings are initially recognised at fair value, being the amount received less attributable transaction costs. After initial recognition, interest bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of profit or loss over the period of the borrowings on an effective interest basis.

Trade and other payables

Liabilities are recognised for amounts to be paid for goods or services received. Trade payables are settled on terms aligned with the normal commercial terms in operations.

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3 Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Measurement (continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value. Changes in the fair value of financial assets at fair value through profit or loss are recognised in other expenses in the statement of profit or loss as applicable.

Derivative financial instruments

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other expenses.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance cost'.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss. Hedge ineffectiveness is recognised in profit or loss within other expenses.

Accounting policies for remaining hedges and derivatives are consistent with the comparative period.

(iii) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, contract debtors and lease receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

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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 net of any tax effects are recognised as a deduction from equity.

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.

(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, an 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 ongoing 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 reassessments 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 and residual value of the total new asset is reassessed and depreciation charged accordingly.

Depreciation on buildings, leasehold improvements, furniture, fixtures and fittings, office equipment, motor vehicles and sundry plant is calculated on a straight line basis. Depreciation on plant and equipment is calculated on a units of production method and charged on machine hours worked over their estimated useful life.

The estimated useful lives are as follows:

Buildings and leasehold improvements	15 years
Plant and equipment	3 – 15 years
Office equipment	3 – 10 years
Motor vehicles	5 years
Sundry plant	7 – 10 years

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3 Significant accounting policies (continued)

(e) Intangible assets

(i) Research and development

Expenditure on research activities is recognised in profit and loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit and loss as incurred. Subsequent to initial recognition, development expenditure is measured at costs less accumulated amortisation and any accumulated impairment losses.

(ii) Goodwill

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.

Subsequent measurement
Goodwill is measured at cost, less accumulated impairment losses

(iii) 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.

(iv) Amortisation

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 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
- Customer contracts 0 – 2 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.

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3 Significant accounting policies (continued)

(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.

Workshop work in progress represents jobs started but not completed by period end. Upon completion the job is invoiced to the customer.

(h) Impairment

(i) Non-derivative financial assets

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' (ECL) model. This applies to trade receivables measured at amortised cost. The Group has assessed the initial impact of the expected credit loss model to result in a $400,000 increase in the provision for doubtful debts on adoption of AASB 9. The one-off increase under the modified retrospective transition approach results in an adjustment to retained earnings and comparatives are therefore not restated.

The expected credit loss model is used to measure the fair value of financial assets not classified as at fair value through profit or loss. To assist in this process, the Group segregates trade receivables into various customer segments where they may have similar loss patterns.

The loss allowance is calculated by taking the following factors into consideration:

Grouping of receivables

The Group has classified its receivables into two main segments of Australian Rental and Workshops in line with the main segments and work undertaken. The debtors in each segment is then further classified as follows:

- Australian Rental – blue chip customers, insured customers, uninsured customers and cash sale customers.
- Workshop – blue chip customers, insured customers, uninsured customers, cash sales and small retail customers.

These categories are defined as:

- Blue chip customers – those that are typically defined as having a market capitalisation of greater than $750m. The classification of Blue Chip is determined under the credit risk of the Groups Insurance Policy.
- Insured customers – those that are trading within terms with their trade receivable exposure under the insured limit
- Cash sales – customers that pay cash and are not on terms
- Uninsured customers – are all other customers that are not recognised in the above category.

Historical loss rates and forward looking information

The Group uses a combination of historical losses recognised for receivables in the above categories and takes a view on the future economic conditions that are representative of those expected to exist.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

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3 Significant accounting policies (continued)

(h) Impairment (continued)

(i) Non-derivative financial assets (continued)

Bad debt policy

A provision for a doubtful debt is made when the Group receives notification a customer is placed into administration or liquidation, or information becomes available to the Group indicating collection may be in doubt. The realisation of a bad debt subsequently comes into effect when all avenues of collection have been exhausted without success, and a commercial decision is made that it is uneconomical to pursue debt recovery.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when the customer breaches their agreed credit limit; or
- information obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 120 days past due unless the Group has reasonable and supportable information to demonstrate that alternative default criterion is more appropriate.

(ii) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets 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 cash generating units (**CGUs**).

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.

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

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

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3 Significant accounting policies (continued)

(i) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs of disposal. Any impairment loss on a disposal group is allocated to the assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on re-measurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

(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. Re-measurements are recognised in profit or loss in the period in which they arise.

(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.

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3 Significant accounting policies (continued)

(j) Employee benefits (continued)

(v) Share based payment transactions

Under the retention incentive (**RI**) plan, the Emeco hybrid incentive plan (**EHIP**) and the management incentive plan (**MIP**), certain management personnel have been awarded rights (**Rights**) to receive fully paid ordinary shares in the company, the award and vesting of which is subject to performance and or service conditions. There is no entitlement to dividends (or shadow dividends) on unvested rights.

Under the FY16 RI, rights granted to each RI participant vested if service conditions were met. The fair value of these rights granted under the RI have been measured using Monte Carlo simulation analysis and are expensed evenly over the period from grant to vesting date.

The EHIP comprises a short term cash and longer term equity settled component. The Rights are granted to each EHIP participant based on KPIs and service conditions. These rights have vesting dates up to two years. The fair value of rights granted are based on a volume weighted average price (**VWAP**) and are expensed evenly over the period from grant date to vesting date.

Under the MIP, Rights granted to participants are subject to service conditions. These have various vesting dates ranging up to 5 years. The fair value of these Rights are based on VWAP and are expensed evenly over the period from grant date to vesting date.

(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) Restructure provision

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

(m) Revenue

In the current year, the Group has applied AASB 15 *Revenue from Contracts with Customers* which is effective from 1 July 2018 using the modified retrospective approach. The application of AASB 15 has not had a significant impact on the financial position or financial performance of the Group.

Revenue is disclosed based on the type of good or service provided. This is detailed below:

(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. The rental of each machine is considered to be a separate performance obligation with the transaction price generally set at a rate per hour. Customers are billed monthly. This treatment is the same as under AASB 118.

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3 Significant accounting policies (continued)

(m) Revenue (continued)

(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. This treatment is the same as under AASB 118.

(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. This treatment is the same as under AASB 118.

(n) Contract assets

Costs incurred to prepare assets for work on a specific contract (or specific anticipated contract) that can be separately identified are recognised as a contract asset and amortised to direct costs over the term of the contract.

The Group accepts that an anticipated contract is a contract where it is more likely than not that the contract will be obtained.

In determining the contract asset value, the following is taken into account:

(a) costs of obtaining a contract: the incremental costs of obtaining a contract with a customer are recognised as an asset if the entity expects to recover those costs; and
(b) costs of fulfilling a contract: costs that are required to be incurred in order to fulfil contract obligations that are not already costs accounted for under other accounting standards i.e. inventory or property, plant and equipment

Costs that relate directly to a contract (or a specific anticipated contract) include any of the following:

(a) direct labour;
(b) direct materials;
(c) allocations of costs that relate directly to the contract or to contract activities;
(d) costs that are explicitly chargeable to the customer under the contract; and
(e) other costs that are incurred only because an entity entered into the contract.

Amortisation and impairment

An asset recognised shall be amortised to direct costs on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

An impairment loss is recognised in direct costs in the profit or loss, to the extent that the carrying amount of the contract asset exceeds the remaining amount of consideration that the entity expects to receive in exchange for the goods or services to which the asset relates; less the costs that relate directly to providing those goods or services and that have not been recognised as expenses.

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3 Significant accounting policies (continued)

(o) 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.

(p) Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- dividend income;
- discount on repurchased debt;
- the net gain or loss on financial assets at fair value through profit or loss;
- the foreign currency gain or loss on financial assets and liabilities;
- withholding tax;
- premium paid on repurchase of debt;
- the net gain or loss on hedging instruments that are recognised in profit or loss; and
- amortisation of borrowing costs capitalised using the effective interest method.

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

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3 Significant accounting policies (continued)

(q) Income tax

Income 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 comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

(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; or
- taxable temporary differences arising on the initial recognition of goodwill.

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, using tax rates enacted or substantively enacted at 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 entities acquired during the period were added to the tax consolidated group on the date of acquisition. The head entity within the tax consolidated group is Emeco Holdings Limited.

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3 Significant accounting policies (continued)

(r) 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 coordinated 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 resale.

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.

(s) 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.

(t) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income Taxes and AASB 119 respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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4 New standards and interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2019. Those which may be relevant to the Group are set out below.

(i) AASB 16 Leases (2016)

AASB 16 replaces AASB 17 and will be applied from 1 July 2019. Under the new standard, the Group is required to recognise a right of use asset and lease liability for all leases with a term of more than 12 months, unless the underlying asset is of a low value.

The Group is currently assessing the impact to the Group's financial position, and how this will affect the Group's profit and classification of cashflows. As part of this process, a detailed review of the Group's contracts to determine if the contract is, or contains, a lease has been undertaken.

At reporting date, the Group has commitments of $18,340,000 (see note 27) relating to non-cancellable operating leases. Of these commitments approximately $1,704,000 relate to short term, or low value assets, and the Group will elect to continue to recognise these on a straight line basis as an expense in the profit or loss. For the remaining lease commitments, the Group expects to recognise right of use assets and corresponding lease liabilities of approximately $36,713,000 on 1 July 2019 which includes Managements expected exercise of extension options. The Group is estimating an increase in earnings before interest tax depreciation and amortisation (EBITDA) of $4,976,000, and a $719,000 reduction in reported profit after tax.

The Group intends to apply the modified retrospective transition approach and will not restate comparative amounts for the year prior to first adoption.

AASB 15 Revenue from Contracts with Customers (2015) has been adopted by the Group in the current reporting period. Please refer to the Group's revenue recognition policy in note 3(m).

AASB 9 Financial instruments has been adopted by the Group in the current reporting period. Please refer to the Group's financial instruments policy in note 3(c), and impairment policy in note 3(h).

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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.

(a) 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 property, plant and equipment has been determined with reference to an independent external valuation in addition to comparisons to similar assets currently on market.

(b) 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 and interim reporting date.

(c) Cross currency interest rate swaps

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.

(d) 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 and interim 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.

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5 Determination of fair values (continued)

(e) Share based payment transactions

The fair value of the Rights awarded under the MIP, RI and EHIP are measured using the option pricing model or volume weighted average price. For the option pricing model that applies to the RI plan, 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 volume weighted average price inputs include the weighted average of the closing share price and volume traded over a specified period of time.

(f) 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.

(g) Assets held for sale

The fair value of assets designated as held for sale are determined with reference to an independent external valuation, market demand and costs of disposal.

(h) Business combinations

The fair value of consideration supplied for the acquisition of entities has been determined using the market price of the Company's listed share price. The methodology has also been applied to the valuation of investments acquired through the business combination. The fair value of property, plant and equipment has been determined with reference to an independent external valuation in addition to comparisons to similar assets currently on market. The fair value of inventory acquired has been valued determined with reference to the most recent purchase of similar items from external suppliers. The collectability of trade and other receivables has been assessed and compared to subsequent receipt of payment in determining the fair value of this asset class. The fair value of customer contracts has been assessed using the multi-period excess earnings methodology.

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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; and
- 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 management 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 controlled 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.

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument or financial asset 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	
		2019	2018
	Note	$'000	$'000
Trade receivables	17	82,009	85,772
Other receivables (including VAT/GST)	17	5,766	4,947
Cash and cash equivalents	16	36,189	171,431
Derivatives	18	18,496	5,709
		142,460	267,859

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6 Financial instruments (continued)

Credit risk (continued)

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 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 assessed on a case by case basis and where possible, prepayment 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 $750,000,000 (2018: $700,000,000). The Australian business held insurance for the entire financial year ended 30 June 2019.

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

	Consolidated		Consolidated	
	Gross 2019 $'000	Impairment 2019 $'000	Gross 2018 $'000	Impairment 2018 $'000
Not past due	71,542	-	75,150	-
Past due 0-30 days	8,068	-	8,328	-
Past due 31-60 days	1,443	-	1,466	-
Past due 61 days	956	(516)	828	(352)
	82,009	(516)	85,772	(352)

Using the expected credit loss model (**ECL**), the Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. To effectively apply the ECL, the Group has categories its trade receivables as follows:

- Blue chip customers: defined as having a market capitalisation of greater than $750,000,000;
- Insured customers: those that are trading within terms and their trade receivable exposure under the insured limit; and
- Uninsured customers: all other customers that are not recognised in the above category.

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6 Financial instruments (continued)

Credit risk (continued)

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

	Consolidated	
	Carrying amount	
	2019	2018
	$'000	$'000
Blue chip (including subsidiaries)	32,911	43,190
Insured	38,430	34,282
Uninsured	10,668	8,300
	82,009	85,772

The Group considers blue chip and insured customers and assumes no risk. The Group only assess uninsured customers, and customers that have breached their current credit limit in the ECL calculation.

To effectively apply the ECL, the following have been considered to determine an expected default rate:
- Economic data
- Historical loss trends

Economic data
It is anticipated that a movement in key economic data i.e. commodity prices, impacts the expected credit loss as it may drive the way our customers' run their operations, achieve profitability and cash flows to pay their receivables.

The Group determined potential scenarios primarily driven by changes in commodity prices, which have been weighted by probability to determine the expected credit loss provision.

Loss history
Given the significant change in operations and customer mix due to the acquisition of Orionstone and Andy's in March 2017, Force in November 2018 and Matilda in July 2018, the Group have determined it is not appropriate to include a history earlier than FY18. Therefore, only from FY18 is used for this assessment. Going forward, management plan on using an average loss history over 3-5 years depending on what is appropriate for the business at that point in time and in line with expected future operations.

Historical loss trends
The Group uses a combination of historical losses recognised for receivables in the above classifications and takes a view on the economic conditions that are representative of those expected to exist during the life of the receivable. This is based on the historical loss rates, ageing of debtors and economic factors that include commodity prices.

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6 Financial instruments (continued)

Credit risk (continued)

Based on the factors outlined above, the Group's expected credit loss at reporting date was $80,000. In addition to the $80,000 provision calculated based on historical loss trends and economic factors, $436,000 relating to specific customers is considered doubtful by the Group and has been provided for.

The movement in the credit loss allowance in respect of trade receivables during the year was as follows:

	Impairment 2019 $'000	Impairment 2018 $'000
Impairment allowance as at 1 July 2018 under AASB139	352	200
Credit loss allowance recognised on AASB 9 transition	400	-
Opening loss allowance as at 1 July 2018 calculated under AASB 9	752	200
Net remeasurement of loss allowance	(187)	491
Write-offs	(49)	(339)
Loss allowance as at 30 June 2019	516	352

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 analysis of the underlying customers' credit ratings.

Credit-impaired financial assets
The Group will assess if a financial asset is impaired when amounts are past due by more than 120 days. A provision for impairment will be recognised unless the Group has reasonable and supportable information that an impairment is not required to be recognised.

Cash
The Group held cash and cash equivalents of $36,189,000 at 30 June 2019 (2018: $171,431,000), 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-.

Collateral
Collateral is held for customers that are assessed to be a higher risk. At 30 June 2019 the Group held $Nil of bank guarantees (2018: $116,000) and $Nil of prepayments (2018: $Nil).

Guarantees
Financial guarantees are generally only provided to wholly owned subsidiaries or when entering into a premise rental agreement or asset lease liability. Details of outstanding guarantees are provided in note 28. At 30 June 2019 $1,744,000 guarantees were outstanding (2018: $3,531,000).

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6 Financial instruments (continued)

Liquidity risk

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

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

The Group has issued secured fixed interest notes to the value of US$322,131,000 which mature on 30 March 2022. The nominal fixed interest rate is 9.25%. These notes will remain fully drawn until maturity.

The Group has an A$65,000,000 facility that matures in September 2021 with a 2 year option to extend, which has two sub facilities consisting of a Loan Note Agreement Facility (**LNA**) of A$62,000,000 and a Bank Guarantee Facility of A$3,000,000. The bank guarantee facility was reduced from A$5,000,000 during the period to reduce the holding costs of the unrequired portion of this facility. The bank guarantee facility attracts a fee of up to 1.57% on the unutilised portion of the facility, and a fee of 3.5% on the outstanding balance of guarantees on issue. The nominal interest rate on the LNA is equal to the aggregate of the bank bill swap rate (**BBSY**) plus a margin of between 3.25% and 3.5% dependant on the portion of the facility utilised. The facilities require the Group to maintain a collateral coverage ratio greater than 3.0x and a fixed charge coverage ratio greater than 1.2x. At year end the Group had drawn $Nil of the LNA but had utilised A$1,744,000 of the bank guarantee facility.

The Group has a facility agreement comprising a credit card facility with a limit of A$150,000 and is secured via a cash cover account.

The Group has finance lease facilities totalling A$21,909,000 (2018: A$1,155,000) which have various maturities up to July 2024.

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6 Financial instruments (continued)

Liquidity risk (continued)

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

Consolidated 30 June 2019	Carrying amount $'000	Contractual 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 notes issue	446,984	593,880	21,244	21,244	42,488	508,904	-
Finance lease liabilities	21,909	25,701	2,983	2,214	4,203	16,301	-
Trade and other payables	28,795	28,795	28,795	-	-	-	-
	497,688	648,376	53,022	23,458	46,691	525,205	-
Derivative financial asset/(liability)							
Cross currency interest rate swaps used for hedging asset/(liability)	7,031	(43,155)	(1,621)	(1,603)	(3,216)	(36,715)	-
	7,031	(43,155)	(1,621)	(1,603)	(3,216)	(36,715)	-

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

Consolidated 30 June 2018	Carrying amount $'000	Contractual 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 notes issue	465,050	667,174	22,273	22,273	44,545	578,083	-
Finance lease liabilities	1,155	1,183	1,003	34	-	-	-
Insurance financing	1,857	1,881	1,646	235	-	-	-
Trade and other payables	31,882	31,882	31,882	-	-	-	-
	499,944	702,120	56,804	22,542	44,545	578,083	-
Derivative financial asset/(liability)							
Cross currency interest rate swaps used for hedging asset/(liability)	(2,157)	2,329	(730)	(483)	(1,295)	4,837	-
	(2,157)	2,329	(730)	(483)	(1,295)	4,837	-

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6 Financial instruments (continued)

Liquidity risk (continued)

The gross inflows/(outflows) disclosed in the previous tables represents 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. cross currency interest rate swaps.

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 functional currency of the Group is the Australian dollar (**AUD).** The Group holds borrowings in United States Dollars (**USD**) for which currency risk exists.

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

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 had issued secured fixed interest notes on 31 March 2017 to the value of US$360,818,000. Of these notes on issue, the Group held US$4,890,000, which was netted off the total notes outstanding. On 24 August 2018, Emeco cancelled the US$4,890,000 notes that it held leaving US$355,928,000 notes on issue.

On 22 October 2018, Emeco undertook an excess cash offer to buy back notes on market at a price of 1.0675. The total face value of notes bought back and subsequently cancelled was US$33,797,000, leaving US$322,131,000 notes outstanding at reporting date, of which the full face value of the principal and interest has been hedged to Australian Dollars until maturity. As derivatives have been entered into, hedge accounting has been applied to these instruments.

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6 Financial instruments (continued)
Market risk (continued)

The Group is holding the following cash flow hedges:

	Notional amount US$'000	Carrying amount $'000	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the period $'000
As at 30 June 2019				
Cross currency interest rate swaps	322,131	7,031	Deriviative financial instruments	(2,800)
As at 30 June 2018				
Cross currency interest rate swaps and coupon only swaps [1]	230,000	(2,158)	Deriviative financial instruments	(2,170)

[1] Includes US$100,000,000 of cross currency interest rate swaps and US$130,000,000 coupon only swaps

The impact of hedged items on the statement of financial position is, as follows:

	2019		2018	
	Change in fair value used for measuring ineffectiveness $'000	Hedge reserve $'000	Change in fair value used for measuring ineffectiveness $'000	Hedge reserve $'000
Foreign exchange	(2,800)	(7,444)	(2,170)	(4,644)

The effect of the cash flow hedges in the statement of profit or loss and other comprehensive income is, as follows:

	Total hedging gain/(loss) recognised in OCI $'000	Ineffectiveness recognised in profit or loss $'000	Line item in the statement of profit or loss	Amount reclassified from OCI to profit or loss $'000	Line item in the statement of profit or loss
As at 30 June 2019					
Foreign exchange	(2,800)	-	-	(15,875)	Net foreign exchange loss
As at 30 June 2018					
Foreign exchange	(2,170)	-	-	(3,705)	Net foreign exchange loss

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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:

	USD 2019 $'000	USD 2018 $'000
Cash	253	4,220
Secured notes issued [1]	(322,131)	(355,927)
Gross balance sheet exposure	(321,878)	(351,707)
Cross currency interest rate swap to hedge the secured notes issued	322,131	100,000
	322,131	100,000
Net exposure	253	(251,707)

[1] Net USD exposure of US$322,131,000 (2018: US$355,927,000) in an AUD denominated entity.

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2019	2018	2019	2018
US Dollars	0.6943	0.7753	0.7013	0.7391

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6 Financial instruments (continued)

Market risk (continued)

Sensitivity analysis

A weakening of the Australian dollar, as indicated below, against the US dollar at 30 June 2019 would have affected the measurement of financial instruments denominated in US dollars 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 2018, as indicated below:

	Consolidated			
	Strengthening		Weakening	
	Equity $'000	Profit or loss $'000	Equity $'000	Profit or loss $'000
30 June 2019				
USD (10 percent movement)	(5,814)	(23)	7,105	28
30 June 2018				
USD (10 percent movement)	(5,957)	21,672	6,430	(26,488)

Interest rate risk

In accordance with the board's policy the Group is required to maintain an appropriate exposure to changes in interest rates on borrowings on a fixed rate basis, taking into account assets with exposure to changes in interest rates. This is achieved by entering into cross currency interest rate swaps and the issue of fixed interest notes.

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:

		Consolidated	
	Note	2019 $'000	2018 $'000
Variable rate instruments:			
Cash at bank	16	36,189	171,431
		36,189	171,431
Fixed rate instruments:			
Effective interest rate swaps to hedge interest rate risk		7,031	(2,157)
Interest bearing liabilities (notes)	23	(459,334)	(481,569)
Interest bearing finance leases	23	(21,909)	(1,155)
Insurance financing	23	-	(1,857)
		(474,212)	(486,738)

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6 Financial instruments (continued)
Market risk (continued)

Cash flow hedges
The cross currency interest rate swaps (hedging instrument) are accounted for as cash flow 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 of the USD fixed rate interest payments on the debt principal amount of the Company's outstanding debt and the foreign currency remeasurement risk arising on the principal balance every six months on the Company's outstanding debt.

Cash flow sensitivity analysis for fixed rate instruments
A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity 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 2018.

	Equity		Equity	
Cash flow hedges	**100bp increase BBSW $'000**	**100bp decrease BBSW $'000**	**100bp increase Libor $'000**	**100bp decrease Libor $'000**
30 June 2019				
Cross currency interest rate swaps	13,275	(13,658)	(13,486)	13,915
Cash flow sensitivity (net)	13,275	(13,658)	(13,486)	13,915
30 June 2018				
Fixed rate foreign currency instruments	6,417	(6,662)	(6,469)	6,722
Cash flow sensitivity (net)	6,417	(6,662)	(6,469)	6,722

Detailed below is the profit and loss impact of cash flow hedges during the year.

	(Profit) or loss	
Financial instrument	**2019 $'000**	**2018 $'000**
Cross currency interest rate swap		
- Close out of hedges	(676)	-
Net (profit) and loss impact before tax	(676)	-

During the year the hedging relationships were highly effective and no ineffectiveness was recognised in the profit or loss for the year. The hedge relationship is expected to be highly effective throughout the life of the hedge and is not expected to impact the profit and loss other than the transfer of the hedge reserve to profit and loss as the hedge matures.

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6 Financial instruments (continued)

Market risk (continued)

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:

		2019		2018	
	Note	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Assets carried at fair value					
Interest rate swaps used for hedging	18	18,496	18,496	5,709	5,709
		18,496	18,496	5,709	5,709
Assets carried at amortised cost					
Receivables	17	87,259	87,259	90,367	90,367
Cash and cash equivalents	16	36,189	36,189	171,431	171,431
		123,448	123,448	261,798	261,798
Liabilities carried at fair value					
Interest rate swaps used for hedging	18	(11,465)	(11,465)	(7,866)	(7,866)
		(11,465)	(11,465)	(7,866)	(7,866)
Liabilities carried at amortised cost					
Secured bank loans	23	959	-	707	-
Secured notes issue [(1)]	23	(446,984)	(459,334)	(465,050)	(481,569)
Insurance financing	23	-	-	(1,857)	(1,857)
Finance lease liabilities	23	(21,909)	(25,701)	(1,155)	(1,183)
Trade and other payables	22	(83,714)	(83,714)	(80,194)	(80,194)
		(551,648)	(568,749)	(547,549)	(564,803)

(1) Carried at amortised cost with movements in fair value of the underlying hedged item is recorded in the statement of other comprehensive income. Any movements in the fair value of unhedged items are recognised in the statement of profit or loss.

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

Fair value hierarchy

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 with the exception of certain investments in shares that are categorised at level 1.

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6 Financial instruments (continued)

Market risk (continued)

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.

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 increase levels of cash held to maintain a strong capital position.

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 18.0% (2018: 11.7%). This includes non-recurring items of $26,245,000 (2018: $33,500,000) after tax. Had the non-recurring items not been included in the Group EBIT, return on capital for the year would have been 21.0% (2018: 19.6%).

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

	Consolidated	
	2019	**2018**
	$'000	**$'000**
EBIT (continuing and discontinued operations)	99,107	49,649
Average invested capital	549,167	424,766
EBIT return on capital at 30 June	18.0%	11.7%

7 Other income

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Net profit/(loss) on sale of non current assets [(1)]	492	755
Dividend income	141	-
Sundry income [(2)]	5,861	1,496
	6,494	2,251

(1) Included in net profit on the sale of non-current assets is the sale of rental equipment, including those non-current assets classified as held for sale. The gross proceeds from the sale of this equipment in 2019 was $23,355,000 (2018: $22,726,000).

(2) Included in sundry income are fees charged on overdue accounts, bad debts recovered, and receipts from trade receivables not recognised at the point of acquisition of the Orionstone and Andy's Earthmovers businesses.

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8 Profit before income tax expense for continuing operations

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000
Profit before income tax expense has been arrived at after charging/(crediting) the following items:			
Impairment of tangible assets:			
- inventory	19	43	14
- property, plant and equipment		6,641	11,136
		6,684	11,150
Employee expenses:			
- salaries, wages and superannuation		38,134	35,416
Other expenses:			
- bad debts		49	339
- doubtful debts/(reversal)		(236)	36
- insurance		2,949	2,489
- motor vehicles		3,398	2,747
- rental expense		5,596	4,132
- safety expenses		896	832
- travel and subsistence expense		3,925	3,687
- telecommunications and IT		1,230	1,313
- workshop consumables, tooling and labour		5,799	1,517
- restructuring and redundancies		4,423	3,976
- corporate development expenses		98	122
- consulting fees		4,673	6,420
- employee share plan expenses		14,675	10,816
- other expenses		8,953	7,888
		56,428	46,314
Depreciation of:			
- buildings		153	221
- plant and equipment - owned		83,731	65,743
- plant and equipment - leased		2,039	1,613
- office equipment		210	225
- motor vehicles		387	556
- leasehold improvements		174	210
- sundry plant		715	334
less discontinuing operations depreciation expense		-	(58)
		87,409	68,844

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

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Finance costs:		
- interest expense	46,244	44,977
- writeoff previous facility costs	642	-
- amortisation of debt establishment costs using effective interest rate	3,977	4,117
- other facility costs	1,054	1,817
- premium paid on buyback of issued debt [(1)]	3,207	-
Net finance costs	55,124	50,911
Finance income:		
- interest income	(286)	(492)
- hedge gains	(676)	-
Net finance income	(962)	(492)
Foreign exchange (gain)/loss:		
Net realised foreign exchange (gain)/loss	3,326	(1,110)
Net unrealised foreign exchange (gain)/loss	7,945	13,727
Net foreign exchange (gain)/loss	11,271	12,617
Business acquisition expenses		
- acquisition expenses	(262)	3,836
Total business acquisition expenses	(262)	3,836

(1) On 22 October 2018, Emeco undertook an excess cash offer to buy back notes on market at a price of 1.0675. The total face value of notes bought back and subsequently cancelled was US$33,797,000 leaving US$322,131,000 notes outstanding.

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9 Auditor's remuneration

	Consolidated	
	2019	2018
	$	$
Audit services		
Auditors of the Company		
Deloitte Touche Tohmatsu Australia:		
- audit and review of financial reports	557,750	481,000
Overseas Deloitte Firms:		
- other assurance services	37,940	15,915
	595,690	496,915
Other services		
Auditors of the Company		
Deloitte Touche Tohmatsu Australia:		
- taxation services	227,223	140,884
- other assurance services	91,374	538,664
Overseas Deloitte Firms:		
- taxation services	91,500	15,259
	410,097	694,807
	1,005,787	1,191,722

The Company has engaged with Deloitte for the provision of audit and tax services as well as other specific assurance and due diligence services around business acquisitions. No other advisory or consulting services were provided by Deloitte during the year.

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10 Taxes

a. Recognition in the income statement

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000
Deferred tax expense/(benefit):			
Origination and reversal of temporary differences of current year		-	(18,707)
Tax expense/(benefit)	12	-	(18,707)

b. Current and deferred tax expense/(benefit) recognised directly in equity

	Consolidated 2019 $'000	Consolidated 2018 $'000
Share issue costs	-	(1,758)
Cashflow hedges	(1,200)	658
Foreign currency translation reserve	-	(1,588)
	(1,200)	(2,688)

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

	Consolidated 2019 $'000	Consolidated 2018 $'000
Prima facie tax benefit calculated at 30% on net profit	10,189	(2,200)
Increase/(decrease) in income tax expense due to:		
Effect on tax rate in foreign jurisdictions	-	(35)
Australian tax losses not previously recognised	(8,010)	(17,788)
Foreign tax losses not previously recognised, now recouped	(41)	(1,743)
Non-deductible acquisition costs	(105)	1,151
Other non-deductible expenses	6	10
Under/(over) provided in prior years	(2,039)	1,898
Tax expense/(benefit)	-	(18,707)

11 Current tax assets and liabilities

The current tax asset for the Group of $Nil (2018: $Nil) represents income taxes recoverable in respect of prior periods and that arise from payment of taxes in excess of the amount due to the relevant tax authority.

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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	
	2019	2018	2019	2018	2019	2018
Consolidated	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Property, plant and equipment	-	-	(43,475)	(8,540)	(43,475)	(8,540)
Intangible assets	-		(29)		(29)	-
Receivables	-	3,336	(402)	-	(402)	3,336
Other financial assets	-	-	(2,236)	(324)	(2,236)	(324)
Inventories	4,562	-	-	(2,090)	4,562	(2,090)
Payables	1,146	723	-	-	1,146	723
Derivatives - hedge receivable	-	647	-	-	-	647
Interest bearing loans and borrowings	11,376	4,782	-	-	11,376	4,782
Employee benefits	-	482	-	-	-	482
Unearned revenue	-	-	(21)	-	(21)	-
Equity - capital raising costs	1,189	1,704	-	-	1,189	1,704
Provisions	2,215	1,550	-	-	2,215	1,550
Borrowing costs	56	-	-		56	
Employee share costs	-	-	(864)	(473)	(864)	(473)
Tax losses carried forward	49,695	20,380	-	-	49,695	20,380
Tax assets/(liabilities)	70,239	33,604	(47,027)	(11,427)	23,212	22,177
Set off of tax	(47,027)	(11,427)	47,027	11,427	-	-
Net tax assets/(liabilities)	23,212	22,177	-	-	23,212	22,177

Movement in deferred tax balances

	Consolidated					
	Balance 1 July 18 $'000	Balances acquired 2 Jul 18 $'000	Recognised in profit or loss $'000	Recognised directly in equity $'000	Recognised in other comprehensive income $'000	Balance 30 June 19 $'000
Property, plant and equipment	(8,540)	-	(34,935)	-	-	(43,475)
Intangible assets		(241)	212	-	-	(29)
Other financial assets	(324)	-	(1,912)	-	-	(2,236)
Receivables	3,335	-	(3,737)	-	-	(402)
Inventories	(2,090)	-	6,652	-	-	4,562
Payables	724	19	403	-	-	1,146
Derivatives - hedge receivable	647	-	(1,847)	1,200	-	-
Interest bearing loans and borrowings	4,782	-	6,594	-	-	11,376
Employee benefits	482	-	(482)	-	-	-
Equity - capital raising costs	1,704	9	(524)	-	-	1,189
Unearned revenue	-	-	(21)	-	-	(21)
Provisions	1,550	48	617	-	-	2,215
Borrowing costs		-	56	-	-	56
Employee share costs	(473)	-	(391)	-	-	(864)
Tax losses carried forward	20,380	-	29,315	-	-	49,695
	22,177	(165)	-	1,200	-	23,212

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12 Deferred tax assets and liabilities (continued)

Movement in deferred tax balances

	Consolidated					
	Balance 1 July 17 $'000	Balances acquired 30 Nov 17 $'000	Recognised in profit or loss $'000	Recognised directly in equity $'000	Recognised in other comprehensive income $'000	Balance 30 June 18 $'000
Property, plant and equipment	(9,097)	(94)	651	-	-	(8,540)
Other financial assets	-	-	(324)	-	-	(324)
Receivables	2,233	35	1,067	-	-	3,335
Inventories	(67)	(11)	(2,012)	-	-	(2,090)
Payables	1,971	20	(1,267)	-	-	724
Derivatives - hedge payable	-	-	-	-	-	-
Derivatives - hedge receivable	1,305	-	-	(658)	-	647
Interest bearing loans and borrowings	(891)	-	4,085	1,588	-	4,782
Employee benefits	1,418	831	(1,767)	-	-	482
Equity - capital raising costs	-	-	(54)	1,758	-	1,704
Unearned revenue	-	-	-	-	-	-
Provisions	311	-	1,239	-	-	1,550
Employee share costs	(3,718)	-	3,245	-	-	(473)
Tax losses carried forward	6,535	-	13,845	-	-	20,380
	-	781	18,707	2,688	-	22,177

Unrecognised deferred tax assets

	Consolidated	
	2019 $'000	2018 $'000
The following deferred tax assets have not been brought to account as assets:		
Tax losses	110,813	118,838

Unutilised tax losses are in Australia, Chile, the United Kingdom, United States and Europe. $28,579,000 (2018: $36,592,000) of the unrecognised deferred tax asset is related to the losses in the Australian tax jurisdiction, which do not expire. The remaining losses are not expected to be utilised by the Group.

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13 Capital and reserves

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Share capital		
323,212,432 (2018: 3,178,858,997) ordinary shares, fully paid	1,007,086	991,111
Acquisition reserve	(75,887)	(75,887)
	931,199	915,224

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.

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2018	3,178,858,997		991,111
Issue of shares	19 November 2018	53,250,000	0.30	15,975
10:1 Consolidation of shares[(1)]	27 November 2018	(2,908,896,565)		
Balance	**30 June 2019**	**323,212,432**		**1,007,086**
Less: treasury shares		16,847,903		
Issued capital		**306,364,529**		

(1) On 27 November 2018, the Company undertook a 10:1 share consolidation.

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13 Capital and reserves (continued)

Reserve for own shares [(1)]
The reserve for own shares comprises of shares purchased on market to satisfy the vesting of shares and rights under the employee share plans. Rights that are forfeited under the Company's employee share plans due to employees not meeting the service vesting requirement will remain in the reserve. As at 30 June 2019 the Company held 16,847,903 treasury shares (2018: restated comparative of 13,508,147 to reflect the 27 November 2018 10:1 share consolidation) in satisfaction of the employee share plans.

Foreign currency translation reserve [(1)]
The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Hedging reserve [(1)]
The hedging reserve comprises the effective portion of the cumulative net change in fair value of underlying hedged debt and fair value of hedging instruments used in cash flow hedges pending subsequent recognition of hedged cash flows.

Share based payment reserve [(1)]
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)).

Dividends [(1)]
No dividends were paid or declared during the year (2018: $Nil) or prior to the release of this report.

Franking account

	The Company	
	2019	**2018**
	$'000	**$'000**
Dividend franking account		
30% franking credits available to shareholders of Emeco Holdings Limited for subsequent financial years	77,222	65,146

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;
(d) franking credits that the entity may be prevented from distributing in subsequent years; and
(e) franking credits acquired through business combinations.

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 (2018: $Nil). 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 $77,222,000 (2018: $65,146,000) franking credits.

(1) Refer to Consolidated Statement of Changes in Equity.

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14 Disposal groups and non-current assets held for sale

During the year $24,380,000 of non-current assets were transferred from property, plant and equipment into non-current assets held for sale. Assets previously classified and classified during the period as held for sale were further impaired by $6,641,000 to their fair value less cost to sell based on market prices of similar equipment.

As at 30 June 2019, the non-current assets held for sale comprised assets of $2,906,000 (2018: $8,007,000). Level 2 fair value hierarchy has been used in determining the fair value with reference to an independent valuation utilising observable market valuations. The Group is actively marketing these assets and they are expected to be disposed of within 12 months.

	2019 $'000	2018 $'000
Assets classified as held for sale		
Property, plant and equipment - continuing operations	2,832	7,936
Property, plant and equipment - discontinuing operations	74	71
Net assets classified as held for sale	2,906	8,007

Liabilities directly associated with assets classified as held for sale relate to assets designated as held for sale that have outstanding finance lease repayments remaining. All remaining payments are due within six months.

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15 Segment reporting

The Group has three (2018: 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:

Australian Rental	Provides a wide range of earthmoving equipment solutions to customers in Australia, including maintenance services for equipment on hire. Additional technology platforms have been developed to enable customers to improve mining efficiencies of their rental machines.
Australian Workshops	Provides maintenance and component rebuild services to customers in Australia.
Chile (discontinued)	Provides a wide range of earthmoving equipment and maintenance services to customers in Chile. This segment was discontinued in June 2017.

In June 2017 the board resolved to exit the Chilean business after a strategic review of the operations. The business is currently in the process of being wound down and is not expected to materially contribute to the future earnings of the Group. The profit from discontinued operations of $287,000 (2018: $6,056,000) is attributable entirely to the owners of the Company.

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 earnings before interest, income tax, depreciation and amortisation 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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15 Segment reporting (continued)

Information about reportable segments

	Australian		Discontinued		
	Rental	Workshops	Canada	Chile	Total
	$'000	$'000	$'000	$'000	$'000
Period ended 30 June 2019					
Revenue from rental income	363,258	-	-	4,527	367,785
Revenue from the sale of machines and parts	1,680	-	-	-	1,680
Revenue from maintenance services	36,760	114,678	-	-	151,438
Intersegment revenue	-	(51,890)	-	-	(51,890)
Revenue from external customers	**401,698**	**62,788**	**-**	**4,527**	**469,013**
Other income	6,047	90	-	-	6,137
Segment earnings before interest, tax, depreciation and amortisation	**232,824**	**4,665**	**-**	**274**	**237,762**
Impairment of tangible assets	(6,684)	-	-	-	(6,684)
Depreciation and amortisation	(87,823)	(75)	-	-	(87,898)
Segment result (EBIT)	**138,317**	**4,590**	**-**	**274**	**143,180**
Corporate overheads					(44,292)
EBIT					**98,888**
Finance income/(expense) (net)					(53,656)
Foreign exchange movements					(11,271)
Net profit before tax					**33,961**
Tax benefit/(expense)					-
Net profit after tax					**33,961**
Total assets for reportable segments	**660,411**	**24,771**	**-**	**73**	**685,255**
Unallocated assets					83,415
Total Group assets					**768,670**
Net capital expenditure	**155,964**	**1,188**	**-**	**-**	**157,152**
Total liabilities for reportable segments	**46,977**	**17,827**	**-**	**-**	**64,803**
Unallocated liabilities					505,788
Total Group liabilities					**570,591**

	Australian		Discontinued		Total
	Rental	Workshops	Canada	Chile	
	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2018					
Revenue from rental income	323,987	-	-	4,243	328,230
Revenue from the sale of machines and parts	1,835	-	-	-	1,835
Revenue from maintenance services	29,409	42,773	-	-	72,183
Intersegment revenue	-	(17,012)	-	-	(17,012)
Revenue from external customers	**355,231**	**25,761**	**-**	**4,243**	**385,235**
Other income	1,981	48	2,956	-	4,986
Segment earnings before interest, tax, depreciation and amortisation	**160,211**	**2,656**	**3,755**	**154**	**166,776**
Impairment of tangible assets	(11,150)	-	2,350	-	(8,800)
Depreciation and amortisation	(68,515)	(329)	(58)	-	(68,902)
Segment result (EBIT)	**80,546**	**2,327**	**6,047**	**154**	**89,074**
Corporate overheads					(33,234)
EBIT					**55,840**
Finance income/(expense) (net)					(50,554)
Foreign exchange movements					(12,617)
Net loss before tax					**(7,331)**
Tax benefit/(expense)					18,707
Net profit/(loss) after tax					**11,376**
Total assets for reportable segments	603,145	29,634	-	501	633,280
Unallocated assets					82,772
Total group assets					**716,052**
Net capital expenditure	**57,612**	**162**	**-**	**-**	**57,774**
Total liabilities for reportable segments	64,290	12,314	-	662	77,266
Unallocated liabilities					485,304
Total group liabilities					**562,570**

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16 Cash and cash equivalents

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Cash at bank	36,189	171,431

17 Trade and other receivables

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Current		
Trade receivables	82,009	85,772
Less: Impairment of receivables	(516)	(352)
	81,493	85,420
VAT/GST receivable	2,050	2,484
Other receivables	3,716	2,463
	87,259	90,367

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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18 Derivatives

	Consolidated	
	2019 $'000	2018 $'000
Non-current assets		
Cross currency interest rate swaps	18,496	5,709
	18,496	5,709
Current liabilities		
Cross currency interest rate swaps	(11,465)	(7,866)
	(11,465)	(7,866)

19 Inventories

	Consolidated	
	2019 $'000	2018 $'000
Work in progress - at cost	4,090	3,930
Consumables, spare parts - at cost	457	350
Total at cost	4,547	4,280
Equipment and parts - at NRV [(1)]	1,798	615
Total inventory	6,345	4,895

[(1)] During the year ended 30 June 2019 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 $43,000 (2018: $14,000).

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20 Intangible assets

	Consolidated	
	2019 $'000	2018 $'000
Goodwilll	8,005	-
	8,005	-
Contract intangible	802	-
Less: Accumulated amortisation	(725)	-
	77	-
Other intangibles - at cost	5,334	5,130
Less: Accumulated amortisation	(4,340)	(3,136)
	994	1,994
Total intangible assets	9,076	1,994

Contract intangible and goodwill

Goodwill has been recognised on the acquisition of Matilda Equipment Holdings Pty Ltd (**Matilda**) and represents the residual value of the purchase price of the company over the fair value of the identifiable assets and liabilities acquired. On acquisition of Matilda an intangible asset was identified for $802,000, being the value of existing customer contracts. Refer to note 35.

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

	Consolidated	
	2019 $'000	2018 $'000
Amortisation expense	1,930	1,017
Total expense for the year for continuing operations	1,930	1,017

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21 Property, plant and equipment

	Consolidated $'000							
	Land & buildings	Leasehold improvements	Plant & equipment	Leased plant & equipment	Office equipment	Motor vehicles	Sundry plant	Total
Cost base at 30 June 2019	1,585	4,785	981,487	26,733	3,064	7,181	10,481	1,035,316
Accumulated depreciation at 30 June 2019	(1,040)	(4,288)	(430,212)	(3,767)	(2,914)	(6,202)	(7,225)	(455,648)
	545	497	551,275	22,966	150	979	3,255	579,668
Cost base at 30 June 2018	1,768	4,673	745,571	5,711	3,089	7,618	8,169	776,599
Accumulated depreciation at 30 June 2018	(1,088)	(4,127)	(346,077)	(2,042)	(2,741)	(6,041)	(6,531)	(368,647)
	680	546	399,494	3,669	348	1,577	1,638	407,952

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:	Consolidated 2019 $'000							
	Land & buildings	Leasehold improvements	Plant & equipment	Leased plant & equipment	Office equipment	Motor vehicles	Sundry plant	Total
Carrying amount at the beginning of the year	680	546	399,494	3,669	348	1,577	1,638	407,952
Additions	46	125	147,961	21,638	12	32	1,858	171,672
Additions from acquisition (Matilda)	-	-	78,450	-	-	-	419	78,869
Depreciation	(153)	(174)	(83,731)	(2,039)	(210)	(387)	(715)	(87,409)
Disposals	(28)	-	-	-	-	(243)	-	(271)
Transfer asset class	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
Movement from/(to) assets held for sale	-	-	(24,133)	(302)	-	-	55	(24,380)
Movement PSO stock	-	-	7,275	-	-	-	-	7,275
PSO stock acquired (Matilda)	-	-	556	-	-	-	-	556
Movement capital WIP	-	-	25,403	-	-	-	-	25,403
Carrying amount at the end of the year	545	497	551,275	22,966	150	979	3,255	579,668

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:	Consolidated 2018 $'000							
	Land & buildings	Leasehold improvements	Plant & equipment	Leased plant & equipment	Office equipment	Motor vehicles	Sundry plant	Total
Carrying amount at the beginning of the year	846	685	339,613	5,561	448	1,861	723	349,737
Additions	55	58	57,773	16	87	17	819	58,825
Additions from acquisition (Force)	-	55	61,891	-	38	316	528	62,828
Depreciation	(221)	(210)	(65,685)	(1,613)	(225)	(556)	(334)	(68,844)
Disposals	-	(42)	-	-	-	(25)	(50)	(117)
Transfer asset class	-	-	(612)	660	-	-	(48)	-
Impairment	-	-	-	-	-	(36)	-	(36)
Movement from/(to) assets held for sale	-	-	(14,925)	-	-	-	-	(14,925)
Disposed through sale of Emeco Canada	-	-	-	(955)	-	-	-	(955)
Movement PSO stock	-	-	3,788	-	-	-	-	3,788
Movement capital WIP	-	-	17,651	-		-	-	17,651
Carrying amount at the end of the year	680	546	399,494	3,669	348	1,577	1,638	407,952

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21 Property, plant and equipment (continued)

Depreciation

The Group manages depreciation at an individual componentisation of asset level. Depreciation is calculated based on a standard machine hour usage basis.

Security

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

Impairment tests for cash generating units

The Group conducts impairment testing annually at 30 June each year and when impairment indicators exist. At 30 June 2019, it was determined that no significant impairment indicators existed that warranted further impairment testing.

Determining recoverable amount requires the exercise of significant judgements for both internal and external factors. Judgements for external factors, including but not limited to equipment hire rates and utilisation, have been made with reference to historical data and observable market data using a combination of consensus views. The recoverable amount estimate is particularly sensitive to hire rates and utilisation rates. Judgements for internal factors, including but not limited to applicable discount rate and operating costs, have been made with reference to historical data and forward looking business plans. Changes in the long term view of both internal and external judgements may impact the estimated recoverable value.

Impairment testing is intended to assess the recoverable amount of both tangible and intangible assets. 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 was 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 2018. 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 Australia rental CGU valuation was 9.6%. For future cashflows of the Australia 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 were based on Emeco's three year outlook taking into account all available information at this current time and are subject to change over time. A compound annual growth rate (**CAGR**) of 2.3% was used over the three years of the forecast.

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22 Trade and other payables

	Consolidated	
	2019	2018
	$'000	$'000
Current		
Trade payables		
Trade payables	28,795	31,882
Interest accrual	7,356	11,655
Other payables and accruals	47,563	36,657
	83,714	80,194

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.

23 Interest bearing liabilities

	Consolidated	
	2019	2018
	$'000	$'000
Current		
Amortised cost		
Other financing	-	1,857
Lease liabilities - secured	4,023	1,155
	4,023	3,012
Non-current		
Amortised cost		
USD notes - secured	459,334	481,569
Debt raising costs [(1)]	(12,350)	(16,519)
Debt raising costs (revolving credit facility)	-	(707)
Debt raising costs (loan note agreement)	(959)	-
Lease liabilities - secured	17,886	-
	463,911	464,343

[(1)] Carried at amortised cost with movements in fair value of the underlying hedge item recorded in the profit and loss statement.

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23 Interest bearing liabilities (continued)

Bank loans

The Group has an A$65,000,000 facility that matures in September 2021 with a two year option to extend, which has two sub facilities consisting of a Loan Note Agreement Facility (**LNA**) of A$62,000,000 and a Bank Guarantee Facility of A$3,000,000. The bank guarantee facility was reduced from A$5,000,000 during the period to reduce the holding costs of the unrequired portion of this facility. The bank guarantee facility attracts a fee of up to 1.57% on the unutilised portion of the facility, and a fee of 3.5% on the outstanding balance of guarantees on issue. The nominal interest rate on the LNA is equal to the aggregate of the bank bill swap rate (**BBSY**) plus a margin of between 3.25% and 3.5% dependant on the portion of the facility utilised. The facilities require the Group to maintain a collateral coverage ratio greater than 3.0x and a fixed charge coverage ratio greater than 1.2x. At year end the Group had drawn $Nil of the LNA but had utilised A$1,744,000 of the bank guarantee facility.

Secured notes issue

The Group has issued secured fixed interest notes to the value of US$322,131,000 which matures on 30 March 2022. The nominal fixed interest rate is 9.25%. These notes will remain fully drawn until maturity. Under the terms of the note agreement, the noteholders hold a joint fixed and floating charge with the revolving credit facility bank over the assets and undertakings of the Group. The notes are measured at amortised cost. The notes have a limitation on capital expenditure to the amount of A$100,000,000, net of proceeds from disposals for the 12-month period commencing 31 March 2017 and for each subsequent 12-month period. Any unused limit can be carried forward for the subsequent 12-month period. The debt is fully hedged to AUD until maturity and the Group has designated derivatives (cross currency interest rate swaps) as hedge instruments against this underlying debt.

On 22 October 2018, Emeco undertook an excess cash offer to buy back notes on market at a price of 1.0675. The total face value of notes bought back and subsequently cancelled was US$33,797,000, leaving US$322,131,000 notes outstanding at reporting date.

	FY19		FY18	
	USD $'000	**AUD $'000**	**USD $'000**	**AUD $'000**
USD notes	322,131	459,334	355,927	481,569
Hedged (asset)/liability	-	(7,031)	-	2,157
Net exposure	322,131	452,303	355,927	483,726

Working capital facilities

The Group has a credit card facility with a limit of A$150,000. The facility is secured via a cash cover account.

Finance leases

At 30 June 2019, the Group held finance lease facilities totalling A$21,909,000 (2018: A$1,155,000) which have various maturities up to July 2024. Liabilities under the facility are secured by the assets leased.

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23 Interest bearing liabilities (continued)

Finance lease liabilities

Finance lease liabilities of the Group are payable as follows:

Consolidated	Future minimum lease payments 2019 $'000	Interest 2019 $'000	Present value of minimum lease payments 2019 $'000	Future minimum lease payments 2018 $'000	Interest 2018 $'000	Present value of minimum lease payments 2018 $'000
Less than one year	5,196	(1,173)	4,023	1,183	(28)	1,155
Between one and five years	20,505	(2,619)	17,886	-	-	-
	25,701	(3,792)	21,909	1,183	(28)	1,155

The Group leases plant and equipment under finance leases. The Group's lease liabilities are secured by the leased assets of $22,966,000 (2018: $3,669,000). In the event of default, the leased assets revert to the lessor.

Reconciliation of liabilities arising from financing activities

Liabilities arising from financing activities are those for which cash flows were or will be classified in the Group's consolidated statement of cash flows. The following table details cash and non-cash movements in the Group's liabilities arising from financing activities:

	1 July 2018 $'000	Financing cash flows $'000	Disposal of subsidiary $'000	Financial expense* $'000	New debt acquired $'000	Unrealised FX $'000	30 June 2019 $'000
USD notes	481,569	(47,516)	-	-	-	25,281	459,334
Lease liabilities	1,155	(3,048)	-	-	23,802	-	21,909
Debt raising costs	(16,519)	-	-	4,169	-	-	(12,350)
Debt raising costs (loan note agreement)	-	(1,297)	-	338	-	-	(959)
Debt raising costs (revolving credit facility)	(707)	-	-	707	-	-	-
Other financing	1,857	(1,857)	-	-	-	-	-
	467,355	(53,718)	-	5,214	23,802	25,281	467,933

*inclusive of amortisation expense

	1 July 2017 $'000	Financing cash flows $'000	Disposal of subsidiary $'000	Financial expense* $'000	New debt acquired $'000	Unrealised FX $'000	30 June 2018 $'000
USD notes	462,724	-	-	-	-	18,845	481,569
Lease liabilities	9,801	(5,018)	(3,903)	275	-	-	1,155
Debt raising costs	(19,440)	(592)	-	3,513	-	-	(16,519)
Debt raising costs (revolving credit facility)	(630)	(487)	-	410	-	-	(707)
Other financing	1,584	(1,584)	-	-	1,857	-	1,857
	454,039	(7,681)	(3,903)	4,198	1,857	18,845	467,355

*inclusive of amortisation expense

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24 Financing arrangements

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

	Consolidated $'000		
2019	**Available facility**	**Facility utilised at reporting date**	**Facility not utilisted at reporting date**
USD notes [1]	459,334	459,334	-
Loan Note Agreement	62,000	-	62,000
Bank guarantee facility [2]	3,000	1,744	1,256
Finance leases	21,909	21,909	-
Working capital	150	150	-
	546,393	483,137	63,256

	Consolidated $'000		
2018	**Available facility**	**Facility utilised at reporting date**	**Facility not utilisted at reporting date**
USD notes [1]	481,569	481,569	-
Revolving credit facility	35,000	-	35,000
Bank guarantee facility [2]	5,000	3,531	1,469
Finance leases	1,155	1,155	-
Insurance financing	1,857	1,857	-
Working capital	110	110	-
	524,691	488,222	36,469

(1) The facility of US$322,131,000/A$459,334,000 was fully drawn at 30 June 2019.
(2) The bank guarantee facility was reduced from A$5,000,000 during the period.

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25 Provisions

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Current		
Employee benefits:		
- annual leave	4,987	4,900
- long service leave	1,991	1,545
Provision for restructuring	94	324
	7,072	6,769
Non-current		
Employee benefits - long service leave	406	386
	406	386

	Consolidated		
	Employee benefits	**Provision for restructuring**	**Total**
Balance at 1 July 2018	6,831	324	7,155
Provisions acquired from Matilda	159	-	159
Arising during the year	5,868	-	5,868
Utilised	(5,474)	(230)	(5,704)
Balance at 30 June 2019	7,384	94	7,478

Defined contribution superannuation funds
The Group makes contributions to defined contribution superannuation funds. The expense recognised for the year was $6,625,000 (2018: $4,689,000).

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26 Share based payments

During the year the Company issued Rights to key management personnel and senior employees of the Group under its employee incentive plans (refer note 3(j)(v)). On 27 November 2018 the Company effected a 10:1 share consolidation. The number of shares have been converted to reflect both pre and post share consolidation.

Vested plans

Grant date/employees entitled	Number of instruments (pre consolidation)	Number of instruments (post consolidation)	Vesting Conditions	Contractual life of rights/performance share rights
RI Rights/performance share rights 2016	38,612,893	3,861,289	3 years service.	3 years

Unvested plans

Grant date / employees entitled	Number of instruments (pre consolidation)	Number of instruments (post consolidation)	Vesting conditions	Contractual life of rights/ performance share rights
EHIP				
Rights/performance share rights 2018	16,625,816	1,662,582	2 years service	2 years
MIP				
Rights/performance share rights 2017	181,780,571	18,178,057	3 years service	3 years
Rights/performance share rights 2019	15,000,000	1,500,000	1 years service	1 years
Rights/performance share rights 2019	17,057,848	1,705,785	3 years service	3 years
Rights/performance share rights 2019	14,151,675	1,415,168	4 years service	4 years
Rights/performance share rights 2019	18,856,906	1,885,691	5 years service	5 years
	263,472,816	26,347,282		

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26 Share based payments (continued)

The movement of Rights on issue during the year were as follows:

	Number of rights/performance share rights 2019	Number of rights/performance share rights 2018
Outstanding at 1 July	204,133,030	211,504,857
Granted during the period	82,875,083	-
Exercised during the period	(22,352,459)	-
Share consolidation	(238,190,089)	-
Forfeited during the period	(118,284)	(7,371,827)
Outstanding at 30 June	26,347,281	204,133,030

The fair value of Rights granted during the year are measured using a volume weighted average price (VWAP) (2018: EHIP and MIP: VWAP; and RI: monte carlo simulation analysis. Please refer to note 3(j)).

The following applies to Rights:
- there is no entitlement to dividends or shadow dividends on unvested rights; and
- in the event of absolute change in control (i.e. the acquisition by a third party and its associates >50% of Emeco shares), rights awarded will vest upon change in control.

Employee expenses

	Consolidated	
in AUD	**2019**	**2018**
Performance shares/rights	14,674,531	10,816,362
Total expense recognised as employee costs [(1)]	14,674,531	10,816,362

[(1)] Should an employee be made redundant, the remaining share based payment expense for the vesting period will be accelerated and recognised in the period the employee was made redundant.

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27 Commitments

(a) Operating lease commitments

	Consolidated	
	2019	2018
	$'000	$'000
Future non-cancellable operating leases not provided for in the finanical statements and payable:		
Less than one year	6,426	11,707
Between one and five years	11,164	12,103
More than five years	750	-
	18,340	23,810

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 2019 an amount of $11,672,000 was recognised as an expense in profit or loss in respect of operating leases (2018: $14,145,000).

(b) Capital commitments

The Group has $Nil commitments for purchases of fixed assets (2018: $12,050,000).

28 Contingent liabilities

Guarantees
The Group has provided bank guarantees in the amount of $1,744,000 (2018: $3,531,000) in relation to obligations under operating leases and rental premises.

Indonesia
Since the Group announced it would exit its Indonesian operations, the Indonesian tax office commenced routine VAT and Corporate income tax audits. As a consequence, the Indonesian tax office have issued an assessment which the Group have disputed. Under local laws an assessment does not become final until all appeal avenues have been exhausted.

The process to liquidate the Indonesian entity has commenced and the Group continues to manage its on-going tax and legal obligations in Indonesia. The Group does not believe any potential exposure exists in relation to the Indonesian entity.

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29 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	
		2019	2018
	Note	$'000	$'000
Cash assets	16	36,189	171,431

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

		Consolidated	
		2019	2018
	Note	$'000	$'000
Net profit/(loss) - continuing operations		33,674	5,320
Add/(less) items classified as investing/financing activities:			
Net profit on sale of non-current assets	7	(492)	(755)
Acquisition costs	8	(262)	3,836
Dividends received	7	141	-
Add/(less) non-cash items:			
Amortisation	20	1,930	1,017
Depreciation	8	87,409	68,844
Amortisation of borrowing costs using effective interest rate	8	3,977	4,117
Write off previous deferred borrowing costs	8	642	-
Foreign exchange (gain)/loss	8	11,271	12,617
Impairment losses on tangible assets	8	6,684	11,150
Bad debts	8	49	339
Provision for doubtful debts/(reversal)	8	(236)	36
Other non-cash items and reclassifications		(907)	4,265
Equity settled share based payments	8	14,675	10,816
(Increase)/decrease in deferred tax asset		(870)	(21,396)
Net cash flow from operating activities of discontinued operations		114	(6,194)
Net cash from operating activities before change in assets/(liabilities) adjusted for assets and (liabilities) acquired		157,799	94,012
(Increase)/decrease in trade and other receivables		9,958	35,893
(Increase)/decrease in inventories		(708)	(1,781)
Increase/(decrease) in payables		2,139	(3,821)
Increase/(decrease) in provisions		276	1,230
Net cash from/(used in) operating activities		169,464	125,533

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30 Controlled entities

(a) Particulars in relation to controlled entities

	Country of incorporation	Ownership interest 2019 %	2018 %
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
EHL Corporate Pty Ltd	Australia	100	100
Emeco Parts Pty Ltd	Australia	100	100
Emeco Finance Pty Ltd	Australia	100	100
Andy's Earthmovers (Asia Pacific) Pty Ltd	Australia	100	100
Orionstone Holdings Pty Ltd	Australia	100	100
Orionstone Pty Ltd	Australia	100	100
Ironstone Group Pty Ltd	Australia	100	100
Orion (WA) Pty Ltd	Australia	100	100
RPO Australia Pty Ltd	Australia	100	100
Force Equipment Pty Ltd	Australia	100	100
Matilda Equipment Holdings Pty Ltd	Australia	100	-
Matilda Equipment Pty Ltd	Australia	100	-
Emeco Equipment (USA) LLC	United States	100	100
Emeco (UK) Limited	United Kingdom	100	100
Emeco International Europe BV	Netherlands	100	100
Emeco Europe BV	Netherlands	100	100
Emeco BV	Netherlands	100	100
PT Prima Traktor IndoNusa	Indonesia	100	100
Emeco Holdings South America SpA	Chile	100	100
Enduro SpA	Chile	100	100

(b) Acquisition of entities in the current year

The following entities was acquired in the current year:

- Matilda Equipment Holdings Pty Ltd
- Matilda Equipment Pty Ltd

Refer to note 35 for details on the acquisition of this entity.

(c) Acquisition of entities in the prior year

The following entities were acquired in the prior year:

- Force Equipment Pty Ltd

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31 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	
Peter Richards	Chair
Peter Frank	
Keith Skinner	
Darren Yeates	
Executive directors	
Ian Testrow	Managing Director & Chief Executive Officer
Other executives	**Position**
Thao Pham	Chief Strategy Officer
Justine Lea	Chief Financial Officer

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31 Key management personnel disclosure (continued)

Key management personnel compensation
The key management personnel compensation is as follows:

	Consolidated	
In AUD	**2019**	**2018**
Short term employee benefits	3,543,163	3,190,490
Other long term benefits	92,385	92,471
Post-employment benefits	129,857	123,561
Equity compensation benefits	11,312,286	4,096,165
	15,077,691	7,502,687

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 executive's 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 22 to 38.

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

Rights over equity instruments granted as compensation under employee hybrid incentive plan (EHIP)
The Company has the hybrid incentive plan that includes both short term, cash incentive and long term, equity settled incentive elements, award of which is determined by reference to the Company's performance. This is based on both financial and non-financial measures and will vest at the end of the applicable vesting period, subject to the employee remaining employed by the Company.

Rights over equity instruments granted as compensation under management incentive plan (MIP)
The Company has a management incentive plan in which rights to shares have been granted to certain employees of the Company. Rights awarded under the MIP will vest at the end of the applicable vesting period, subject to the employee remaining employed by the Company. Rights that do not vest will lapse.

Rights over equity instruments granted as compensation under retention incentive plan (RI) (legacy incentive plan)
The Company had a retention incentive plan in which rights/performance shares have been granted to certain employees of the Company. The rights to shares vest after three years.

Other key management personnel transactions
Key management persons, or their related parties, hold positions in other entities that may result in them having control or significant influence over the financial or operating policies of those entities. There were no transactions between the Group and these related entities during the period (FY18 $Nil).

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32 Other related party transactions

Subsidiaries
Loans are made between wholly owned subsidiaries of the Group for corporate purposes. 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.

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

33 Subsequent events

No significant events have occurred subsequent to the year ended 30 June 2019.

34 Earnings per share

Basic earnings per share
The calculation of basic earnings per share at 30 June 2019 was based on the profit/(loss) attributable to ordinary shareholders of $33,961,000 (2018: $11,376,000) and a weighted average number of ordinary shares outstanding less any treasury shares for the year ended 30 June 2019 of 301,523 (2018: 261,720). FY18 comparatives have been restated for the effect of the 10:1 share consolidation that occurred on 27 November 2018.

Profit attributed to ordinary shareholders

	Consolidated					
	2019			2018		
	Continuing operations $'000	Discontinued operations $'000	Total $'000	Continuing operations $'000	Discontinued operations $'000	Total $'000
Profit for the year	33,674	287	33,961	5,320	6,056	11,376

	Consolidated	
	2019 '000	2018 [1] '000
Issued ordinary shares at 1 July	3,043,778	222,617
Effect of shares issued during the period	-	33,635
Effect of vested employee share plans	15,012	5,468
Effect of share consolidation	(2,757,267)	-
Weighted average number of ordinary shares at 30 June	301,523	261,720

[1] Comparatives have been restated for the effect of the 10:1 share consolidation that occurred on 27 November 2018.

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34 Earnings per share (continued)

Weighted average number of ordinary shares

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2019 was based on the profit/(loss) attributable to ordinary shareholders of $33,961,000 (2018: $11,376,000) and a weighted average number of ordinary shares outstanding less any treasury shares during the financial year ended 30 June 2019 of 323,370 (2018: 282,134).

Profit attributed to ordinary shareholders (diluted)

	Consolidated					
	2019			2018		
	Continuing operations $'000	Discontinued operations $'000	Total $'000	Continuing operations $'000	Discontinued operations $'000	Total $'000
Profit attributed to ordinary shareholders (basic)	33,674	287	33,961	5,320	6,056	11,376

Weighted average number of ordinary shares (diluted)

	Consolidated	
	2019 '000	2018 [1] '000
Issued ordinary shares at 1 July	3,043,778	222,617
Effect of shares issued during the period	-	33,635
Effect of vested employee share plans	15,012	5,468
Effect of share consolidation	(2,757,267)	-
Effect of unvested employee share plans	21,847	20,413
Weighted average number of ordinary shares (diluted) at 30 June	323,370	282,134

[1] Comparatives have been restated for the effect of the 10:1 share consolidation that occurred on 27 November 2018.

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.

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35 Business combination

Matilda Equipment Pty Ltd
On 2 July 2018, Emeco Holdings Limited acquired 100% of the shares in Matilda Equipment Holdings Pty Ltd (**Matilda**) and its subsidiary Matilda Equipment Pty Ltd for total consideration of $94,327,000 settled by an upfront cash payment of $93,312,000 and an additional cash payment of $1,015,000 in relation to a working capital adjustment paid in October 2018.

Provisional values were disclosed in June 2018, however the values identified in relation to the acquisition are final as at reporting date 30 June 2019. Details of the acquisition are as follows:

	Matilda Equipment Pty Ltd	
	Final	**Provisional**
	2019	**2018**
	$'000	**$'000**
Cash assets	549	549
Trade and other receivables	6,849	6,861
Inventories	742	580
Prepayments	219	177
Plant and equipment	78,869	80,154
Goodwill/intangibles	8,807	9,477
Tax asset/(liability)	(165)	-
Trade and other payables	(1,384)	(3,344)
Provisions	(159)	(159)
Net assets /(liabilities) acquired	94,327	94,295
Acquisition date fair value of consideration transferred	94,327	94,295
Representing:		
Cash	93,312	93,312
Cash consideration paid in respect of working capital adjustment	1,015	983
Total	94,327	94,295
Acquisition costs expensed to profit or loss	2,160	1,924
Cash used to acquire the business, net of cash aquired:		
Acquisition date fair value of consideration transferred	94,327	94,295
Less: cash and cash equivalents	(549)	(549)
Net Cash paid	93,778	93,746

Impact of acquisitions on the results of the Group
The Group has fully integrated the acquisition of the business from the acquisition date and is therefore unable to accurately quantify the additional revenue and earnings contributed to the Group by the acquired business.

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35 Business combinations (continued)

Force Equipment Pty Ltd
On 30 November 2017, Emeco Holdings Limited acquired 100% of the shares in Force Equipment Pty Ltd (**Force**) for total consideration of $72,643,000 settled by an upfront cash payment of $69,940,000, and an additional cash payment of $2,703,000 in relation to a working capital adjustment paid in February 2018.

The values identified in relation to the acquisition are final as at reporting date 30 June 2018. Details of the acquisition are as follows:

	Force Equipment Pty Ltd Final 2018 $'000
Cash assets	3,395
Trade and other receivables	15,168
Inventories	3,538
Prepayments	506
Plant and equipment	62,828
Tax assets	781
Trade and other payables	(10,812)
Provisions	(2,761)
Net assets /(liabilities) acquired	72,643
Acquisition date fair value of consideration transferred	72,643
Representing:	
Cash	69,940
Cash consideration paid in respect of working capital adjustment	2,703
Total	72,643
Acquisition costs expensed to profit or loss	1,912
Cash used to acquire the business, net of cash aquired:	
Acquisition date fair value of consideration transferred	72,643
Less: cash and cash equivalents	(3,395)
Net cash paid	69,248

Impact of acquisitions on the results of the Group
The Group has fully integrated the acquisition of the business from the acquisition date and is therefore unable to accurately quantify the additional revenue and earnings contributed to the Group by the acquired business.

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36 Parent entity disclosure

As at and throughout the financial year ending 30 June 2019 the parent entity (the '**Company**') of the Group was Emeco Holdings Limited.

	Company	
	2019 $'000	**2018 $'000**
Result of the parent entity		
Loss for the period [1]	(325,455)	(17,033)
Other comprehensive income	-	-
Total comprehensive income for the period	(325,455)	(17,033)
Financial position of parent entity at year end		
Current assets	20	20
Non-current assets	154,334	412,012
Total assets	154,354	412,032
Current liabilities	-	-
Non-current liabilities	-	-
Total liabilities	-	-
Total equity of the parent entity comprising of:		
Share capital	931,199	915,224
Share based payment reserve	42,882	28,207
Reserve for own shares	(49,001)	(33,026)
Retained earnings	(770,725)	(498,373)
Total equity	154,355	412,032

[1] This includes the impairment of intercompany investments and loans within the same tax consolidated group and jurisdiction. This is eliminated on group consolidation.

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, Emeco International Pty Ltd is 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
- Andy's Earthmovers (Asia Pacific) Pty Ltd
- Orionstone Holdings Pty Ltd
- Orionstone Pty Ltd
- Force Equipment Pty Ltd
- Matilda Equipment Pty Ltd
- Matilda Equipment Holdings Pty Ltd

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37 Deed of cross guarantee (continued)

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 2019 is set out as follows:

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

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Revenue	464,516	380,992
Cost of sales	(272,549)	(271,277)
Gross profit	191,967	109,715
Operating expense	(92,199)	(63,707)
Other income	6,038	2,251
Finance income	961	492
Finance costs	(55,120)	(50,900)
Unrealised FX	(11,140)	-
Impairment of assets	(6,684)	(11,150)
Impairment of investments	(199,447)	-
Profit before tax	(165,624)	(13,299)
Tax expense	-	18,707
Net profit after tax	(165,624)	5,408
Other comprehensive income	(3,640)	(3,104)
Total comprehensive income for the period	(3,640)	(3,104)
Retained earnings at beginning of year	(565,718)	(571,126)
Retained earnings at end of year	(734,982)	(565,718)
Attributable to:		
Equity holders of the Company	(734,982)	(565,718)
Profit/(loss) for the period	(165,624)	5,408

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37 Deed of cross guarantee (continued)

Statement of financial position

	Consolidated	
	2019 $'000	2018 $'000
Current assets		
Cash and cash equivalents	35,869	171,173
Trade and other receivables	89,838	93,063
Inventories	6,345	4,895
Assets held for sale	2,832	7,937
Total current assets	134,884	277,068
Non-current assets		
Trade and other receivables	18,799	17,808
Derivatives	18,496	5,709
Intangible assets	9,076	1,994
Investments	799	186,661
Property, plant and equipment	579,668	407,951
Deferred tax assets	23,212	22,177
Total non-current assets	650,050	642,300
Total assets	784,934	919,368
Current liabilities		
Trade and other payables	83,608	81,048
Derivatives	11,465	7,866
Interest bearing liabilities	4,023	3,012
Provisions	6,978	6,881
Total current liabilities	106,074	98,807
Non-current liabilities		
Interest bearing liabilities	465,901	464,343
Provisions	406	386
Total non-current liabilities	466,307	464,729
Total liabilities	572,381	563,536
Net assets	212,553	355,832
Equity		
Issued capital	931,199	915,224
Share based payment reserve	42,882	28,207
Reserves	(26,546)	(21,881)
Retained earnings/(losses)	(734,982)	(565,718)
Total equity attributable to equity holders of the parent	212,553	355,832

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Emeco Holdings Limited and its Controlled Entities

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 45 to 112, and remuneration report in the directors' report, set out on pages 22 to 38 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 2019 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 2019.

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, 20th day of August 2019

Signed in accordance with a resolution of the directors:

Ian Testrow
Managing Director

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Emeco Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying 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 2019 and of its financial performance for the year then ended; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Recoverability of deferred tax assets The Group has recognised $23.2 million of net deferred tax assets as at 30 June 2019 as disclosed in note 12. The relevant accounting standards require deferred tax assets to be recognised only to the extent that it is probable that sufficient future taxable profits will be generated in order for the benefits of the deferred tax assets to be realised. Significant judgement is required to assess the probability that future taxable profits will be available against which unused tax losses can be utilised profits.	Our procedures included, but were not limited to: • Understanding the process that management undertakes to develop the model for future taxable profit; • Comparing profit forecasts to Board approved business plans; • Assessing historical forecasting accuracy by comparing actual performance to budgets; • Testing on a sample basis, management's model for future profit for mathematical accuracy; • In conjunction with our tax experts evaluating whether the unused tax losses are available to the Group and whether the profit forecasts had been appropriately adjusted for the differences between accounting profits and taxable profits; and • Assessing what temporary differences would reverse in the forecast taxable income to assist in determining how much tax losses will be utilised. We also assessed the appropriateness of the disclosures in note 12 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 22 to 38 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Emeco Holdings Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Leanne Karamfiles
Partner
Chartered Accountants
Perth, 20 August 2019

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Financial calendar

The annual general meeting of Emeco Holdings Limited will be held at K&L Gates, Level 31, 1 O'Connell Street, Sydney, New South Wales on Thursday, 14 November 2019 commencing at 2:00pm (Sydney time).

Event	Date*
Annual general meeting	14 November 2019
Half year	31 December 2019
Half year profit announcement	February 2020
Year end	30 June 2020

*Timing of events is subject to change and board discretion.

Shareholder statistics

Substantial shareholders

Details regarding substantial holders of the Company's ordinary shares as at 14 August 2019, as disclosed in the substantial holding notices given to the Company, are as follows:

Name	Shares	% Issued capital
Black Diamond Capital Management LLC Black Diamond CLO 2012-1 Ltd Black Diamond Credit Strategies Master Fund Ltd Black Diamond CLO 2006-1 (Cayman) Ltd BDCM Opportunity Fund IV LP BDCM Opportunity Fund III LP	661,286,351 [A]	23.47
Paradice Investment Management Pty Ltd	29,242,350 [B]	9.047
First Samuel Limited	166,939,396 [A]	5.25
Eley Griffiths Group Pty Ltd	16,304,677 [B]	5.04
Black Crane Asia Opportunities Fund	110,839,604 [A]	4.55

[A] Share numbers are on a pre-share consolidation basis as the relevant substantial holding notice was lodged with the Company prior to the 10 to 1 share consolidation being effected.

[B] Share numbers are on a post-share consolidation basis as the relevant substantial holding notice was lodged with the Company prior to the 10 to 1 share consolidation being effected.

Shareholder information

Distribution of shareholders

As at 14 August 2019, there were 5,900 holders of the Company's ordinary shares. The distribution as at 14 August 2019 was as follows:

Range	Investors	Securities	% Issued capital
100,001 and Over	58	296,944,618	91.87
10,001 to 100,000	606	16,529,354	5.11
5,001 to 10,000	559	4,224,689	1.31
1,001 to 5,000	1,744	4,431,300	1.37
1 to 1,000	2,933	1,082,471	0.33
Total	**5,900**	**323,212.432**	**100.00**

The number of security investors holding less than a marketable parcel of 229 securities ($2.19 on 14 August 2019) is 1,235 and they hold 112,890 securities.

20 largest shareholders

The names of the 20 largest holders of the Company's ordinary shares as at 14 August 2019 are:

Rank	Name	Equity securities	% Issued capital
1	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	129,886,900	40.19
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	54,901,980	16.99
3	CITICORP NOMINEES PTY LIMITED	40,642,519	12.57
4	NATIONAL NOMINEES LIMITED	18,691,083	5.78
5	PACIFIC CUSTODIANS PTY LIMITED	16,847,903	5.21
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,258,520	2.56
7	BNP PARIBAS NOMINEES PTY LTD	6,460,701	2.00
8	BNP PARIBAS NOMS PTY LTD	5,933,809	1.84
9	ZERO NOMINEES PTY LTD	2,910,000	0.90
10	CITICORP NOMINEES PTY LIMITED	1,211,174	0.37
11	ELPHINSTONE HOLDINGS PTY LTD	894,879	0.28
12	WARBONT NOMINEES PTY LTD	760,038	0.24
13	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	731,473	0.23
14	BNP PARIBAS NOMINEES PTY LTD	594,090	0.18
15	D J DENNY PTY LTD	500,186	0.15
16	SARGON CT PTY LTD	500,000	0.15
17	G HARVEY NOMINEES PTY LIMITED	477,678	0.15
18	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	405,115	0.13
19	POLYLUX PTY LTD	295,000	0.09
20	DENNIS BUSINESS ASSETS PTY LTD	266,042	0.08

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Shareholder information

Voting rights of ordinary shares

Voting rights of shareholders are governed by the Company's constitution. The constitution provides that on a show of hands every member present in person or by proxy has one vote and on a poll every member present in person or by proxy has one vote for each fully paid ordinary share held by the member.

Closing share price ($)

Unquoted equity securities

As at 14 August 2019, there are 10,101,282 performance rights on issue to 20 participants pursuant to the Company's employee incentive plans.

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Emeco Holdings Limited and its Controlled Entities

Company Directory

DIRECTORS

Peter Richards
Ian Testrow
Peter Frank
Keith Skinner
Darren Yeates

SECRETARY

Penelope Young

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SECURITIES EXCHANGE LISTING

Emeco Holdings Ltd ordinary shares are listed on the Australian Securities Exchange Ltd. ASX code: EHL