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Emeco Holdings Limited and its Controlled Entities

ABN 89 112 188 815

Annual Financial Report

30 June 2020

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Chairman's Report

Dear Shareholder,

I am pleased to present the Emeco Holdings Limited Annual Report for the 2020 financial year (FY20).

People and safety

As always, Emeco continues to maintain its commitment to our workforce of approximately 1,000 people, the environment and the communities in which we operate.

However, with the onset of the COVID-19 pandemic this year, our commitment to ensuring the health, safety and mental wellbeing of our people was immediately magnified. I was proud of the response our team made to implement policies and guidelines to ensure the safety of our workforce and customers and to minimise the impact on our operations.

Additionally, Emeco significantly reduced its total recordable injury frequency rate from 4.6 to 2.9. Further, the lost time injury frequency rate remained at zero for the fourth year in a row.

For more information on our sustainability performance and policies, please refer to Emeco's FY20 Sustainability Report available on our website.

Growing earnings and cash flow

Despite the challenges of COVID-19, Emeco continued to execute upon its strategy of creating a more sustainable and resilient business.

Supported by our large fleet of in-demand assets, and the acquisition of specialist underground mining services business, Pit N Portal, Emeco's earnings continued to grow in FY20.

We now possess a broader customer value proposition, more balanced commodity mix and a more diverse customer base.

Our focus on managing costs while prudently allocating capital to generate strong returns, drove the strong free cash flow earned through the year.

Reduction in net debt and leverage

The strong earnings and cash flow generation in FY20 further reduced the Company's net debt. This has resulted in leverage falling from 2.0x in FY19 to below our 1.5x FY20 target to 1.46x.

The first call date on the US notes was on 1 April 2020 and the Company will continue to explore all options to refinance the notes prior to maturity on 31 March 2022.

Whilst our focus on cash flow and deleveraging is unchanged, a stronger and more resilient balance sheet will provide the board with more flexibility to capital deployment moving forward.

I would like to take this opportunity to thank our shareholders for their continued support of Emeco. I would also like to thank management for their dedication in building a sustainable business and other achievements this year.

Finally, I would like to pass on a special thank you to all of our employees for their efforts in what has been, and continues to be, a challenging period. This continued commitment is critical to Emeco's sustained success, and we wish for everyone to stay healthy and remain safe.

Peter Richards
Chairman

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Managing Director's Report

Dear Shareholder,

I am pleased to report that during FY20, Emeco continued to execute on its stated strategy of being the lowest cost, highest quality provider of mining equipment while building on our business model and widening our customer value proposition to achieve growth and sustainability.

People and safety

Emeco's workforce has now expanded to approximately 1,000 people nationwide. Pleasingly, however, our lost time injury frequency rate remained at zero for the fourth year in a row. Our total recordable injury frequency rate also decreased from 4.6 to 2.9. We are committed to maintaining a safe and healthy workforce and will continue to target zero harm.

With the onset of COVID-19 in 2020, our management team immediately prioritised the health, safety and welfare of all Emeco people, investing significant time and energy into implementing policies and procedures. These policies and procedures also ensured minimal disruption to the workforce and our operations. I am very proud of the work management, and the wider team, continue to do ensuring the health and safety of our people.

Building a sustainable business

Emeco's overarching objective is to build a sustainable business that generates shareholder value through the cycles. Emeco has made considerable progress against this objective throughout FY20.

We continued to grow our rental operations, securing a number a key, longer-term contracts across Australia. We also continued to build our Force workshops business, thereby broadening our customer service offering. The Force business also allowed the Group to reduce the cost of rebuilding our own equipment, materially improving the return we achieve on our capital invested.

As part of our journey in FY20, Emeco acquired the Pit N Portal business. Pit N Portal further expands Emeco's service offering to include hard-rock underground equipment and mining services (including on-site infrastructure, operators and technical and engineering services). Pit N Portal also vastly improves our commodity and customer diversification through a number of long-term hard rock projects with mid-tier mining customers.

It is great to see continued progress against our commodity diversification strategy in FY20. With Pit N Portal coming into the Emeco Group, coal revenue now constitutes less than half of the Company's revenue as the business grows around coal. We also significantly improved our commodity diversification, as demonstrated by gold and iron ore revenue increasing by 2.7 times[1].

Strong earnings and returns in FY20

I am pleased to report another year of increased profitability in FY20, with operating EBITDA of $246.1 million (up 15% on FY19) and operating EBIT of $138.2 million – up 10% on FY19 and the highest in Emeco's history.

The rental business continued to achieve growth in earnings and margins, driven by strong customer demand and our ongoing cost focus. We secured several long tenure contracts and extensions (3 to 5 years) with Whitehaven, Saracen and Evolution, further increasing the resilience of the business.

Since the acquisition completed on 28 February 2020, Pit N Portal has performed in line with expectations, with customers showing interest in Pit N Portal providing a combined open cut and underground mining solution.

The Force workshops business continued to see significant growth in activity as a result of servicing the Emeco and Pit N Portal fleet, in addition to growth in retail works. Together with Emeco's mid-life equipment model, the workshops rebuild capability is integral to reducing costs and has facilitated another year of strong return on capital at 21.0%, well above our cost of capital.

[1] Annualised Q4 FY20 commodity revenue compared to FY19

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While COVID-19 did not substantially impact Emeco's business, in Q4 we saw a slight decline in utilisation and received some off-hire notices in the Eastern Region. In the Western Region there were some increased costs related to social distancing and due to border closures. We have since seen the COVID-19 situation stabilise.

Increasing free cash flow and reduction in leverage

Combined with the strong profitability in FY20, Emeco generated free cash flow of $71.2 million, accelerating our deleveraging path and pushing our net debt / operating EBITDA down further to 1.46x, below our FY20 target of 1.5x and down from 2.0x in FY19.

Emeco's deleveraging strategy has been unwavering over the past five years and generating strong earnings and cash flows continues to drive our operational focus.

Emeco remains committed to optimising its capital structure by further reducing net debt, refinancing the US notes on improved terms in the future and, when prudent, being in a position to pay a dividend to shareholders.

Outlook for FY21

The Company is expecting another solid year in FY21, with focus on new longer tenure, fully maintained contracts which provides additional commodity diversification.

Although equipment off-hired by notices received in Q4 FY20 is expected to impact earnings in the Eastern Region, the lower coal prices have resulted in increased bidding activity as customers look for more cost effective, less capital-intensive solutions. With the equipment market remaining tight, Emeco is well placed to service market demand and we are confident in our ability to redeploy fleet into new projects. Following long term contract awards and extensions with Saracen and Evolution in FY20, strong demand in gold and iron ore will support continued growth in earnings and margins in the Western Region.

Growth is also expected for Pit N Portal, particularly following the award of a large nickel project commencing in FY21.

Workshops activity levels are expected to remain high, as we focus on internal Emeco and Pit N Portal works, retail works on the east coast and building on our boiler making, fabrication and field maintenance services.

Emeco is a more sustainable business than ever, underpinned by our low-cost model, and we continue to focus on building and diversifying our operations to build further strength into the core business. Whilst we are in challenging times, I believe Emeco will be in a stronger position this time next year and ready to continue growing in FY22.

Once again, I would like to thank the Emeco team for their continued hard work throughout FY20, and welcome Steve Versteegen and the Pit N Portal team to the Emeco Group.

And finally, thanks our shareholders and investors 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 open cut and underground mining equipment, maintenance and project support solutions and services.

The Group supplies safe, reliable and maintained open cut and underground equipment rental solutions, together with onsite infrastructure, to its customers. The Group also provides repair and maintenance, and component and machine rebuild services for its customers' equipment and operator, technical and engineering solutions and services.

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 open cut and underground mining equipment, maintenance and project support solutions and services to the mining industry. Operating costs principally comprise parts and labour associated with maintaining earthmoving equipment. Capital expenditure principally comprises the replacement of major components over the life cycle of Emeco's assets.

Table 1: Group financial results

	Operating results[1,2,3,4]		Statutory results	
A$ millions	**2020**	**2019**	**2020**	**2019**
Revenue	540.4	464.5	540.4	464.5
EBITDA[3,5]	246.1	214.0	234.1	195.1
EBIT[3,5]	138.2	125.4	105.3	99.1
NPAT[5]	87.5	63.1	66.1	33.7
ROC[5] %	21.0%	21.0%	14.9%	18.0%
EBIT margin	25.6%	27.0%	19.5%	21.3%
EBITDA margin	45.5%	46.1%	43.3%	42.0%

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. Refer to Table 2.
2. Operating results are continuing operations only and therefore exclude the Chile discontinued operations.
3. Non IFRS measures.
4. Operating results are pre AASB16.
5. 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).

Table 2: 2020 operating results to statutory results reconciliation

A$ millions	Statutory	Tangible asset impairments	Redundancy and restructuring costs	Non-recurring project costs	Long-term incentive program	Impairment of investments and Ineffective hedge gain	Tax Benefit	Subtotal	AASB 16 Leases	Operating
EBITDA	234.1	-	2.0	3.5	14.3	0.5	-	254.4	(8.3)	246.1
EBIT	105.3	13.8	2.0	3.5	14.3	0.5	-	139.4	(1.2)	138.2
NPAT	66.1	13.8	2.0	3.5	14.3	(1.6)	(10.9)	87.2	0.3	87.5

Reconciliation of differences between operating and statutory results:

1. FY20 operating results are non IFRS measures and exclude the following:
   - **Tangible asset impairments:** During FY20 net impairments totalling $13.8 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 $2.0 million before tax.
   - **Non-recurring project costs:** One-off costs of $3.5 million were incurred in relation to the acquisition of Pit N Portal in FY20 and other corporate development initiatives.
   - **Long-term incentive program:** During FY20, Emeco recognised $14.3 million of non-cash expenses relating to the employee incentive plan.
   - **Impairment of investments and ineffective hedge gain:** One-off gain of $2.1 million for an adjustment for ineffectiveness of hedge derivatives in line with AASB 13 and a $0.5m million cost relating to the impairment of an investment.
   - **AASB 16 Leases:** The impact of the implementation of AASB 16 (Leases) by the Group has been added back to the operating results to provide the user with a like for like comparative with the FY19 results. The impact of the change in this standard was a $8.3 million increase to EBITDA, a $1.2 million increase to EBIT and a $0.3 million decrease to NPAT. Excluding this adjustment, FY20 Operating EBITDA would have been $254.4 million.
   - **Tax benefit**: Tax credit of $10.9 million principally arising from the full recognition of historic tax losses.
2. Refer to the 2019 Annual Report for a reconciliation of differences between FY19 operating and statutory results.

15% YoY INCREASE IN EARNINGS

Operating EBITDA increased to $246.1 million (up $32.1 million or 15.0% on FY19) as a result of a larger fleet, increased utilisation of the fleet by customers and continued focus on cost management throughout the business. In addition, the acquisition of Pit N Portal Mining Services Pty Ltd and Pit N Portal Equipment Hire Pty Ltd (together, **Pit N Portal**) on February 28, 2020 contributed $9.0 million to operating EBITDA in the four months of ownership in FY20.

Group operating revenue from continuing operations increased to $540.4 million in FY20 (FY19: $464.5 million). Rental revenue increased to $388.0 million (FY19: $363.3 million) as a result of 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 workshops increased 13.6% to $113.1 million (FY19: $99.5 million) as a result of higher turnover in the Workshop segment and a greater number of contracts providing maintenance services to Rental customers.

Operating EBITDA margins decreased to 45.5% (FY19: 46.1%) as a result of the addition of lower margin earnings with a greater services content from Pit N Portal for the four months of ownership and some minor additional costs incurred in response to COVID-19. Excluding the contribution of PnP, the EBITDA margin of the underlying business improved from 46.1% to 46.9% in FY20 as strong cost controls and operating efficiencies continued to support earnings. Operating EBIT increased 10.2% with the operating return on capital (**ROC**) remaining high at 21.0% (FY19: 21.0%).

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Table 3: Operating cost summary (operating results)

A$ millions	2020	2019
Revenue	**540.4**	**464.5**
Operating expenses		
Repairs and maintenance	(94.1)	(89.1)
External maintenance services	(84.8)	(75.3)
Employee expenses	(57.9)	(38.1)
Cartage and fuel	(18.2)	(13.8)
Other direct costs	(21.4)	(17.5)
Net other expenses	(17.9)	(16.7)
Operating EBITDA	**246.1**	**214.0**
Depreciation expense	(107.0)	(87.4)
Amortisation	(0.9)	(1.2)
Operating EBIT	**138.2**	**125.4**

Note: Operating results are non IFRS and have been adjusted as per reconciliation in Table 2.

Repairs and maintenance expense increased to $94.1 million (FY19: $89.1 million) driven by the acquisition of Pit N Portal in FY20. Repairs and maintenance as a percentage of rental and mining services revenue decreased from 24.5% in FY19 to 22.2% in FY20. External maintenance services expense increased materially in line with the increase in the revenue with external maintenance service, with maintenance services margins increasing from 24.4% to 25.1% in FY20.

Cartage and fuel increased to $18.2 million (FY19: $13.8 million) due to the transportation of fleet between customer sites during the period.

Due to the acquisition of Pit N Portal and increased operational activity, employee expenses increased 52.0% in FY20 to $57.9 million (FY19: $38.1 million). Total headcount has increased from approximately 543 to over 900 over FY20.

Net other expenses increased to $17.9 million (FY19: $16.7 million) primarily as a result of the acquisition of Pit N Portal.

Depreciation expense increased to $107.0 million in FY20 (FY19: $87.4 million) driven by the increased scale of fleet from recent acquisitions and increased utilisation of equipment.

DIVERSIFICATION INTO UNDERGROUND EQUIPMENT

The written down value (**WDV**) of the equipment fleet including capital WIP and inventory increased by $47.4 million to $624.9 million in FY20 primarily due to the acquisition of Pit N Portal adding an additional $54.4 million of fleet.

Table 4: Equipment fleet

A$ millions	2020	2019
Equipment fleet	624.9	577.5
Non-current assets held for sale	3.2	2.9

We continually review our 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 their useful lives are transferred to non-current assets held for sale and are actively marketed through Emeco's global network of brokers.

CONTINUED STRONG FREE CASH FLOW

Table 5: Free cash flow summary

A$ millions	2020	2019
Operating EBITDA	246.1	214.0
Working capital	(19.8)	21.4
Net sustaining capital expenditure	(110.3)	(88.5)
Component inventory	1.4	(7.3)
Finance costs	(46.1)	(49.5)
Net free cash flow (pre-growth assets)	**71.2**	**90.1**
Growth capex	**-**	**85.1**
Net free cash flow	**71.2**	**5.0**

Note:
1. Results exclude Chile discontinued operations.
2. Free cash flow excludes any non-recurring items (FY20: Redundancy and restructure expense $2.0 million, non-recurring project costs $3.5 million, impairment of investments and hedge ineffectiveness ($1.6) million, AASB 16 leases impact $8.3 million) (FY19: Redundancy and restructure expense $4.4 million, Acquisition expense refund $0.3 million).
3. Financing costs cash outflow has been adjusted $1.5m, EBITDA by ($8.3m) and financing repayments $6.8m for the impact of AASB 16 Leases for comparative purposes to FY19.

Operating EBITDA increased from $214.0 million in FY19 to $246.1 million in FY20 which provided the base for strong operating cash flow for the Group for FY20. The working capital outflow was in line with expectations due to timing of cash payments and increased operating activity in FY20. There was a continued strong focus on working capital controls within the business. No debtor issues have arisen as a result of COVID-19.

Net sustaining capital expenditure increased from $88.5 million in FY19 to $110.3 million in FY20 in line with a larger fleet as a result of the acquisition of Pit N Portal, in addition to a $13.4 million decrease in disposals during FY20. No growth capital expenditure was incurred in FY20.

Finance costs were lower in FY20 due to the reduction in the outstanding Notes in FY19 and implementation of additional hedging in FY19 to fully hedge the outstanding Notes.

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CONTINUED LEVERAGE REDUCTION IN LINE WITH TARGET

Table 6: Net debt and gearing summary

A$ millions	2020	2019
Interest bearing liabilities (current and non-current)[1]		
Secured Notes (USD denominated) [4]	441.7	441.7
Revolving credit facility[5]	97.0	0.0
Lease liabilities (pre transition to AASB 16)[6]	18.1	21.9
Total debt[1]	**556.8**	**463.6**
Cash	(198.2)	(36.2)
Net debt[1]	**358.6**	**427.4**
Leverage ratio (pre transition to AASB 16)[2]	1.46x	2.00x
Additional lease liabilities on transition to AASB 16[6]	44.5	n/a
Net debt including additional lease liabilities on transition to AASB 16[6]	**403.1**	**427.4**
Leverage ratio	1.58x	2.00x
Interest cover ratio[3]	4.9	4.6

Note: 1. Figures based on facilities drawn. Debt in the table above is a non-IFRS measure. Excludes debt raising costs included in interest bearing liabilities in note 24 and US$ 322.1 million secured notes converted at the effective hedge rate of 0.7293.
2. Leverage ratio Pre AASB-16. Net debt / Operating EBITDA. The transition to AASB 16 has been excluded for comparative purposes.
3. Interest cover ratio - Operating EBITDA / Net Interest expense. Net interest expense has been adjusted by $1.5 million for the impact of AASB 16 leases in FY20.
4. US$322.1 million converted at the effective hedge rate of 0.7293.
5. Refer to note 24 in the financial report.
6. In future periods AASB 16 leases will be included within net debt and have only been excluded for comparative purposes.

Total outstanding debt increased by $137.7 million due to inception of AASB 16 Leases increasing lease liabilities by $44.5 million and the A$97.0 million drawdown of the revolving credit facility (**RCF**). The impact of AASB 16 Leases has been reversed to provide a comparable net debt, leverage ratio and interest cover ratio to FY19.

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 2020, US$322.1 million of the notes were outstanding (FY19: US$322.1 million). The notes are fully hedged at an effective rate of 0.7293. Due to the movements in the Australian dollar between the inception of the hedge on 31 March 2017 and 30 June 2020 as well as movements in USD and AUD interest rates, a net hedge asset of $28.0 million has been recognised at June 2020. The first call date on the US secured notes was 1 April 2020 and the Company will continue to explore all options to refinance the notes prior to maturity on 31 March 2022.

The A$100.0 million RCF matures in September 2021 (with an option to extend for two years). In order to ensure the Group was not impacted by potential global liquidity shortages as a result of COVID-19, it was decided to fully draw-down the RCF facility by A$97.0 million and place the funds on deposit as a safeguard should they be required. At no time up to the date of this report were the funds used or required by the Group and it is intended that the RCF be repaid once global markets stabilise. Accordingly, this has been recorded as a current liability. A$1.7 million of the facility was utilised for bank guarantees at 30 June 2020 and A$1.3 million of the facility was unutilised at 30 June 2020.

Emeco's cash balance increased to $198.2 million at 30 June 2020, largely due to the conversion of EBITDA to net operating free cash flow and the A$97.0 million drawdown of the RCF facility. Refer to note 24 in the accompanying financial statements for additional information on Emeco's financing facilities.

Emeco's leverage ratio has improved from 2.00x at 30 June 2019 to 1.46x at 30 June 2020 in line with market guidance albeit in a time of significant disruption in the world economy. The achievement of the 1.5x target places Emeco in a strong position to refinance the outstanding notes on more favourable terms in the future.

No dividends were declared or paid during FY20.

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Segment Business Overview

Main markets

The Company's business operations comprised of three segments: Rental, Pit N Portal and Workshops.

Rental

Revenue in the Rental segment increased by 5.9% to $425.1 million with operating EBITDA margins increasing from 58.3% in FY19 to 61.0% in FY20 as strong cost controls and operating efficiencies continued to impact positively on the results.

Group operating utilisation[2] increased over FY20 averaging 64.4%, up from 63.9% in FY19. Operating utilisation is a measure of how hard the equipment is working. Gross operating utilisation averaged 90.5% in FY20 (FY19: 90.1%). 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

Total Workshops activity (as measured by retail and internal revenue pre-intercompany eliminations) increased from $114.7 million in FY19 to $163.8 million in FY20, a significant increase of 42.8% YoY. The internal portion of Workshops activity increased in FY20 to 51% (FY19: 45%).

The Operating EBITDA contribution from the retail earnings increased 11% to $5.2 million (FY19: $4.7 million). All overheads are allocated to the external retail earnings. Given the greater percentage of internal works being completed by the Workshops, Operating EBITDA margin for the period decreased to 6.5% (FY19: 7.5%) with a greater benefit being provided to the Rental segment in FY20.

Pit N Portal

This segment was established via the acquisition of Pit N Portal on 28 February 2020 and provides a range of mining services solutions and associated services to customers in Australia. For the four months of ownership under Emeco in FY20, Pit N Portal earned revenue of $35.3 million and Operating EBITDA of $9.0 million (pre-AASB116) at a margin of 25.5%. The lower margin of this segment is expected to impact the overall group EBITDA margin in future periods.

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

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Table 7: Five year financial summary

		2020	2019	2018	2017	2016
REVENUE						
Revenue from rental income	$'000	387,959	363,258	323,986	208,286	139,545
Revenue from sale of machines and parts	$'000	4,129	1,680	1,835	2,648	5,470
Revenue from mining services	$'000	35,212	-	-	-	-
Revenue from maintenance services	$'000	113,129	99,548	55,171	22,080	22,956
Total	$'000	540,429	464,486	380,992	233,014	167,970
PROFIT						
Operating EBITDA[2]	$'000	246,073	213,966	153,004	83,504	54,246
Operating EBIT[2]	$'000	138,176	125,352	83,193	(97,066)	(14,219)
Operating NPAT[2]	$'000	87,460	63,126	20,068	(90,891)	(90,519)
Statutory profit/(loss) for the year	$'000	66,129	33,961	11,376	(180,463)	(225,389)
Basic EPS[3]	cents	20.2	11.2	0.4	(3.7)	(15.1)
BALANCE SHEET						
Total assets	$'000	1,088,591	768,669	716,052	520,679	427,692
Total liabilities	$'000	731,346	570,591	562,570	552,686	421,695
Shareholders' equity	**$'000**	**357,245**	**198,078**	**153,482**	**(32,007)**	**5,997**
Total debt	$'000	628,932	481,243	484,581	474,109	377,818
CASH FLOWS						
Net cash flows from operating activities	$'000	181,973	169,464	125,533	14,223	70,644
Net cash flows from investing activities	$'000	(169,852)	(251,024)	(127,087)	486	(23,112)
Net cash flows from financing activities	$'000	149,825	(53,718)	156,730	(21,318)	(49,311)
Free cash flow after repayment/(drawdown) of net debt	**$'000**	**161,946**	**(135,278)**	**155,174**	**(6,609)**	**(1,779)**
Free cash flow before repayment/(drawdown) of net debt[1]	**$'000**	**75,308**	**(130,373)**	**162,856**	**(334)**	**5,561**
DIVIDENDS						
Number of ordinary shares at year end[3]	'000	368,551	323,212	3,178,859	2,436,860	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	%	90.5	90.1	89.6	87.3	76.5
Average fleet operating utilisation	%	64.4	63.9	57.4	52.9	44.0
Operating EBIT ROC[2]	%	21.0	21.0	19.6	3.3	(2.7)
Leverage ratio[2]	x	1.46	2.00	2.62	5.47	6.74

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 and therefore these are non IFRS measures. Please refer to previous annual reports for reconciliation between Statutory and Operating Results.

3 Weighted average number of shares restated at 30 June 2019 due to FY2020 bonus rights issue. 30 June 2019 includes the impact of a 10:1 share consolidation that occurred on 27 November 2018.

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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 2020 (**FY20**).

Directors

The directors of the Company during FY20 were:

PETER RICHARDS BCom

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

Board committee membership:

- Member of the Remuneration and Nomination Committee (Chairman until 1 April 2020).
- Member of the Audit and Risk Management Committee.

Skills and experience: Peter has over 40 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 IndiOre Limited and NSL Consolidated Limited) since 2018 (Non-Executive Director 2009 to 2014; previously Chairman 2014 to 2017).
- Chairman of Graincorp Limited since March 2020 (Non-Executive Director 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 and Managing Director 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 Capital Management. 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. Peter has also served as chairman of the board of Kolmar Labs Group Inc., Scovill Inc. and Worldtex Inc. and was previously a director of IAP Worldwide Services Inc., Grede Holdings LLC, Color Spot Holdings Inc. and Viasystems Group Inc.. Peter graduated from the University of Michigan with a BSEE degree and earned an MBA from the Harvard Business School.

Current appointments:
- Director of Specialty Chemicals International Limited.
- Director of Harvey Gulf International Marine LLC.
- Director of North Metro Harness Initiative LLC.

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 Touche Tohmatsu 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 on the Board of Deloitte Touche Tohmatsu (1995 to 1997) and on the Board of the Global Deloitte Organisation (2013 to 2015), and a member of the Deloitte Global Governance (2013 to 2015) and Deloitte 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) and was a director of the Lysicrates Foundation Limited (2015 to 2020).

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. Member of the Finance, Risk and Performance Committee.

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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:
- Chairman of the Remuneration and Nomination Committee from 1 April 2020 (previously member).
- Member of the Audit and Risk Management 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:
- Interim Chief Executive Officer since January 2020 and Director since January 2018 of WorkPac Pty Ltd.
- Director of Peabody Energy, Inc since February 2020.

Company secretary

The company secretary of the Company during FY20 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.

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Directors' meetings

The number of board and committee meetings held and attended by each director in FY20 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	7	7	4	4	4	4
Ian Testrow	7	7	4 *	4	4 *	4
Peter Frank	6	7	0 *	4	1 *	4
Keith Skinner	7	7	4	4	4	4
Darren Yeates	7	7	4	4	4	4

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.

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 FY20 was the provision of open-cut mining equipment, maintenance and project support solutions and services.

As set out in this report, the nature of the Group's operations and principal activities have largely been consistent throughout the financial year however with the acquisition of Pit N Portal in February 2020, expanded to include the provision of underground mining equipment, maintenance, operator, technical and engineering solutions and services.

Operating and financial review

A review of Group operations, and the results of those operations for FY20, 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 FY20. No dividends have been declared or paid since the end of FY20.

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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 2020.

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.

Directors' interest

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	7,481		-	-	
Ian Testrow	11,708,461	[A]	-	3,013,646	[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 issued under the Company's incentive plans.

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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.

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 37 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 2020 Remuneration Report.

Emeco is continuing on its journey of building a sustainable and resilient business through scale, customer and commodity diversification and creating value through services that improve customer project economics to an extent that Emeco becomes embedded in our customers' operations. The Board has sought to ensure that the remuneration strategies for the executive team and management are progressive and consistent with company strategy, objectives and shareholder values.

FY20 remuneration strategy

The Board recognises that in FY20, the COVID-19 pandemic has had a significant effect on the Australian and global economy. The uncertainty in the global economy that has resulted from the COVID-19 pandemic can make remuneration decisions challenging.

However, the Australian mining and mining services industry has remained relatively strong throughout the turbulence of this year due to COVID-19. Further, in response to COVID-19, Emeco's management team acted with urgency and worked tirelessly to implement health and safety protocols and guidelines to ensure the safety of our workforce and minimise the impact on operations.

As a result, Emeco has managed to see through the unpredictable situation and deliver a strong FY20 result without significant disruption to operations (including staffing and salary levels across the Group).

The Board acknowledges that variable remuneration can be a key influencer of behaviour and KPIs must be considered in the context of the Company's current performance and longer-term objectives. 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 FY20, to ensure Emeco's incentive plan evolved with the growth and maturity of the Company, the Board separated the Emeco Hybrid Incentive Plan (**EHIP**) into short term incentives (**STI**) and long term incentives (**LTI**). Under the revised structure:

- STIs are awarded based on the performance of the executive for FY20, with the award being paid in cash at the end of this period.
- LTIs are awarded based on the performance of the executive and the Company over a three-year period, with one-third of the maximum entitlement being tested each year. The three-year performance period ensures alignment with long term shareholder interests.

FY20 performance

KPIs for the FY20 STI and year 1 of the FY20 LTI were partially met, reflecting Emeco's strong financial performance and success in creating a more sustainable and resilient business.

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A more detailed explanation of the FY20 remuneration outcomes for all executives is included in section 5 of this report.

Management has continued to work tirelessly throughout FY20 to evolve Emeco's business model and create additional growth avenues for the Company. In particular, the acquisition of Pit N Portal in February 2020 widens the Company's value proposition; diversifies its commodity exposure and creates project tenure as it helps the Company become more embedded in customers' operations.

Looking ahead

The Company is continuing to build a sustainable and resilient business and we believe this remuneration framework will appropriately support Emeco to deliver on the outcomes desired by its shareholders.

Thank you for your ongoing support of Emeco.

Darren Yeates
Remuneration and Nomination Committee Chairman

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Remuneration report (audited)

Contents

This Remuneration Report for the year ended 30 June 2020 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. Remuneration governance
3. Executive remuneration arrangements
   A. Remuneration principles and strategy
   B. Approach to setting remuneration and details of incentive plans
4. Relationship between executive remuneration and company performance
5. Executive remuneration outcomes for FY20
6. Executive contracts
7. Non-executive director remuneration
8. Additional disclosures relating to share-based payments
9. Loans to key management personnel and their related parties
10. 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 FY20:

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 FY20:

Other executives	Position
Thao Pham	Chief Strategy Officer
Neil Siford	Chief Financial Officer (commenced 18 March 2020)
Justine Lea	Chief Financial Officer (ceased 18 March 2020)

2. 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 FY20 were Mr Darren Yeates (commenced as Chair 1 April 2020), Mr Peter Richards (ceased as Chair 1 April 2020) and Mr Keith Skinner.

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 year, the Remuneration and Nomination Committee sought advice from The Reward Practice Pty Ltd as remuneration consultants to provide 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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3. Executive remuneration arrangements

3.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 its strategic direction and links remuneration outcomes to performance.

Business objective

Build a sustainable and resilient business through scale, customer and commodity diversification and creating value through services that improves customer project economics to an extent that Emeco becomes embedded in our customers' operations

Remuneration strategy linkages to business objective

Remunerate fairly and appropriately	**Align executive interests with those of shareholders**	**Attract, retain and develop proven performers**
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.	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.	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 short term incentive plan (**STI**)	Paid in cash.	Rewards executives for their contribution to achievement of Company key performance indicators (**KPIs**) during the financial year.	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 FY20 which determine if any short term component is payable. Targets are discussed in section 5.
Variable long term incentive plan (**LTI**)	Awards are made in the form of rights to ordinary Emeco shares (**Rights**).	Rewards executives for their contribution to achievement of Company KPIs over the three-year performance period. Awards of Rights dependent on achievement of the LTI KPIs. Maximum number of Rights calculated by reference to Emeco's share price at the beginning of the three-year performance period. Vested Rights convert into shares after the end of the three-year performance period. Accordingly, executive interests are directly aligned with shareholder value over the three-year period.	Creation of growth avenues for the business and a more sustainable and resilient business. Further, the incentive's value is ultimately dependent on the Company's share price so drives executives to maximise shareholder return. Targets are discussed in section 5.

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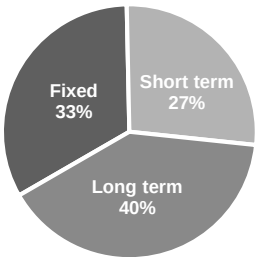
3.B Approach to setting remuneration and details of incentive plans

In FY20, the executive remuneration framework consisted of fixed remuneration and short-term and long-term incentives as outlined below.

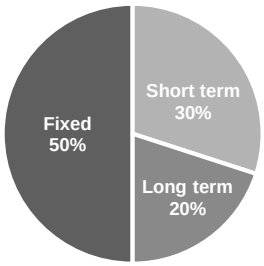
Overall remuneration level and mix

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. The chart below summarises the Managing Director and other executives' overall remuneration mix (assuming maximum performance) for fixed remuneration, short term incentives and long-term incentives. The target mix is considered appropriate for Emeco based on the Company's short term and long-term objectives.

Managing Director



Executives



Fixed remuneration

How is fixed remuneration reviewed and approved?	Fixed remuneration is reviewed periodically 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.

Variable remuneration

What are the Emeco STI and LTI plans?	In FY20 the Company separated the STI and LTI plans, moving away from the Emeco hybrid incentive plan (**EHIP**) of FY18 and FY19. The Board considers this more traditional structure helps ensure executives' performance is appropriately assessed across both short-term and long-term measures. The FY20 STI plan is a cash incentive that rewards executives for their contribution to achievement of certain KPIs in the current financial year. The FY20 LTI plan is an equity incentive that rewards executives for their contribution to achievement of certain KPIs over a three-year period. KPIs are reviewed annually, but achievement is assessed over a three-year period with one-third of the maximum entitlement being tested each year. As the Emeco Group is dynamic and operating within a cyclical market, the Board believes that this gives the Company the flexibility necessary to ensure that goals for the upcoming year remain relevant and aligned with the interests and expectations of shareholders and other stakeholders. Assessing achievement annually also ensures that executives are rewarded for their performance in each year over the three-year period. By assessing outcomes in this manner, consistent high performance over each year within the three-year performance period is required in order to achieve maximum award. Awards under the FY20 LTI plan are made in the form of Rights.

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Variable remuneration

What are the performance criteria and how do they align with business performance?

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 and sustainability of the Company and position the Group well for refinancing the Group's notes due in 2022.

The KPIs for the FY20 STI plan are based on a balance of financial and non-financial measures which provide the platform for the long-term performance and sustainability of the Company. In FY20, a safety KPI was 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 to support the long-term sustainability and success of the Group. Net leverage was the second financial KPI.

The KPI under the FY20 LTI plan for year 1 was to create additional growth avenues for the business and to create a more sustainable and resilient business, in line with the Company's broader strategic objectives. **The same KPI will apply for year 2** of the FY20 LTI plan.

See section 5 for more information on the FY20 KPIs.

How much can executives earn?

The below table sets out the maximum incentive opportunity for each executive under the FY20 STI and LTI plans, expressed as a percentage of total fixed remuneration (**TFR**).

Table 10: components of variable remuneration

Executive	Position	Maximum STI % of TFR	Maximum LTI % of TFR	Maximum Total % 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 (until 18 March 2020)	60%	40%	100%
Neil Siford	Chief Financial Officer (from 18 March 2020)	60%	40%	100%

When is performance measured?

Achievement against variable remuneration KPIs are measured once the Company's full year results has been approved by the Board.

The FY20 LTI plan spans a three-year performance period. Performance is assessed annually following approval of the full year results by the Board across the three-year period.

How are awards determined

Awards are determined by the Board, on recommendation of the Remuneration and Nomination Committee, after consideration of performance against the applicable KPIs.

How is it paid?

FY20 STI and LTI awards are determined after the Company's FY20 full year results have been approved by the Board and to the extent KPIs have been achieved

FY20 STI awards are paid in cash.

FY20 LTI awards are paid by issuing rights (**Rights**) to fully paid ordinary Emeco shares (**Shares**). Rights issued under the FY20 LTI plan are scheduled to vest after announcement of Emeco's annual results in 2022. Executives have the option to convert the Rights into Shares at any time within 2 years from the vesting date, unless the executive leaves Emeco earlier (refer to "What happens if an executive leaves?" below).

The maximum possible award of Rights under the FY20 LTI plan was calculated by reference to the 30-day VWAP of Emeco shares ending 31 July 2019, being $2.19. Tested Rights will be issued at no cost to the executive. The ultimate value of the FY20 LTI award is determined by the Emeco share price once the Rights have vested and are converted into Shares, providing further alignment with the long-term interests of shareholders.

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Variable remuneration

What happens if an executive leaves?	The STI award is only paid to executives employed by the Group after performance is assessed against the STI KPIs. Under the FY20 LTI plan, if Emeco has terminated the executive's employment for misconduct or other breach of employment contract, the Board may, in its absolute discretion, determine that all or part of the Rights issued to them under the FY20 LTI plan will lapse. If the executive leaves the Emeco Group for any other reason, Rights that have been tested and issued to the executive under the FY20 LTI plan will immediately vest and must be exercised into Shares within 2 weeks from vesting. The executive will have no entitlement to untested awards.
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 of more than 50% of Emeco's shares) or an effective change of control (i.e. a third party acquiring the capacity to determine Emeco's financial and operating policies): • Rights which have been tested and issued under the FY20 LTI plan; and • awards in respect of any component of the FY20 LTI that has not been tested, will vest on the change date.
What other terms apply to the Rights?	Dividends are not payable, and there are no voting entitlements, on Rights issued under the LTI plan (whether vested or unvested). Rights cannot be disposed of, other than by conversion of vested Rights into Shares (which, can then be transferred or sold subject to Emeco's share trading policy).

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4. Relationship between executive remuneration and company performance

Emeco's remuneration objectives effectively align the interests of Emeco's executives with the interests of the Company and its shareholders, by ensuring that a significant proportion of an executive's remuneration is "at risk".

In FY20, the Company returned to more traditional STI and LTI plans for the variable component of executive remuneration, reinforcing the need to balance short-term reward and long-term value creation. The KPIs for the STI and LTI plans focus on driving and rewarding leadership performance and behaviours consistent with the Company's strategy and objectives.

The STI KPIs (detailed in section 5) focussed on safety, earnings and deleveraging performance. The LTI KPI focussed on strengthening the fundamentals of the business to create a more sustainable and resilient business, providing a platform for continued growth. Strong performance against each of those measures in FY20 is reflected in the partial awards of LTIs and STIs to executives.

Retaining senior management, and acknowledging their hard work and success in positioning the business for sustainability and resilience, is key in driving Company performance and therefore value for shareholders.

Company performance

Emeco's ongoing transformation process has resulted in strong year on year improvements since FY16 in profit, EBITDA and return on capital deployed, with management playing an integral role in that financial strength. Details of the Group's performance (as measured by a range of financial and other indicators, including disclosure required by the Act) and movements in shareholder wealth are set out in the following table:

	FY20	FY19	FY18	FY17	FY16
Operating EBITDA ($m) [1]	246.1	214.0	153.0	83.5	54.3
Operating EBIT ($m) [1]	138.2	125.4	83.2	(97.1)	(14.2)
Operating NPAT ($m) [1]	87.5	63.1	20.1	(90.9)	(90.5)
Net leverage	1.46x	2.00x	2.60x	5.50x	6.70x
Return on capital [1]	21.0%	21.0%	19.6%	3.3%	(2.7)%
Total dividends declared ($m)	-	-	-	-	-
Closing share price as at 30 June [2]	$0.99	$2.10	$0.38	$0.11	$0.03

[1] Non IFRS measures.
[2] 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 for FY19 and FY20.

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5. Executive remuneration outcomes for FY20

5.1 Fixed remuneration outcomes

There was no change to fixed remuneration for existing key management personnel in FY20.

5.2 Variable remuneration outcomes

In FY20, 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. Set out below is information regarding satisfaction of the applicable KPIs for the FY20 STI and FY20 LTI plans.

5.2.1 FY20 STI plan

Table 11 below sets out the KPIs under the FY20 STI plan and the respective weightings. In the Board's view, these KPIs align the reward of executives with the interests of shareholders. The FY20 STI plan provided for pro-rata entitlements where performance in respect of the KPIs was between the thresholds and targets.

Table 11: FY20 STI KPI weightings, payment schedule and achievement

KPI	Metric	Weight	Payment schedule	Rationale	Achievement
Health & Safety	TRIFR [1]	20%	0% if the TRIFR as at 30 June 2020 is ≤20% lower than the TRIFR as at 30 June 2019. 20% if the TRIFR as at 30 June 2020 is ≥50% lower than the TRIFR as at 30 June 2019. 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.	Between threshold and target
Financial (Group)	Operating EBITDA [2]	60%	0% if actual FY20 Operating EBITDA is equal to or less than 95% of budget FY20 EBITDA. 100% if actual FY20 Operating EBITDA is equal to or greater than budget FY20 EBITDA. Pro-rata payments between these levels.	Reflects the Company's financial performance and ability to pay STI awards.	Between threshold and target
	Net Leverage [2],[3]	20%	0% if actual net leverage is equal to or greater than the net leverage for the prior financial year. 100% if actual net leverage is equal to or less than budget net leverage. Pro rata payments between the two.	Reflects the Company's focus on deleveraging and ensuring a sustainable business.	Exceeded target

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

[2] Operating EBITDA and Net Leverage exclude the benefit of any acquisitions in the year

[3] Net Leverage = Net Debt/ Operating EBITDA. Net debt means total financial indebtedness (excluding any leases which met the definition of operating leases prior to the transition to AASB 16) less; total cash plus the mark to market value of any foreign currency derivative transaction in relation to hedging any outstanding loan notes.

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5.2.2 FY20 LTI plan

The FY20 LTI KPIs are reviewed and tested annually for each respective financial year during the three-year performance period.

The KPI for year 1 of the FY20 LTI was 100% strategy based, assessing performance against the Company's broader strategic objectives of creating additional growth avenues and a more sustainable and resilient business. In assessing performance against this KPI, the Board's key guidelines (set in 2019) were diversifying the Group's commodity mix, securing longer term contracts and enhancing the Group's value proposition by providing customers with a wider suite of services.

Management has worked hard to continue to evolve the Company's business model over the year and made strong progress against the above framework.

In assessing the Company's performance against the year 1 KPI for the FY20 LTI, the Board was mindful that the current Australian and global environment presents unique challenges, with uncertainty surrounding the ultimate impact of the COVID-19 pandemic to operations. The Board continues to monitor that situation, but recognises that to date the Emeco Group has seen minimal impact to its employees, operations and financial performance. Accordingly, the Board considers the LTI framework continues to provide an appropriate basis for assessing long term performance.

5.2.3 Performance against KPIs

The following table outlines the proportion of maximum incentive opportunity that was earned (i.e awarded following testing), forfeited (i.e not awarded following testing) and deferred (to be tested in FY21 or FY22) in relation to the FY20 LTI Plan. As noted above, the FY20 LTI Plan is assessed progressively over a three-year period with one-third of the maximum entitlement being tested each year. Accordingly, a maximum of one-third of each executive's award was available to be earned in FY20.

Table 12: FY20 STI and LTI outcomes [1]

	STI (cash)			LTI (Rights) [2]			
Executive	Maximum STI	STI earned in FY20	STI forfeited in FY20	Maximum LTI [3]	LTI tested and earned in FY20	LTI tested and forfeited in FY20	LTI to be tested across FY21 & FY22
Ian Testrow	80%	69.86%	10.14%	120%	34%	6%	80%
Thao Pham	60%	52.39%	7.61%	40%	11.33%	2%	26.67%
Justine Lea	60%	52.39%	7.61%	40%	11.33%	2%	26.67%
Neil Siford	60%	52.39%	7.61%	40%	11.33%	2%	26.67%

[1] All figures are expressed as a percentage of total fixed remuneration.
[2] LTI is assessed over 3 years, meaning 1/3 of maximum LTI entitlement was tested in FY20, with 1/3 deferred to FY21 and 1/3 deferred to FY22. Mr Testrow's entitlement to Rights under the FY20 LTI plan is subject to shareholder approval.
[3] This figure is the maximum LTI achievable across the three-year performance period applicable to the FY20 LTI plan.

Statutory Executive KMP remuneration

The following table sets out total remuneration for executive KMP in FY20 and FY19, calculated in accordance with statutory accounting requirements.

Table 13 – Statutory Executive KMP remuneration

KMP			Short Term Employee Benefits			Post-Employment Benefits			Share Based Payments		
			Salary & Fees	Short Term Bonus Payments [1]	Non-Monetary	Superannuation	Other Long Term Benefits	Termination Benefits	Long Term Equity Incentives [2]	Total	% of Remuneration Performance Related
Executive director	Ian Testrow	FY20	1,060,684	706,943	-	16,792	17,731	-	8,155,793	9,957,943	89%
		FY19	1,077,862	809,600	-	26,321	45,327	-	9,480,523	11,439,633	90%
Other executives	Thao Pham	FY20	490,844	256,272	-	22,026	8,566	-	1,237,562	2,015,270	74%
		FY19	555,661	124,379	-	26,389	25,573	-	1,223,083	1,955,085	69%
	Justine Lea [3]	FY20	294,014	151,459	-	20,957	5,325	-	518,410	990,165	67%
		FY19	430,943	102,689	-	25,754	21,485	-	608,680	1,189,551	60%
	Neil Siford [4]	FY20	119,671	63,879	-	9,439	2,119		12,632	207,740	37%
		FY19	-	-	-	-	-	-	-	-	-
TOTAL KMP remuneration		**FY20**	**1,965,213**	**1,178,553**	**-**	**69,214**	**33,741**	**-**	**9,924,397**	**13,171,118**	**84%**
		FY19	**2,064,466**	**1,036,668**	**-**	**78,465**	**92,385**	**-**	**11,312,286**	**14,584,270**	**85%**

[1] The FY20 figure includes cash awards under the FY20 STI as approved by the Board after review of performance against applicable key performance indicators (see table 11).
[2] The FY20 figure includes Rights granted (for accounting purposes) by the Company in FY19 and FY20 however no Rights under the FY20 LTI plan were issued in FY20.
[3] Ms Lea ceased her role as Chief Financial Officer (and thus acting as a KMP) on 18 March 2020.
[4] Mr Siford commenced as Chief Financial Officer on 18 March 2020.

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6. Executive Contracts

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

Executive	Resignation	Termination for cause	Termination payment*
Managing Director notice period (by company or executive)	12 months' notice	No notice	Nil
Other executives notice period (by company or executive)	6 months' notice	No notice	Nil

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

7. 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.

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 2020 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 FY20, 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 FY20 (inclusive of superannuation):

Board fees	FY20	FY19
Chairman	$158,238	$158,238
Directors	$100,000	$100,000

Committee fees	FY20	FY19
Committee Chair	$13,333	$13,333
Committee Member	$10,000	$10,000

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

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The remuneration of NEDs for the year ended 30 June 2020 and 30 June 2019 is detailed in table 14 below.

Table 14 – Statutory Non-executive director remuneration

		Short-term employee benefits	Post-employment benefits	Long-term benefits	
NED		**Salary and fees**	**Superannuation benefits**	**Long term equity incentives**	**Total**
Peter Richards	FY20	155,691	14,791	-	170,481
	FY19	148,470	23,503	-	171,973
Peter Frank	FY20	91,324	8,676	-	100,000
	FY19	90,869	8,633	-	99,501
Keith Skinner	FY20	105,658	10,086	-	115,743
	FY19	102,841	9,770	-	112,611
Darren Yeates	FY20	101,452	9,638	-	111,090
	FY19	99,848	9,486	-	109,334
TOTAL NEDs	**FY20**	**454,125**	**43,190**	**-**	**497,314**
	FY19	**442,028**	**51,392**	**-**	**493,420**

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8. 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 FY20 LTI, and the Company's long term incentive plans in FY17, FY18 and FY19 are set out in the following table:

Executive	Grant date [1]	Instrument [2]	Number granted [3] Pre-share consolidation	Post-share consolidation	% vested in FY20	% forfeited in FY20	Vesting date [4][5]	Fair value per share/right at grant date [6]
Ian Testrow [A]	31/03/2017	Right / performance share	108,674,758	10,867,476	100%	-	1/04/2020	$0.08
	15/11/2018	Right / performance share	8,250,000	825,000	100%	-	31/03/2020	$0.33
	15/11/2018	Right / performance share	15,000,000	1,500,000	100%	-	25/10/2019	$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
	14/11/2019	Right / performance right	-	13,646	-	-	Jul-20	$2.03
Thao Pham	31/03/2017	Right / performance right	24,368,606	2,436,861	100%	-	1/04/2020	$0.08
	20/08/2018	Right / performance right	1,095,000	109,500	100%	-	30/06/2020	$0.36
	26/07/2018	Right / performance right	5,535,566	553,557	-	-	30/06/2023	$0.36
	09/09/2019	Right / performance right	-	23,490	-	-	30/06/2021	$2.06
	14/11/2019	Right / performance right	-	29,918 [B]	-	-	Aug-22	$1.83
	14/11/2019	Right / performance right	-	29,917 [B]	-	-	Aug-22	$1.83
	14/11/2019	Right / performance right	-	29,917 [B]	-	-	Aug-22	$1.83
Justine Lea	31/03/2017	Right / performance right	8,122,868	812,287	100%	-	1/04/2020	$0.08
	20/08/2018	Right / performance right	1,026,563	102,657	100%	-	30/06/2020	$0.36
	26/07/2018	Right / performance right	3,321,340	332,134	-	-	30/06/2023	$0.36
	09/09/2019	Right / performance right	-	19,393	-	-	30/06/2021	$2.06
	14/11/2019	Right / performance right	-	24,700 [B]	-	-	Aug-22	$1.83
	14/11/2019	Right / performance right	-	24,700 [B]	-	-	Aug-22	$1.83
	14/11/2019	Right / performance right	-	24,700 [B]	-	-	Aug-22	$1.83
Neil Siford	18/03/2020	Right / performance right	-	7,458 [B]	-	-	Aug-22	$1.48
	18/03/2020	Right / performance right	-	7,458 [B]	-	-	Aug-22	$1.48
	18/03/2020	Right / performance right	-	7,458 [B]	-	-	Aug-22	$1.48

[A] Mr Ian Testrow's grant of awards under the: (i) FY17 MIP was approved by shareholders on 13 March 2017, subject to completion of the transaction including the mergers with Andy's Earthmovers and Orionstone; (ii) FY18 EHIP and FY19 MIP were approved by shareholders on 15 November 2018; (iii) FY19 EHIP was approved by shareholders at the 2019 annual general meeting on 14 November 2019; and (iv) FY20 LTI is subject to shareholder approval at the 2020 annual general meeting.

[B] This figure represents maximum entitlement under the FY20 LTI plan across each year in the three-year performance period and does not reflect the number of Rights that may be issued in each year across the performance period after testing of the relevant KPIs.

[1] Grant date in this table relates to the grant of the long term incentive for accounting purposes only and, in respect of the FY20 incentive plan, differs from the date Rights may be issued over the course of the life of the plan.

[2] 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.

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

[4] Vesting of Rights is subject to satisfaction of vesting and performance conditions and, in some circumstances, may be earlier than the date stated above (see section 3B, 'What if an executive leaves?' in respect of the FY20 LTI plan). 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 section 5 for details of the year 1 KPI applicable to awards under the FY20 LTI. 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.

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[5] Where exact vesting dates are not noted, the vesting date will follow release of the Company's full year results.
[6] The fair value of awards granted under the MIP in FY17 and FY19, under the MIP in FY18, under the EHIP in FY19 and the LTI in FY20 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 FY20. 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.

Table 16: KMP Rights

Details of Rights held by KMP, including their personally related entities, for FY20 are as follows:

Executives	Rights [1]	Holding at 1 July 2019	Rights issued in FY20[2]	Rights vested in FY20	Holding at 30 June 2020	Potential future Rights[3]
Ian Testrow	Rights / performance shares	16,192,476	-	13,192,476	3,000,000	
	Rights / performance rights		13,646	-	13,646	529,212
Thao Pham	Rights / performance rights	3,099,918	23,490	2,546,361	577,047	85,265
Justine Lea [A]	Rights / performance rights	1,247,078	19,393	-	NA	74,100
Neil Siford	Rights / performance rights	-	-	-	-	21,254

[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] Rights issued to executives in the FY20 under the FY19 incentive plan.
[3] Maximum possible entitlement to Rights under the FY20 LTI plan across the three year performance period. On 26 July 2020, the Board approved, on recommendation of the Remuneration and Numeration Committee, awards in respect of performance against the FY20 year 1 KPI. As such, Rights will be awarded as follows for year 1 of the FY20 LTI plan: Mr Testrow: 157,836 Rights (subject to shareholder approval), Ms Pham: 25,431 Rights and Mr Siford: 6,340 Rights. These amounts are included within each individual's respective amount in the table.
[A] Information in respect of Ms Lea is only included for the period she was a KMP. Ms Lea ceased as a KMP on 18 March 2020.

Table 17: KMP Shareholding

Details of Shares held by KMP, including their personally related entities, for FY20 are as follows:

	Holding at 1 July 2019	Shares received on exercise of vested Rights in FY20	Shares otherwise issued in FY20	Net changes other	Holding at 30 June 2020
Non-executive directors					
Peter Richards	6,818	-	-	663	7,481
Executives					
Ian Testrow	15,985	13,192,476	-	(1,500,000)	11,708,461
Thao Pham	-	2,546,361	-	-	2,546,361
Justine Lea [A]	522	-	-	NA	NA

[A] Information in respect of Ms Lea is only included for the period she was a KMP. Ms Lea ceased as a KMP on 18 March 2020.

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9. Loans to key management personnel and their related parties

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

10. 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, 26th day of July 2020

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The Board of Directors
Emeco Holdings Limited
Level 3, 71 Walters Drive
Osborne Park WA 6017

26 July 2020

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 2020, 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 2020

	Note	2020 $'000	2019 $'000
Continuing operations			
Revenue from rental income		387,959	363,258
Revenue from the sale of machines and parts		4,129	1,680
Revenue from maintenance services		113,129	99,548
Revenue from mining services		35,212	-
		540,429	464,486
Repairs and maintenance		(94,129)	(89,092)
Employee expenses	8	(72,187)	(52,809)
External maintenance services		(84,766)	(75,256)
Cartage and fuel		(18,172)	(13,763)
Other direct costs	8	(21,401)	(17,457)
Depreciation expense	8	(114,014)	(87,409)
		135,760	128,700
Other income	7	3,592	6,494
Other expenses	8	(17,793)	(27,735)
Impairment of tangible assets	8	(13,750)	(6,684)
Amortisation expense	20	(974)	(1,930)
Business acquisition expenses	8	(1,500)	262
Finance income	8	2,307	962
Finance costs	8	(52,821)	(55,124)
Net foreign exchange loss	8	366	(11,271)
Profit before tax expense		55,187	33,674
Tax benefit	10	10,945	-
Profit from continuing operations		66,132	33,674
Discontinued operations			
(Loss)/profit from discontinued operations (net of tax)	15	(3)	287
(Loss)/profit from discontinued operations		(3)	287
Profit for the year		66,129	33,961
Other comprehensive (loss)/income			
Items that are or may be reclassified to profit and loss:			
Foreign currency translation differences for foreign operations (net of tax)		(10,373)	(16,715)
Changes in fair value of cash flow hedges (net of tax)		16,251	13,075
Total other comprehensive income/(loss) for the year		5,877	(3,640)
Total comprehensive income for the year		72,007	30,321

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 43 to 114.

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Emeco Holdings Limited and its Controlled Entities

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

For the year ended 30 June 2020

	Note	2020 $'000	2019 $'000
Profit attributable to:			
Owners of the Company	35	66,129	33,961
Profit for the year		66,129	33,961
Total comprehensive profit attributable to:			
Owners of the Company	35	72,007	30,321
Total comprehensive profit for the year		72,007	30,321

	Note	2020 cents	2019 cents
Profit per share:			
Basic profit per share	35	20.21	11.18
Diluted profit per share	35	19.83	10.43
Profit per share from continuing operations			
Basic profit per share	35	20.21	11.09
Diluted profit per share	35	19.83	10.34

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 43 to 114.

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Emeco Holdings Limited and its Controlled Entities

Consolidated Statement of Financial Position

as at 30 June 2020

	Note	2020 $'000	2019 $'000
Current assets			
Cash and cash equivalents	16	198,169	36,189
Trade and other receivables	17	113,788	87,259
Inventories and work in progress	19	14,767	6,345
Prepayments		3,279	4,719
Assets held for sale	14	3,192	2,906
Total current assets		333,195	137,418
Non-current assets			
Derivative financial instruments	18	38,918	18,496
Intangible assets	20	10,252	9,076
Property, plant and equipment	21	629,170	579,668
Right of use Asset	22	44,132	-
Deferred tax assets	12	32,555	23,212
Investments designated at fair value through profit or loss		369	799
Total non-current assets		755,396	631,251
Total assets		1,088,591	768,669
Current liabilities			
Trade and other payables	23	89,236	83,714
Derivative financial instruments	18	10,884	11,465
Interest bearing liabilities	24	122,986	4,023
Provisions	26	10,629	7,072
Total current liabilities		233,735	106,274
Non-current liabilities			
Interest bearing liabilities	24	497,030	463,911
Provisions	26	581	406
Total non-current liabilities		497,611	464,317
Total liabilities		731,346	570,591
Net assets		357,245	198,078
Equity			
Share capital	13	1,024,442	931,199
Reserves	13	1,181	1,386
Retained losses		(668,378)	(734,507)
Total equity attributable to equity holders of the Company		357,245	198,078

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 43 to 114.

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Emeco Holdings Limited and its Controlled Entities

Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

	Share capital $'000	Share based payment reserve $'000	Hedging reserve $'000	Foreign currency translation reserve $'000	Treasury 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

	Share capital $'000	Share based payment reserve $'000	Hedging reserve $'000	Foreign currency translation reserve $'000	Treasury shares $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2019	931,199	42,882	(7,444)	14,949	(49,001)	(734,507)	198,078
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	66,129	66,129
Other comprehensive income							
Foreign currency translation differences	-	-	(10,039)	(334)	-	-	(10,373)
Changes in fair value of cash flow hedge, net of tax	-	-	16,251	-	-	-	16,251
Total comprehensive income/(loss) for the period	-	-	6,211	(334)	-	66,129	72,007
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Shares issued during the period, net of issue costs	72,872	-	-	-	-	-	72,872
Shares vested during the period	-	(29,784)	-	-	29,784	-	-
Shares purchased by the trust	20,372	-	-	-	(20,372)	-	-
Share-based payment transactions	-	14,289	-	-	-	-	14,289
Total contributions by and distributions to owners	93,243	(15,495)	-	-	9,412	-	87,161
Balance at 30 June 2020	1,024,442	27,387	(1,233)	14,615	(39,589)	(668,378)	357,245

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 43 to 114.

Emeco Holdings Limited and its Controlled Entities

Consolidated Statement of Cash Flows

For the year ended 30 June 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Cash receipts from customers		538,846	479,166
Cash paid to suppliers and employees		(309,262)	(257,019)
Cash generated from operations		229,584	222,147
Finance income received		216	286
Finance costs paid		(47,797)	(53,083)
Net cash (outflow)/inflow from operating activities of discontinued operations		(29)	114
Net cash from operating activities	30	181,973	169,464
Cash flows from investing activities			
Proceeds on disposal of non-current assets		9,909	23,355
Payment for property, plant and equipment		(118,831)	(180,507)
Cash acquired from acquired business	36	-	549
Payment for acquired entities	36	(57,421)	(94,327)
Acquisition and corporate development costs		(3,509)	(235)
Dividends received		-	141
Net cash inflow from investing activities of discontinued operations		-	-
Net cash used in investing activities		(169,852)	(251,024)
Cash flows from financing activities			
Net proceeds from issue of shares		63,186	-
Proceeds from borrowings		99,708	-
Repayment of borrowings		(2,708)	(47,516)
Payment for debt establishment costs		-	(1,297)
Repayment of lease liabilities		(10,361)	(4,905)
Net cash outflow from financing activities of discontinued operations		-	-
Net cash generated by/(used in) financing activities		149,825	(53,718)
Net increase/(decrease) in cash and cash equivalents		161,946	(135,278)
Cash and cash equivalents at beginning of the period		36,189	171,431
Effects of exchange rate fluctuations on cash held		34	36
Cash and cash equivalents at the end of the financial period		198,169	36,189

The consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 43 to 114.

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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 2020 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 and mining services solutions to its customers 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 2019.

Comparative information within the Consolidated Statement of Profit or Loss and Other Comprehensive Income relating to Employee expenses of $14,675,000 and Other direct costs of $14,108,000 has been reclassified from Other expenses to be comparable to the current year presentation.

The consolidated financial statements were authorised for issue by the board of directors on 26 July 2020.

(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.

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2 Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis and for FY20 this review has considered any relevant implications of the global COVID-19 pandemic. 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:

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 operating profits, the company has brought to account all previously unrecognised Australian tax losses as a deferred tax asset totalling $86,638,000 (2019: $49,695,000 partial recognition) on the balance sheet.

Impairment of assets

The Group performs annual impairment testing as at 30 June for any intangible assets with indefinite useful lives. More frequent reviews are performed of both intangible and tangible assets or asset groups where there are potential indicators of impairment. The identification of impairment indicators involves management judgement. When an indicator of impairment is identified, a formal impairment assessment is performed. Impairment testing involves comparing an asset's recoverable amount to its carrying amount. At 30 June 2020, the Group has identified the global economic impact of COVID-19 as a potential indicator of impairment.

Accordingly, a detailed impairment assessment was performed for the Group's key cash generating units (**CGUs**), being Rental, Workshops and Pit N Portal, at 30 June 2020. The Group has prepared value-in-use models for the purpose of impairment testing as at 30 June 2020, using five-year discounted cash flow models. Cash flows beyond the five-year period are extrapolated using a terminal value growth rate. The accounting policies applied by the Group in relation to the preparation of the impairment models are the same as those applied in its Annual Financial Report for the year ended 30 June 2019. Key areas of judgement relate to the forecast utilisation rates and pricing for the fleet as well as forecasts of repairs and maintenance expenditure and other operating costs and capital expenditure.

In contemplating the impact of COVID-19, and other general factors, the Group has considered:

- long term commodity prices and therefore the demand for earthmoving equipment and associated services;
- supply chain risks and therefore the impact on the ability of the Group to deliver its products and services; and
- the likelihood of disruption to the operations of the Group's customers.

The Group is actively managing the impacts and risks arising from COVID-19 on its people and operations and to date there are no known significant long-term structural changes that affect the future cash flows of the CGUs. As a result, the recoverable amounts of all of the Group's CGUs continued to exceed their carrying amounts at 30 June 2020.

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2 Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

Impairment of assets (continued)

The post-tax discount rate used in the calculations is 9.0% (2019: 9.6%). The rate reflects the underlying cost of capital adjusted for market and asset specific risks. For the future cashflows of the CGU's, 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 depend on the level of tendering activity and the Group's conversion rate and for subsequent years were based on Emeco's five-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 2.0% was used over the five years of the forecast. The terminal value growth rate represents the long term forecast consumer price index (**CPI**) of 2.0% (2019: 2.0%) for all CGUs. Sensitivity analyses on the discount and growth rates, considering the current volatile market conditions, are provided below.

Sensitivity analysis

As part of its COVID-19 response plan, the Group has run several sensitivity analyses under different scenarios that could impact operations in the short term for its CGU's. These scenarios include but are not limited to disruption to customer site operations and the transport of assets and employees to sites, customer demand reduction and supply chain interruption. These short-term scenarios are currently forecast to have no significant structural impacts that affect the long-term cash flows of the Group's CGUs.

In addition, the Group prepared sensitivity analyses of the recoverable amounts of the two key CGUs for which detailed impairment testing was undertaken relating to key long term assumptions considering reasonably possible change scenarios. The Group considers that the two key change scenarios relate to:

- a change in the post-tax discount rate and;
- the impact on operating cash flows from any change in equipment utilisation, rates charged to customers, and the associated impact on repairs and maintenance costs and capital expenditure.

The impact of these change scenarios on the recoverable amount of the two key CGUs at 30 June 2020 are included below:

	Post-tax discount rate	**Operating cash flows**
	+1%	-10.0%
Rental CGU	AU$m	AU$m
Change in recoverable amount	(122.9)	(71.0)
Impairment charge	-	-

	Post-tax discount rate	**Operating cash flows**
	+1%	-10.0%
PnP CGU	AU$m	AU$m
Change in recoverable amount	(24.2)	(13.9)
Impairment charge	-	-

Each of the sensitivities above assumes that a specific assumption moves in isolation, while all other assumptions are held constant. A change in one of the aforementioned assumptions could be accompanied by a change in another assumption, which may increase or decrease the net impact.

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2 Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

Assets held for sale

In accordance with the Company's accounting policies for assets held for sale (refer note 3(j)), 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 which is dependent on the supply of and demand for the specific categories of equipment being held for sale. 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, intangibles and fair value of inventory and items of property, plant and equipment and provisions. The acquisition of Pit N Portal was completed on 28 February 2020, where the fair value is assessed at acquisition date and does consider subsequent events related to COVID-19. The assessment of fair value is based on facts and circumstances as at the acquisition date.

A provisional customer intangible asset has been disclosed, being the excess of consideration over the net of the fair value of the asset and liabilities at acquisition. Management has 12 months from acquisition date to finalise the acquisition accounting including a full assessment of the intangible assets. Refer to note 36 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(i) for further detail on how the Company determines expected credit losses.

(e) Covid-19 Assistance

The Company did not qualify for nor receive any financial assistance through the Federal Government funded Job Keeper package or any other Federal or State Government program.

3 Significant accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2019, except for the adoption of new standards effective as of 1 July 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(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.

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3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(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.

(c) AASB 16 Leases

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

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3 Significant accounting policies (continued)

(c) AASB 16 Leases (continued)

There has been no impact on lease payments as a result of COVID-19, either through deferral or reduction in lease payments.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under AASB 137. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies AASB 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the ‘Property, Plant and Equipment’ policy (as outlined in the financial report for the annual reporting period.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line “Other expenses” in profit or loss.

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3 Significant accounting policies (continued)

(c) AASB 16 Leases (continued)

AASB 16 changed the amount and presentation of lease related expenses. Under AASB 117, operating lease expenses were presented as operating expenses, whereas AASB 16 splits the lease expenses into depreciation of the right-of-use assets recognised and finance costs on lease liabilities. This has driven a decrease in the operating lease expense and increases in depreciation and finance costs. Consequently, this has also impacted the Group's key performance indicators such as Operating EBITDA and EBIT.

Overall, the adoption of AASB 16 had an immaterial impact on the comprehensive income for the Group with a reduction in profit of $0.3 million in the 12 months to 30 June 2020.

As a practical expedient, AASB 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

On transition

The Group adopted AASB 16 on 1 July 2019 and applied the cumulative catch-up approach, electing to measure the right of use asset at an amount equal to the lease liability, and as a result:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- The accounting for operating leases with a remaining lease term of less than 12 months as at 30 June as short-term leases;
- have not adjusted comparatives;
- there is no impact on opening retained earnings;
- existing lease liabilities were carried forward; and
- lease liabilities were calculated for existing operating leases using the incremental borrowing rate at the date of transition.

(d) 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.

(i) Classification

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. Derivatives are presented as current assets or liabilities to the extent of the cashflows occurring within 12 months after the end of the reporting period. 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.

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3 Significant accounting policies (continued)

(d) Financial instruments (continued)

(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.

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 Fair Value through Other Comprehensive Income (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'.

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3 Significant accounting policies (continued)

(d) Financial instruments (continued)
(ii) Measurement (continued)

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 assets 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.

(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 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.

(e) 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.

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3 Significant accounting policies (continued)

(e) Property, plant and equipment (continued)
(i) Recognition and measurement (continued)

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 equipment 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.

(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)

(f) 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 tangible and intangible assets, liabilities and contingent liabilities of the acquiree.

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

(iii) Other intangible assets

Software that is acquired and internally developed by the Group and has finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Intangibles that are acquired by the Group as part of a business combination and have finite useful lives are measured at fair value less accumulated amortisation and any accumulated impairment losses.

(iv) Amortisation

Intangible assets with a finite useful life 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 – 4 years
- Customer contracts 0 – 3 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(g) Inventories

Inventories consist of equipment and parts and 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)

(h) Work in progress

Progressive work to inventory and fixed assets are carried in work in progress accounts within inventory and property, plant and equipment being (disclosed as a 'capital work in progress') respectively. Upon work completion the balance is reclassified from capital work in progress to the relevant category of asset within property, plant and equipment

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

(i) Impairment

(i) Non-derivative financial assets

The expected credit loss model under AASB 9 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 three main segments of Australian Rental, Australian Workshops and Pit N Portal in line with the main segments and work undertaken. The debtors in each segment is then further classified as follows:

- 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.
- Pit N Portal – 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.
- Underinsured customers - those that have not been granted sufficient credit limits by the insurer to cover sales within credit terms.
- 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; this includes an assessment of the potential impacts of COVID-19 on the business. Specifically, the Group has considered the macro-economic impacts of the likelihood of any potential and significant decreases to commodity prices on its customers operations and therefore their potential capacity to repay amounts owing to the Group.

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)

(i) 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)

(j) 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 for 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.

(k) 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)

(k) Employee benefits (continued)

(v) Share based payment transactions

Under the Emeco FY20 long term incentive plan (**LTI**) and the legacy hybrid incentive plan (**EHIP**) and management incentive plan (**MIP**), certain executives have been granted rights (**Rights**) to receive fully paid ordinary shares (**Shares**) in the Company, the award and vesting of which is subject to varying performance and or service conditions. There is no entitlement to dividends (or shadow dividends) on Rights.

Under the FY20 LTI plan, Rights are issued based on the performance of the executive and the Company over a three-year period, with one-third of the maximum LTI entitlement being tested each year. Issued Rights vest at the end of the three year performance period. If Emeco terminates the executive's employment for misconduct or other breach of the executive's employment contract, the Board may lapse some or all of the Rights issued to the executive. Rights issued under the LTI will otherwise vest. The fair value of Rights issued are based on a volume weighted average price of Shares (**VWAP**). The grant date in respect of the FY20 LTI Plan, for all eligible employees excluding the MD, was the day the plan was approved by the Board. Any issue of awards to the MD under the FY20 LTI plan is subject to shareholder approval. The fair value of rights granted are expensed over the three-year period from grant date to vesting date based on the maximum LTI available in each year. At the completion of the annual testing, when the final number of rights are approved with respect to the specific financial year, the expense is adjusted in the year of approval to align with the actual Rights approved which may be less than the maximum Rights available for that financial year. With respect to the MD and upon approval by the shareholders the fair value of the of the rights will be remeasured at the date of the shareholder meeting (being grant date) at which point they will be treated consistently to the other employees. If the reward to the MD by shareholders is not approved, the previously recognised expense will be reversed.

Under the EHIP, Rights granted to participants have vesting dates up to two years. The fair value of rights granted are based on a 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 values of these Rights are based on VWAP and are expensed evenly over the period from grant date to vesting date.

In the event of death, total and permanent disability, retrenchment or retirement of the participant, Rights granted under the MIP or EHIP may vest on an accelerated basis. Rights granted under the MIP or EHIP will lapse if the executive ceases employment for any other reason.

(l) 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.

(m) 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.

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3 Significant accounting policies (continued)

(n) Revenue

The Group has applied AASB 15 *Revenue from Contracts with Customers.* Revenue is disclosed based on the type of good or service provided. This is detailed below:

(i) Rental revenue

Revenue from the rental of both open cut and underground equipment 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.

(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. Sales are recognised when control of the products has transferred, being when the products are delivered and accepted by the customer. The group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision.

(iii) Maintenance services

Maintenance services relates to the provision of both major component and full equipment rebuilds for both internal and external customers equipment and the provision of mobile workshops and infrastructure to support both Emeco and external customers equipment fleets. Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

(iv) Mining services

Mining services relate to the provision of equipment, equipment operator, technology and engineering solutions and the provision and maintenance of onsite infrastructure (electrical, ventilation, pumping, lighting services and special purpose vehicles). Mining services revenue is measured when or as the control of the goods or services is transferred to a customer. If control of the goods and services transfers over time, revenue is recognised over the period of the contract by reference to progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods and services.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transactions at the end of the reporting period where the outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed.

(o) Contract costs

Costs incurred to prepare assets for work on a specific contract (or specific anticipated contract) that can be separately identified, such as freight of earthmoving equipment to customer sites and modifying assets to meet customer specifications, are recognised as a contract cost 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:

- 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
- 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.

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3 Significant accounting policies (continued)

(o) Contract costs (continued)

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

- direct labour;
- direct materials;
- allocations of costs that relate directly to the contract or to contract activities;
- costs that are explicitly chargeable to the customer under the contract; and
- 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.

(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.

(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.

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3 Significant accounting policies (continued)

(q) Income tax (continued)

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 and increased to the extent unrecognised tax losses are now considered probable.

(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 of the tax consolidated group is Emeco Holdings Limited.

(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.

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3 Significant accounting policies (continued)

(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 Employee Benefits 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

The new Australian Accounting Standards and Interpretations which are mandatory and have been adopted by the Group are set out below:

(i) AASB 16 *Leases*

AASB 16 Leases has been adopted by the Group in the current reporting period. Please refer to the Group's lease accounting policy in note 3(c).

Overall, the adoption of AASB 16 had an immaterial impact on the comprehensive income for the Group with a reduction in net profit after tax of $0.3 million in the 12 months to 30 June 2020.

(ii) IFRIC 23 *Uncertainty over Income Tax Treatments*

The Group has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments, under AASB 112 *Income Taxes*. The Interpretation requires the Group to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
  - If yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
  - If no, the Group should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

There were no adjustments to the amounts recognised in the financial report as a result of adopting IFRIC 23.

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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, 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 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 LTI plan, MIP and EHIP are measured using the volume weighted average price of Shares as at the grant date. 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 paid 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 work in progress inventory acquired has been valued by agreement between the buyer and seller. 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.

The consolidated entity holds the following financial instruments

Carried at fair value through profit or loss using level one valuation technique (based on share prices quoted on the relevant stock exchanges)	Derivatives designated under hedge accounting using level two valuation technique	Carried at amortised cost
Investments in equity securities	Derivative financial instruments (note 18)	Cash and bank balances (note 16) [(a)]
		Trade and other receivables (note 17) [(a)]
		Interest bearing liabilities (note 24)
		Trade and other payables (note 23) [(a)]

(a) The carrying value of each of these items approximates fair value

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.

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6 Financial instruments (continued)

Credit risk (continued)

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	
		2020	2019
	Note	$'000	$'000
Trade receivables	17	93,516	82,009
Other receivables (including VAT/GST)	17	20,808	5,766
Cash and cash equivalents	16	198,169	36,189
Derivatives	18	38,918	18,496
		351,411	142,460

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. In response to the COVID-19 pandemic the Group has also increased its internal review and authorisation procedures that are applied to new clients and in the ongoing strengthening of appropriate credit limits for existing customers.

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 (2019: $750,000,000). The Australian business held insurance for the entire financial year ended 30 June 2020.

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6 Financial instruments (continued)

Credit risk (continued)

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

	Consolidated		Consolidated	
	Gross 2020 $'000	Impairment 2020 $'000	Gross 2019 $'000	Impairment 2019 $'000
Not past due	74,109	-	71,542	-
Past due 0-30 days	9,348	-	8,068	-
Past due 31-60 days	9,804	(282)	1,443	-
Past due 61 days	254	(254)	956	(516)
	93,516	(536)	82,009	(516)

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 categorised 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;
- Underinsured: those that have not been granted sufficient credit limits by the insurer to cover sales within credit terms;
- Uninsured customers: all other customers that are not recognised in the above category.

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

	Consolidated	
	Carrying amount	
	2020 $'000	2019 $'000
Blue chip (including subsidiaries)	33,982	32,911
Insured	38,222	38,430
Underinsured	11,701	-
Uninsured	9,612	10,668
	93,516	82,009

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

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)

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. As part of this assessment, the Group has considered the potential impact of COVID-19 on commodity demand and prices.

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, Matilda in July 2018, and Pit N Portal in February 2020 the Group have determined it is not appropriate to include a history earlier than FY18. Therefore, only loss history 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.

Based on the factors outlined above, the Group's expected credit loss at reporting date was $80,000. In addition to the $130,000 provision calculated based on historical loss trends and economic factors, $406,000 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:

	Consolidated	
	Impairment 2020 $'000	**Impairment 2019 $'000**
Impairment allowance as at 1 July under AASB139	-	352
Credit loss allowance recognised on AASB 9 transition	-	400
Opening loss allowance as at 1 July	516	752
Net remeasurement of loss allowance	1,029	(187)
Write-offs	(1,009)	(49)
Loss allowance as at 30 June 2020	536	516

The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on industry standards, 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 $198,169,000 at 30 June 2020 (2019: $36,189,000), 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 2020 the Group held $Nil of bank guarantees (2019: $Nil) and $Nil of prepayments (2019: $Nil).

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6 Financial instruments (continued)

Credit risk (continued)

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 29. At 30 June 2020 $1,654,900 guarantees were outstanding (2019: $1,744,000)

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.

On 8 January 2020, the Group increased the Revolving Credit Facility (**RCF**) facility to $100,000,000 (30 June 2019: $65,000,000), with its existing lenders. This facility 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$97,000,000 (30 June 2019 $62,000,000) and a Bank Guarantee Facility of A$3,000,000. 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 (3.25% if less than 25% drawn and 3.5% if greater than 25% drawn).

The facilities require the Group to maintain a collateral coverage ratio greater than 3.0x and a fixed charge coverage ratio greater than 1.5x. At 30 June 2020 the Group had drawn all $97,000,000 of the LNA and had utilised A$1,654,900 of the bank guarantee facility. The LNA was drawn due to global bank liquidity concerns at the start of COVID-19, and at 30 June 2020 is held in an "at call" deposit account with a leading Australian bank.

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 lease facilities totalling A$62,559,000 (2019: A$21,909,000) 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 non-derivative financial liabilities and net derivative financial assets/liabilities, including estimated interest payments and excluding the impact of netting agreements.

Consolidated 30 June 2020	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	461,138	563,444	21,709	21,709	520,026	-	-
Secured credit facility	97,000	97,000	-	-	97,000	-	-
Lease liabilities	62,559	69,509	8,078	20,429	11,765	22,333	6,904
Trade and other payables	46,751	46,751	46,751	-	-	-	-
	667,448	776,705	76,538	42,138	628,791	22,333	6,904
Derivative financial asset/(liability)							
Net cross currency interest rate swaps used for hedging asset/(liability)	28,034	39,931	1,621	1,595	36,715	-	-
	28,034	39,931	1,621	1,595	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 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	-
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)							
Net 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	-

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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 order to manage this risk, the Group has entered into cross currency interest rate swaps. Each of the USD interest and principle repayments due in the future have been hedged, the average USD/AUD rate across these future payments is 0.7293 at year end (2019: 0.7293).

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.

At 30 June 2020, the Group had issued secured fixed interest notes to the value of US$322,131,000 notes on issue. The full face value of the principle and interest of the notes have 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$'000	Notional amount AU$'000	Carrying amount AU$'000	Line item in the statement of financial position	Average fixed interest rate	Change in fair value used for measuring ineffectiveness for the period $'000
As at 30 June 2020						
Cross currency interest rate swaps	322,131	441,668	28,034	Derivative financial instruments	9.87%	6,211
As at 30 June 2019						
Cross currency interest rate swaps	322,131	441,668	7,031	Derivative financial instruments	9.87%	(2,800)

The hedges expire in March 2022.

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

	2020		2019	
	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	6,211	(1,233)	(2,800)	(7,444)

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 2020					
Foreign exchange	6,211	(2,091)	-	(10,039)	Net foreign exchange loss
As at 30 June 2019					
Foreign exchange	(2,800)	-	-	(15,875)	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 2020 $'000	USD 2019 $'000
Cash	113	253
Secured notes issued	(322,131)	(322,131)
Gross balance sheet exposure	(322,018)	(321,878)
Cross currency interest rate swap to hedge the secured notes issued	322,131	322,131
	322,131	322,131
Net exposure	113	253

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2020	2019	2020	2019
US Dollars	0.6714	0.6943	0.6863	0.7013

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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, 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 2020, as indicated below:

	Consolidated			
	Strengthening		Weakening	
	Equity $'000	Profit or loss $'000	Equity $'000	Profit or loss $'000
30 June 2020				
USD (10 percent movement)	(4,694)	(10)	5,737	13
30 June 2019				
USD (10 percent movement)	(5,814)	(23)	7,105	28

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	2020 $'000	2019 $'000
Variable rate instruments:			
Cash at bank	16	198,169	36,189
		198,169	36,189
Fixed rate instruments:			
Effective interest rate swaps to hedge interest rate risk		28,034	7,031
Interest bearing liabilities (notes)	24	(469,373)	(459,334)
Interest bearing liabilities (loan note agreement)	24	(97,000)	-
Interest bearing finance leases	24	(62,559)	(21,909)
		(600,898)	(474,212)

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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 2019.

	Equity		Equity	
Cash flow hedges	**100bp increase BBSW $'000**	**100bp decrease BBSW $'000**	**100bp increase Libor $'000**	**100bp decrease Libor $'000**
30 June 2020				
Cross currency interest rate swaps	8,340	(8,505)	(8,913)	9,225
Cash flow sensitivity (pre-tax)	8,340	(8,505)	(8,913)	9,225
30 June 2019				
Cross currency interest rate swaps	13,275	(13,658)	(13,486)	13,915
Cash flow sensitivity (pre-tax)	13,275	(13,658)	(13,486)	13,915

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

	Profit or loss	
Financial instrument	**2020 $'000**	**2019 $'000**
Cross currency interest rate swap		
- Close out of hedges	-	(676)
- Hedge ineffectiveness	(2,091)	-
Net profit and loss impact before tax	(2,091)	(676)

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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:

		2020		2019	
	Note	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Assets carried at fair value					
Cross currency interest rate swaps	18	38,918	38,918	18,496	18,496
		38,918	38,918	18,496	18,496
Assets carried at amortised cost					
Receivables	17	113,788	113,788	87,259	87,259
Cash and cash equivalents	16	198,169	198,169	36,189	36,189
		311,957	311,957	123,448	123,448
Liabilities carried at fair value					
Cross currency interest rate swaps	18	(10,884)	(10,884)	(11,465)	(11,465)
		(10,884)	(10,884)	(11,465)	(11,465)
Liabilities carried at amortised cost					
Secured bank loans	24	527	-	959	-
Secured notes issue [(1)]	24	(461,138)	(469,373)	(446,984)	(459,334)
Lease liabilities	24	(62,559)	(69,509)	(21,909)	(25,701)
Loan Note Agreement	24	97,000	97,000	-	-
Trade and other payables	23	89,237	89,237	(83,714)	(83,714)
		(336,932)	(352,646)	(551,648)	(568,749)

(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.

Fair value estimates of the cross currency interest rate swaps are based on relevant market information and information about the financial instruments which are subjective in nature. The fair value of these financial instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves, spot rates, and forward rates.

To comply with the provisions of AASB 13 Fair Value Measurement, the Group incorporates credit valuation adjustments to appropriately reflect both its own non-performance risk and the respective counterparty's non-performance risk in the fair value measurements.

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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 14.9% (2019: 18.0%).

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

	Consolidated	
	2020 $'000	**2019 $'000**
EBIT (continuing and discontinued operations)	105,335	99,107
Average invested capital	705,907	549,167
EBIT return on capital at 30 June	14.9%	18.0%

(1) Average invested capital is average net assets add net debt, less intangibles.

7 Other income

	Consolidated	
	2020 $'000	**2019 $'000**
Net profit/(loss) on sale of non current assets (1)	945	492
Dividend income	-	141
Sundry income (2)	2,647	5,861
	3,592	6,494

(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 2020 was $9,909,000 (2019: $23,355,000).

(2) Included in sundry income are fees charged on overdue accounts and bad debts recovered.

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8 Profit before income tax expense for continuing operations

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000
Profit before income tax expense has been arrived at after charging/(crediting) the following items:			
Impairment of tangible assets:			
- inventory	19	4,915	43
- property, plant and equipment		8,835	6,641
		13,750	6,684
Other direct costs:			
- motor vehicles		2,914	3,398
- safety expenses		1,320	896
- travel and subsistence expense		3,948	3,925
- hired in equipment and labour		5,432	3,439
- workshop consumables, tooling and labour		7,787	5,799
		21,401	17,457
Employee expenses:			
- salaries, wages and superannuation		57,898	38,134
- employee share plan expenses		14,289	14,675
		72,187	52,809
Other expenses:			
- bad debts		1,009	49
- doubtful debts/(reversal)		(57)	(236)
- insurance		2,442	2,949
- rental expense		945	5,596
- telecommunications and IT		1,331	1,230
- restructuring and redundancies		2,054	4,423
- corporate development expenses		2,009	98
- impairment of investments		461	-
- consulting fees		3,581	4,673
- other expenses		4,018	8,953
		17,793	27,735
Depreciation of:			
- buildings		120	153
- plant and equipment - owned		102,100	83,731
- plant and equipment - leased		3,163	2,039
- office equipment		134	210
- motor vehicles		501	387
- leasehold improvements		192	174
- sundry plant		795	715
less discontinuing operations depreciation expense		-	-
	21	107,004	87,409
Right of use asset	22	7,010	-
Total depreciation		114,014	87,409

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

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Finance costs:		
- interest expense	47,474	46,244
- writeoff previous facility costs	-	642
- amortisation of debt establishment costs using effective interest rate	4,594	3,977
- other facility costs	753	1,054
- premium paid on buyback of issued debt [(1)]	-	3,207
Net finance costs	52,821	55,124
Finance income:		
- interest income	(216)	(286)
- hedge gains	(2,091)	(676)
Net finance income	(2,307)	(962)
Foreign exchange (gain)/loss:		
Net realised foreign exchange (gain)/loss	-	3,326
Net unrealised foreign exchange (gain)/loss	(366)	7,945
Net foreign exchange (gain)/loss	(366)	11,271
Business acquisition expenses		
- acquisition expenses	1,500	(262)
Total business acquisition expenses	1,500	(262)

(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	
	2020	2019
	$	$
Audit services		
Auditors of the Company		
Deloitte Touche Tohmatsu Australia:		
- audit and review of financial reports	538,602	557,750
Overseas Deloitte Firms:		
- other assurance services	19,322	37,940
	557,924	595,690
Other assurance and agreed upon procedures		
Auditors of the Company		
Deloitte Touche Tohmatsu Australia:		
- other assurance services	223,142	91,374
	223,142	91,374
Other services		
Auditors of the Company		
Deloitte Touche Tohmatsu Australia:		
- taxation services	141,846	227,223
Overseas Deloitte Firms:		
- taxation services	28,688	91,500
	170,534	318,722
	951,600	1,005,787

The Company has engaged with Deloitte for the provision of audit and tax services as well as other specific assurance including provision of a comfort letter and investigating accountants reports in relation to rights issues. 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 2020 $'000	Consolidated 2019 $'000
Deferred tax benefit:			
Origination and reversal of temporary differences and tax losses in the current year		(10,945)	-
Tax benefit	12	(10,945)	-

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

	Consolidated 2020 $'000	Consolidated 2019 $'000
Share issue costs	(507)	-
Cashflow hedges	2,662	(1,200)
	2,155	(1,200)

c. Numerical reconciliation between tax expense and pre-tax net profit

	Consolidated 2020 $'000	Consolidated 2019 $'000
Prima facie tax expense calculated at 30% on net profit	16,555	10,189
Increase/(decrease) in income tax expense due to:		
Australian tax losses not previously recognised	(28,579)	(8,010)
Dercognition / (recoupment) of foreign tax losses	56	(41)
Non-deductible acquisition costs	1,053	(105)
Other non-deductible expenses	166	6
Under/(over) provided in prior years	(196)	(2,039)
Tax benefit	(10,945)	-

11 Current tax assets and liabilities

The current tax asset for the Group of $Nil (2019: $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	
	2020	2019	2020	2019	2020	2019
Consolidated	$'000	$'000	$'000	$'000	$'000	$'000
Property, plant and equipment	-	-	(62,567)	(43,475)	(62,567)	(43,475)
Intangibles	-	-	(4)	(29)	(4)	(29)
Receivables	-	-	(491)	(402)	(491)	(402)
Deriative contracts	-	-	(8,410)	(2,109)	(8,410)	(2,109)
Right of use contracts	-	-	33	-	33	-
Other financial assets	-	-	(31)	(127)	(31)	(127)
Inventories	-	4,562	(105)	-	(105)	4,562
Payables	1,257	1,146	-	-	1,257	1,146
Interest bearing loans and borrowings	14,387	11,376	-	-	14,387	11,376
Unearned revenue	-	-	(25)	(21)	(25)	(21)
Business costs	1,176	1,189	-	-	1,176	1,189
Provisions	3,354	2,215	-	-	3,354	2,215
Borrowing costs	31	56	-	-	31	56
Employee share costs	-	-	(2,688)	(864)	(2,688)	(864)
Tax losses carried forward	86,638	49,695	-	-	86,638	49,695
Tax assets/(liabilities)	106,843	70,239	(74,288)	(47,027)	32,555	23,212
Set off of tax	(74,288)	(47,027)	74,288	47,027	-	-
Net tax assets	32,555	23,212	-	-	32,555	23,212

Movement in deferred tax balances

	Consolidated					
	Balance 1 July 19 $'000	Balances acquired 28 Feb 20 $'000	Recognised in profit or loss $'000	Recognised directly in equity $'000	Recognised in other comprehensive income $'000	Balance 30 June 20 $'000
Property, plant and equipment	(43,475)	(323)	(18,769)	-	-	(62,567)
Intangible assets	(29)	-	25	-	-	(4)
Receivables	(402)	33	(122)	-	-	(491)
Derivative - hedge receivable	(2,109)	-	(3,639)	(2,662)	-	(8,410)
Right of use contracts	-	23	10	-	-	33
Other financial assets	(127)	-	96	-	-	(31)
Inventories	4,562	-	(4,667)	-	-	(105)
Payables	1,146	164	(53)	-	-	1,257
Interest bearing loans and borrowings	11,376	-	3,011	-	-	14,387
Unearned revenue	(21)	(207)	203	-	-	(25)
Business costs	1,189	-	(520)	507	-	1,176
Provisions	2,215	863	276	-	-	3,354
Borrowing costs	56	-	(25)	-	-	31
Employee share costs	(864)	-	(1,824)	-	-	(2,688)
Tax losses carried forward	49,695	-	36,943	-	-	86,638
	23,212	553	10,945	(2,155)	-	32,555

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12 Deferred tax assets and liabilities (continued)

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)
Receivables	3,335	-	(3,737)	-	-	(402)
Derivative - hedge receivable	647	-	(1,847)	1,200	-	-
Other financial assets	(324)	-	(1,912)	-	-	(2,236)
Inventories	(2,090)	-	6,652	-	-	4,562
Payables	724	19	403	-	-	1,146
Interest bearing loans and borrowings	4,782	-	6,594	-	-	11,376
Unearned revenue	-	-	(21)	-	-	(21)
Employee benefits	482	-	(482)	-	-	-
Business costs	1,704	9	(524)	-	-	1,189
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

Unrecognised deferred tax assets

	Consolidated	
	2020 $'000	2019 $'000
The following deferred tax assets have not been brought to account as assets:		
Tax losses - Australia	-	28,579
Tax losses - Outside Australia	82,289	82,234

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13 Capital and reserves

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Share capital		
368,551,024 (2019: 323,212,432) ordinary shares, fully paid	1,100,329	1,007,086
Acquisition reserve	(75,887)	(75,887)
	1,024,442	931,199

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 2019	323,212,432		1,007,086
Issue of shares for rights issue	21 February 2020	31,413,195	2.07	65,025
Issue of shares for acquisition of Pit n Portal	28 February 2020	4,830,918	1.90	9,179
Issue of shares under employee share scheme	31 March 2020	9,094,479	2.24	20,372
Less: share issue costs, net of deferred tax				(1,332)
Balance	**30 June 2020**	**368,551,024**		**1,100,329**
Less: treasury shares		6,940,854		
Issued capital		**361,610,171**		

(1) On 29 January 2020, Emeco announced a fully underwritten pro-rata accelerated non-renounceable entitlement offer. The retail and institutional components were both completed on 21 February 2020, with an issue price of $2.07.

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13 Capital and reserves (continued)

Treasury shares [(1)]
The treasury shares comprise 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 2020 the Company held 6,940,854 treasury shares (2019: 16,847,903), 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(k)(v)).

Dividends [(1)]
No dividends were paid or declared during the year (2019: $Nil) or prior to the release of this report.

Franking account

	The Company	
	2020	**2019**
	$'000	**$'000**
Dividend franking account		
30% franking credits available to shareholders of Emeco Holdings Limited for subsequent financial years	85,394	77,222

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 (2019: $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 $85,394,000 (2019: $77,222,000) 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 $18,195,000 (FY19: $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 $8,912,000 to their fair value less cost to sell based on market prices of similar equipment.

As at 30 June 2020, the non-current assets held for sale comprised assets of $3,192,000 (2019: $2,906,000). 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.

	2020 $'000	2019 $'000
Assets classified as held for sale		
Property, plant and equipment - continuing operations	3,192	2,832
Property, plant and equipment - discontinuing operations	-	74
Net assets classified as held for sale	3,192	2,906

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

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15 Segment reporting

The Group has four (2019: three) reportable segments, as described below, three of which are the Group's strategic business units and one of which (Chile) is discontinued. 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:

Rental	Provides a wide range of earthmoving equipment solutions to customers in Australia. Additional technology platforms have been developed to enable customers to improve earthmoving efficiencies of their rental machines.
Workshops	Provides maintenance and component rebuild services to customers in Australia.
Pit N Portal	Provides a range of mining services solutions and associated services to customers in Australia.
Chile (discontinued)	Provided a 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 has been wound down and will not materially contribute to the future earnings of the Group. The loss from discontinued operations of $3,000 (2019: profit of $287,000) 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

	Rental $'000	Australian Workshops $'000	Pit n Portal $'000	Discontinued Chile $'000	Total $'000
Period ended 30 June 2020					
Revenue from rental income	387,959	-	-	1,171	389,130
Revenue from the sale of machines and parts	4,049	-	80	-	4,129
Revenue from mining services	-	-	39,672	-	39,672
Revenue from maintenance services	33,114	163,804	-	-	196,918
Intersegment revenue	-	(83,789)	(4,460)	-	(88,249)
Revenue from external customers	**425,122**	**80,015**	**35,292**	**1,171**	**541,600**
Other income	3,242	210	28	-	3,480
Segment earnings before interest, tax, depn and amortisation	**264,915**	**7,911**	**9,260**	**74**	**282,160**
Impairment of tangible assets	(13,633)	-	(118)	(77)	(13,828)
Depreciation and amortisation	(107,295)	(2,438)	(3,770)	-	(113,503)
Segment result (EBIT)	**143,987**	**5,473**	**5,372**	**(3)**	**154,830**
Corporate overheads					(49,498)
EBIT					**105,332**
Finance income/(expense) (net)					(50,514)
Foreign exchange movements					366
Net profit before tax					**55,184**
Tax benefit/(expense)					10,945
Net profit after tax					**66,129**
Total assets for reportable segments	**676,347**	**44,010**	**100,190**	**140**	**820,686**
Unallocated assets					267,905
Total Group assets					**1,088,591**
Net capital expenditure	**100,600**	**1,613**	**6,710**	**-**	**108,922**
Total liabilities for reportable segments	**77,365**	**32,374**	**21,672**	**43**	**131,454**
Unallocated liabilities					599,893
Total Group liabilities					**731,346**

	Rental $'000	Australian Workshops $'000	Discontinued Chile $'000	Total $'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	**658,260**	**26,922**	**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**

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16 Cash and cash equivalents

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Cash at bank	198,169	36,189

17 Trade and other receivables

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Current		
Trade receivables	93,516	82,009
Less: Expected credit losses	(536)	(516)
	92,980	81,493
VAT/GST receivable	1,798	2,050
Accrued revenue	15,019	102
Other receivables	3,991	3,614
	113,788	87,259

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	
	2020	**2019**
	$'000	**$'000**
Non-current assets		
Cross currency interest rate swaps	38,918	18,496
	38,918	18,496
Current liabilities		
Cross currency interest rate swaps	(10,884)	(11,465)
	(10,884)	(11,465)

19 Inventories

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Work in progress - at cost [1]	3,106	4,090
Consumables, equipment & spare parts - at cost	9,075	457
Total at cost	12,181	4,547
Equipment and parts - at NRV [2]	2,586	1,798
Total inventory	14,767	6,345

(1) During the year ended 30 June 2020 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 $4,915,000 (2019: $43,000).

(2) $1.9m of trading stock was acquired from Pit N Portal in March 2020.

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20 Intangible assets

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Goodwilll	8,005	8,005
	8,005	8,005
Contract intangible	1,115	802
Less: Accumulated amortisation	(802)	(725)
	313	77
Software - at cost	7,240	5,334
Less: Accumulated amortisation	(5,306)	(4,340)
	1,934	994
Total intangible assets	10,252	9,076

Contract intangible and goodwill

On the acquisition of Pit N Portal, a provisional customer intangible has been recognised. This represents the fair value of the residual value of the purchase price of the company over the fair value of the identifiable assets and liabilities acquired. Management has 12 months from date of acquisition to assess the value of identifiable intangible assets of an acquired entity. Once the customer intangible has been assessed, it will be amortised over the determined life of the intangible. The contract intangible arising in the current period is recognised in the Pit N Portal operating segment. Refer to note 36.

Goodwill was recognised on the acquisition of Matilda Equipment Holdings Pty Ltd (**Matilda**) in FY19 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. The goodwill is recognised in the Australian Rental operating segment. Refer to note 36.

Software
Software has been acquired and developed internally by the business for asset management, monitoring and planning purposes. Software is amortised over 0 to 4 years.

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	
	2020	**2019**
	$'000	**$'000**
Amortisation expense	974	1,930
Total expense for the year for continuing operations	974	1,930

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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
At-cost at 30 June 2020	1,907	5,290	1,113,216	21,567	3,584	7,654	10,703	1,163,922
Accumulated depreciation and impairments at 30 June 2020	(1,161)	(4,479)	(508,718)	(4,139)	(3,047)	(5,494)	(7,715)	(534,752)
	746	811	604,498	17,428	537	2,160	2,988	629,169
At-cost at 30 June 2019	1,585	4,785	981,487	26,733	3,064	7,181	10,481	1,035,316
Accumulated depreciation and impairments 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

	Consolidated							
				2020				
				$'000				
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:	Land & buildings	Leasehold improvements	Plant & equipment	Leased plant & equipment	Office equipment	Motor vehicles	Sundry plant	Total
Carrying amount at the beginning of the year	545	497	551,275	22,966	150	979	3,255	579,667
Additions	322	505	133,905	2,566	520	142	1,257	139,217
Additions from acquisition (Pit N Portal)	-	-	52,846	-	-	1,541	-	54,387
Depreciation	(121)	(191)	(102,100)	(3,163)	(133)	(502)	(795)	(107,004)
Disposals	-	-	-	-	-	-	-	-
Transfer asset class	-	-	5,355	(4,690)	-	-	(665)	-
Impairment	-	-	-	-	-	-	-	-
Movement from/(to) assets held for sale	-	-	(17,878)	(251)	-	-	(62)	(18,192)
Movement major equipment components	-	-	(4,203)	-	-	-	-	(4,203)
Major equipment components acquired (Pit N Portal)	-	-	6,345	-	-	-	-	6,345
Movement capital WIP	-	-	(21,049)	-	-	-	-	(21,049)
Carrying amount at the end of the year	746	811	604,498	17,428	537	2,160	2,989	629,169

	Consolidated							
				2019				
				$'000				
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:	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 major equipment components	-	-	7,275	-	-	-	-	7,275
Major equipment components 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

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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 24 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 2020, it was determined that COVID-19 represented an indicator of impairment and therefore detailed impairment testing was undertaken for both the Australian rental CGU and the Pit N Portal CGU and testing carried out for the Workshops CGU. Refer to note 2(d) "Estimates and judgments" for detailed consideration of this matter.

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22 Right of use assets

	Consolidated			
	$'000			
As at 30 June 2020	**Buildings $'000**	**Motor vehicle $'000**	**Equipment $'000**	**Total**
Initial application as at 1 July 2019	34,519	2,737	-	37,256
Additions	3,571	454	20,080	24,104
Termination of lease	(48)	-	-	(48)
Remeasurements	(10,187)	(325)	341	(10,171)
Total cost	27,855	2,866	20,421	51,142
Accumulated depreciation				
Accumulated depreciation	(4,881)	(766)	(1,362)	(7,010)
Total Accumulated Depreciation	(4,881)	(766)	(1,362)	(7,010)
Net carrying amount	22,974	2,100	19,059	44,132

The group right of use assets relate to property, motor vehicles and heavy earth moving equipment. The average lease term is 4.97 years.

The corresponding lease liability analysis is presented in note 24.

	Consolidated
	2020 $'000
Amounts recognised in profit and loss	
Depreciation expense on right-of-use assets	7,010
Interest expense on lease liabilities	1,524
Expense relating to short term leases	156
Expense relating to leases of low value assets	-
	8,689

23 Trade and other payables

	Consolidated	
	2020 $'000	**2019 $'000**
Current		
Trade payables		
Trade payables	46,751	28,795
Interest accrual	7,987	7,356
Other payables and accruals	34,499	47,563
	89,237	83,714

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

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23 Trade and other payables (continued)

The Company has also entered into a deed of cross guarantee with certain subsidiaries as described in note 38. 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 38.

24 Interest bearing liabilities

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Current		
Amortised cost		
Lease liabilities	25,986	4,023
Loan Note Agreement	97,000	-
	122,986	4,023
Non-current		
Amortised cost		
USD notes - secured	469,373	459,334
Debt raising costs [(1)]	(8,917)	(13,309)
Lease liabilities	36,573	17,886
	497,030	463,911

[(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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24 Interest bearing liabilities (continued)

On 8 January 2020, the Group increased its Revolving Credit Facility (RCF) to $100,000,000 (30 June 2019: $65,000,000), with its existing lenders. This facility 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$97,000,000 (30 June 2019 $62,000,000) and a Bank Guarantee Facility of A$3,000,000. 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 (3.25% if less than 25% drawn and 3.5% if greater than 25% drawn).

The facilities require the Group to maintain a collateral coverage ratio greater than 3.0x and a fixed charge coverage ratio greater than 1.5x. The collateral coverage ratio is based on an independent valuation of the rental fleet in ratio to the drawn LNA. At 30 June 2020 the Group had drawn all $97,000,000 of the LNA and had utilised A$1,654,900 of the bank guarantee facility. The LNA was drawn due to global bank liquidity concerns at the start of COVID-19, and at 30 June 2020 is held in an “at call” deposit account with a leading Australian bank.

Secured notes issue
The Group has issued secured fixed interest notes to the value of US$322,131,000 which matures on 31 March 2022. The nominal fixed interest rate is 9.25%. 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.

On 5 December 2019, several covenants under the Notes facility were amended as follows:

- the net capex restriction was amended to be equal to 135% of annual depreciation limit for the 12 months to 30 June 2020 and each subsequent 12-month period (previously the notes had 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);
- permitted the Incurrence of Indebtedness provided that the Net Leverage Ratio would be less than 2.0 to 1.0;
- permitted growth Capital Expenditure if it is immediately deleveraging or if the Net Leverage Ratio is below 1.0 to 1.0.

The US Notes are fully hedged to AUD until maturity and the Group has designated derivatives (cross currency interest rate swaps) as hedge instruments against this underlying debt.

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.

	FY20		FY19	
	USD	AUD	USD	AUD
	$'000	$'000	$'000	$'000
USD notes	322,131	469,373	322,131	459,334
Hedged (asset/liability)	-	(28,034)	-	(7,031)
Net exposure	322,131	441,339	322,131	452,303

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24 Interest bearing liabilities (continued)

Lease liabilities

At 30 June 2020, the Group held lease facilities totalling A$62,559,000 (2019: A$21,909,000) which have various maturities up to July 2024. Lease terms are negotiated on an individual basis and obtains a wide range of different terms and conditions. The lease agreements do not impose any covenants.

Lease liabilities of the Group are payable as follows:

Consolidated	Opening lease liabilities 2020 $'000	Remeasure-ments 2020 $'000	Interest 2020 $'000	Repayments 2020 $'000	Additions/ (terminations) 2020 $'000	Closing lease liabilities 2020 $'000	Future minimum lease payments 2019 $'000	Interest 2019 $'000	Present value of minimum lease payments 2019 $'000
Lease									
Current	4,023	-	1,173	(2,019)	269	3,446	5,196	(1,173)	4,023
Non-current	17,886	-	-	(3,223)	-	14,663	20,505	(2,619)	17,886
	21,909	-	1,173	(5,242)	269	18,109	25,701	(3,792)	21,909
Lease on application of AASB 16 Leases									
Current	6,507	(1,857)	1,524	(3,744)	20,110	22,539	-	-	-
Non-current	30,749	(8,313)	-	(4,549)	4,024	21,911	-	-	-
	37,256	(10,170)	1,524	(8,293)	24,135	44,450	-	-	-
Total Lease Liability									
Current	10,530	(1,857)	2,697	(5,763)	20,380	25,986	5,196	(1,173)	4,023
Non-current	48,635	(8,313)	-	(7,772)	4,024	36,574	20,505	(2,619)	17,886
	59,165	(10,170)	2,697	(13,535)	24,404	62,560	25,701	(3,792)	21,909

The Group leases plant and equipment. The Group's lease liabilities are secured by the leased assets of $35,365,000 (2019: $22,966,000). In the event of default, the leased assets revert to the lessor.

The weighted average incremental borrowing rate applied to the lease liabilities at the date of initial application was 4.96%.

The approximated lease liabilities disclosed in the June 19 annual report (A$36,713,000) varies from the initial application as at 1 July 2019 (A$37,256,000) by A$543,000. This variance is due to inclusion of additional motor vehicles.

There has been no impact on lease payments as a result of COVID-19, either through deferral or reduction in lease payments.

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 2019 $'000	Financing cash flows $'000	Financial expense* $'000	New debt acquired** $'000	Unrealised FX $'000	30 June 2020 $'000
USD notes	459,334	-	-	-	10,039	469,373
Lease liabilities	21,909	(19,869)	1,488	59,031	-	62,559
Loan Note Agreement	-	-	-	97,000	-	97,000
Debt raising costs	(12,350)	-	4,115	-	-	(8,235)
Debt raising costs (144A Notes)	(959)	-	432	-	-	(528)
Debt raising costs (loan note agreement)	-	(154)	-	-	-	(154)
Other financing	-	(2,708)	2,708	-	-	-
	467,933	(22,730)	8,742	156,031	10,039	620,016

*inclusive of amortisation expense
**New debt acquired for lease liabilities relates to adoption of AASB 16

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24 Interest bearing liabilities (continued)

Reconciliation of liabilities arising from financing activities (continued)

	1 July 2018 $'000	Financing cash flows $'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 (144A Notes)	-	(1,297)	338	-	-	(959)
Debt raising costs (loan note agreement)	(707)	-	707	-	-	-
Other financing	1,857	(1,857)	-	-	-	-
	467,355	(53,718)	5,214	23,802	25,281	467,933

*inclusive of amortisation expense

25 Financing arrangements

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

	Consolidated $'000		
2020	**Available facility**	**Facility utilised at reporting date**	**Facility not utilisted at reporting date**
USD notes [1]	469,373	469,373	-
Loan Note Agreement [2]	97,000	97,000	-
Bank guarantee facility [2]	3,000	1,655	1,345
Lease liabilities	62,559	62,559	-
	631,932	630,587	1,345

	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 [2]	62,000	-	62,000
Bank guarantee facility [2]	3,000	1,744	1,256
Lease liabilities	21,909	21,909	-
Working capital	150	150	-
	546,393	483,137	63,256

(1) The facility of US$322,131,000/A$469,373,000 was fully drawn at 30 June 2020.

(2) On 8 January 2020, it was announced that the Revolving Credit Facility was increased from $65,000,000 to $100,000,000. The Revolving Credit Facility consists of the Loan Note Agreement of A$97,000,000 and bank guarantee of $3,000,000. The Loan Note Agreement was fully drawn at 30 June 2020, with funds held in an “at call” deposit account with a leading Australian bank.

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26 Provisions

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Current		
Employee benefits:		
- annual leave	8,476	4,987
- long service leave	2,096	1,991
Provision for restructuring	57	94
	10,629	7,072
Non-current		
Employee benefits - long service leave	581	406
	581	406

	Consolidated		
	Employee benefits	**Provision for restructuring**	**Total**
Balance at 1 July 2019	7,384	94	7,478
Provisions acquired from Pit n Portal	3,082	-	3,082
Arising during the year	5,782	73	5,855
Utilised	(5,095)	(110)	(5,205)
Balance at 30 June 2020	11,153	57	11,210

Defined contribution superannuation funds
The Group makes contributions to defined contribution superannuation funds. The expense recognised for the year was $7,862,000 (2019: $6,625,000).

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27 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(k)(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	Vesting Conditions	Contractual life of rights/ performance share rights
Rights/performance share rights 2017	18,178,057	3 years service	3 years
Rights/performance share rights 2018	1,595,586	2 years service	2 years
Rights/performance share rights 2019	1,500,000	1 year service	1 year
	21,273,643		

Unvested plans

Grant date/employees entitled	Number of instruments	Vesting Conditions	Contractual life of rights/ performance share rights
EHIP			
Rights/performance share rights 2018	46,996	2 years service	2 years
MIP			
Rights/performance share rights 2019	1,608,913	3 years service	3 years
Rights/performance share rights 2019	1,415,168	4 years service	4 years
Rights/performance share rights 2019	1,885,691	5 years service	5 years
LTIP			
Rights/performance share rights 2020	900,901	1 year service	1 year
Rights/performance share rights 2020	120,445	2 years service	2 years
Rights/performance share rights 2020	400,204	3 years service	3 years
	6,378,317		

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27 Share based payments (continued)

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

	Number of rights/ performance share rights 2020	Number of rights/ performance share rights 2019
Outstanding at 1 July	26,347,281	204,133,030
Granted during the period	1,422,064	82,875,083
Exercised during the period	(21,273,643)	(22,352,459)
Share consolidation	-	(238,190,089)
Forfeited during the period	(117,385)	(118,284)
Outstanding at 30 June	6,378,316	26,347,281

The fair value of Rights granted during the year are measured using a volume weighted average price of $1.83 (FY19: $2.06). Please refer to note 3(k)).

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	**2020**	**2019**
Performance shares/rights	14,288,750	14,674,531
Total expense recognised as employee costs [(1)]	14,288,750	14,674,531

[(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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28 Commitments

(a) Operating lease commitments

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Future non-cancellable operating leases not provided for in the finanical statements and payable:		
Less than one year	156	6,426
Between one and five years	250	11,164
More than five years	-	750
	406	18,340

Of the $18,340,000 in prior year commitments, $16,701,000 was recognised as lease liabilities under AASB 16 at 30 June 2020. Refer to Note 24 for further information.

From 1 July 2019, the group has recognised right-of-use assets for these leases, except for short-term and low-value leases. See Note 22 for further information. Operating lease expenditure for FY20 and FY19 is disclosed in Note 24.

(b) Capital commitments

The Group has $Nil commitments for purchases of fixed assets (2019: $Nil).

29 Contingent liabilities

Guarantees
The Group has provided bank guarantees in the amount of $1,654,900 (2019: $1,744,000) in relation to obligations under operating leases and rental premises.

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30 Notes to the statement of cash flows

(i) Reconciliation of cash

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

		Consolidated	
		2020	2019
	Note	$'000	$'000
Cash assets	16	198,169	36,189

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

		Consolidated	
		2020	2019
	Note	$'000	$'000
Net profit from continuing operations		66,132	33,674
Add/(less) items classified as investing/financing activities:			
Net profit on sale of non-current assets	7	(945)	(492)
Acquisition and corporate development costs	8	3,509	(262)
Dividends received	7	-	141
Add/(less) non-cash items:			
Amortisation	20	974	1,930
Depreciation	8	114,014	87,409
Amortisation of borrowing costs using effective interest rate	8	4,594	3,977
Write off previous deferred borrowing costs	8	-	642
Foreign exchange (gain)/loss	8	(366)	11,271
Impairment losses on tangible assets	8	13,750	6,684
Impairment of investments	8	461	-
Bad debts	8	1,009	49
Provision for doubtful debts/(reversal)	8	(57)	(236)
Other non-cash items and reclassifications		(259)	(907)
Equity settled share based payments	8	14,289	14,675
(Increase)/decrease in deferred tax asset		(9,343)	(870)
Income tax benefit	10	(10,945)	-
Net cash flow from operating activities of discontinued operations		(29)	114
Net cash from operating activities before change in assets/(liabilities) adjusted for assets and (liabilities) acquired		196,787	157,799
Change in operating assets and liabilities, net of effects from purchase of controlled entity:			
(Increase)/decrease in trade and other receivables		(4,447)	9,958
(Increase) in inventories		(8,422)	(708)
(Decrease)/increase in payables		(3,175)	2,139
Increase in provisions		1,230	276
Net cash from operating activities		181,973	169,464

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31 Controlled entities

(a) Particulars in relation to controlled entities

	Country of incorporation	Ownership interest 2020 %	2019 %
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	100
Matilda Equipment Pty Ltd	Australia	100	100
Pit N Portal Mining Services Pty Ltd	Australia	100	-
Pit N Portal Equipment Hire 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:

- Pit N Portal Mining Services Pty Ltd
- Pit N Portal Equipment Hire Pty Ltd

Refer to note 36 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:

- Matilda Equipment Holdings Pty Ltd
- Matilda Equipment Pty Ltd

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32 Key management personnel disclosure

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

Non-executive directors	
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
Neil Siford	Chief Financial Officer (commenced role on 18 March 2020)
Justine Lea	Chief Financial Officer (ceased role on 18 March 2020)

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32 Key management personnel disclosure (continued)

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

	Consolidated	
In AUD	**2020**	**2019**
Short term employee benefits	3,597,890	3,543,163
Other long term benefits	33,741	92,385
Post-employment benefits	112,405	129,857
Equity compensation benefits	9,924,397	11,312,286
	13,668,433	15,077,691

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

Individual directors and executives compensation disclosures
Information regarding individual directors' and executives' compensation and some equity instruments disclosures as required by Corporations Regulations 2M.3.03 and 2M.6.04 are provided in the remuneration report section of the directors' report on pages 22 to 36.

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 long term incentive plan (LTI) (long term incentive plan)
The Company had a retention incentive plan that rewards executives for their contribution to achievement of certain KPIs over a three-year period. KPIs are reviewed annually, but achievement is assessed over a three-year period with one-third of the maximum entitlement being tested each year. Assessing achievement annually also ensures that executives are rewarded for their performance in each year over the three-year period. By assessing outcomes in this manner, consistent high performance over each year within the three-year performance period is required in order to achieve maximum award. Awards under the LTI plan are made in the form of Rights.

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 (FY19 $Nil).

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33 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.

34 Subsequent events

No significant events have occurred subsequent to the year ended 30 June 2020.

35 Earnings per share

Basic earnings per share
The calculation of basic earnings per share at 30 June 2020 was based on the profit attributable to ordinary shareholders of $66,129,000 (2019: $33,961,000) and a weighted average number of ordinary shares outstanding less any treasury shares for the year ended 30 June 2020 of 327,161 (2019: 301,523).

Profit attributed to ordinary shareholders

	Consolidated					
	2020			2019		
	Continuing operations $'000	Discontinued operations $'000	Total $'000	Continuing operations $'000	Discontinued operations $'000	Total $'000
Profit for the year	66,132	(3)	66,129	33,674	287	33,961

	Consolidated	
	2020 '000	2019 '000
Issued ordinary shares at 1 July	308,635	3,043,778
Effect of shares issued during the period	13,801	-
Effect of vested employee share plans	4,725	15,012
Effect of share consolidation	-	(2,757,267)
Weighted average number of ordinary shares at 30 June	327,161	301,523

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35 Earnings per share (continued)

Weighted average number of ordinary shares

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2020 was based on the profit/(loss) attributable to ordinary shareholders of $66,129,000 (2019: $33,961,000) and a weighted average number of ordinary shares outstanding less any treasury shares during the financial year ended 30 June 2020 of 333,539 (2019: 323,370).

Profit attributed to ordinary shareholders (diluted)

	Consolidated					
	2020			2019		
	Continuing operations $'000	Discontinued operations $'000	Total $'000	Continuing operations $'000	Discontinued operations $'000	Total $'000
Profit attributed to ordinary shareholders (basic)	66,132	(3)	66,129	33,674	287	33,961

Weighted average number of ordinary shares (diluted)

	Consolidated	
	2020 '000	2019 '000
Issued ordinary shares at 1 July	308,635	3,043,778
Effect of shares issued during the period	13,801	-
Effect of vested employee share plans	4,725	15,012
Effect of share consolidation	-	(2,757,267)
Effect of unvested employee share plans	6,378	21,847
Weighted average number of ordinary shares (diluted) at 30 June	333,539	323,370

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36 Business combination

Pit N Portal Mining Services Pty Ltd and Pit N Portal Equipment Hire Pty Ltd
On 28 February 2020, Emeco Holdings Limited acquired 100% of the shares in Pit N Portal Mining Services Pty Ltd and Pit N Portal Equipment Hire Pty Ltd (**Pit N Portal**) for total consideration of $70,802,995 settled by an upfront cash payment of $62,000,000 and Emeco shares issued to the sellers of $9,178,744, less an additional cash payment of $375,749 in relation to a working capital adjustment settled in June 2020.

The values identified in relation to the acquisition are provisional as at reporting date 30 June 2020. Details of the acquisition are as follows:

Impact of acquisitions on the results of the Group

	Pit N Portal Mining Services Pty Ltd	Pit N Portal Equipment Hire Pty Ltd	Pit N Portal Group
	Final 2020 $'000	Final 2020 $'000	Final 2020 $'000
Cash assets	4,108	96	4,204
Trade debtors	13,056	2,665	15,721
Inventories	6,343	-	6,343
Accrued Income	4,105	49	4,154
Other receivables	-	697	697
Prepayments	493	-	493
Plant and equipment	1,259	53,128	54,387
Right of use assets	2,425	-	2,425
Deferred tax asset	552	1	553
Other assets	94	30	124
Trade and other payables	(10,401)	(2,831)	(13,232)
Provisions	(2,877)	-	(2,877)
Lease liabilities	(2,503)	-	(2,503)
Net assets acquired	16,653	53,836	70,489
Contract intangible recognised			313
Acquisition date fair value of consideration transferred			70,802
Representing:			
Cash			62,000
Shares issued on acquisition			9,179
Cash consideration paid in respect of working capital adjustment			(376)
Total			70,803
Acquisition costs expensed to profit or loss			1,500
Cash used to acquire the business, net of cash aquired:			
Acquisition date fair value of consideration transferred			70,803
Shares issued on acquisition			(9,179)
Less: cash and cash equivalents			(4,204)
Net Cash paid	-	-	57,421

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36 Business combination (continued)

Pit N Portal Mining Services Pty Ltd and Pit N Portal Equipment Hire Pty Ltd (continued)

Pit N Portal has been treated as a reportable segment of the Group with effect from the date of acquisition. The revenue and earnings contributed to the Group in the period from 28 February 2020 are set out in Note 15.

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.

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 2019 $'000
Cash assets	549
Trade and other receivables	6,849
Inventories	742
Prepayments	219
Plant and equipment	78,869
Goodwill/intangibles	8,807
Tax asset/(liability)	(165)
Trade and other payables	(1,384)
Provisions	(159)
Net assets /(liabilities) acquired	94,327
Acquisition date fair value of consideration transferred	94,327
Representing:	
Cash	93,312
Cash consideration paid in respect of working capital adjustment	1,015
Total	94,327
Acquisition costs expensed to profit or loss	2,160
Cash used to acquire the business, net of cash aquired:	
Acquisition date fair value of consideration transferred	94,327
Less: cash and cash equivalents	(549)
Net Cash paid	93,778

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36 Business combination (continued)
Matilda Equipment Pty Ltd (continued)

Impact of acquisitions on the results of the Group
The Matilda 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.

37 Parent entity disclosure

As at and throughout the financial year ending 30 June 2020 the parent entity (the '**Company**') of the Group was Emeco Holdings Limited.

	Company	
	2020	**2019**
	$'000	**$'000**
Result of the parent entity		
Profit/(loss) for the period [1]	18,598	(325,455)
Other comprehensive income	-	-
Total comprehensive income/(loss) for the period	18,598	(325,455)
Financial position of parent entity at year end		
Current assets	73	20
Non-current assets	260,041	154,334
Total assets	260,114	154,354
Current liabilities	-	-
Non-current liabilities	-	-
Total liabilities	-	-
Total equity of the parent entity comprising of:		
Share capital	1,024,442	931,199
Share based payment reserve	27,387	42,882
Reserve for own shares	(39,589)	(49,001)
Retained losses	(752,127)	(770,725)
Total equity	260,114	154,355

(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 38.

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38 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
- Pit N Portal Mining Services Pty Ltd
- Pit N Portal Equipment Hire Pty Ltd

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38 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 2020 is set out as follows:

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

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Revenue	540,428	464,516
Cost of sales	(313,301)	(272,549)
Gross profit	227,127	191,967
Operating expense	(105,887)	(92,199)
Other income	2,647	6,038
Finance income	2,307	961
Finance costs	(52,821)	(55,120)
Unrealised FX	367	(11,140)
Impairment of assets	(13,750)	(6,684)
Impairment of investments	-	(199,447)
Profit/(loss) before tax	59,990	(165,624)
Tax benefit	10,945	-
Net profit/(loss) after tax	70,935	(165,624)
Other comprehensive income	5,877	(3,640)
Total comprehensive income for the period	5,877	(3,640)
Retained losses at beginning of year	(734,982)	(565,718)
Retained losses at end of year	(658,169)	(734,982)
Attributable to:		
Equity holders of the Company	(658,169)	(734,982)
Profit/(loss) for the period	70,935	(165,624)

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38 Deed of cross guarantee (continued)

Statement of financial position

	Consolidated	
	2020 $'000	2019 $'000
Current assets		
Cash and cash equivalents	198,033	35,869
Trade and other receivables	111,674	85,119
Prepayments	3,279	4,719
Inventories	14,768	6,345
Assets held for sale	3,192	2,832
Total current assets	330,946	134,884
Non-current assets		
Trade and other receivables	19,298	18,799
Derivatives	38,918	18,496
Intangible assets	10,252	9,076
Investments	367	799
Property, plant and equipment	629,170	579,668
Right of use Asset	44,132	-
Deferred tax assets	32,555	23,212
Total non-current assets	774,692	650,050
Total assets	1,105,638	784,934
Current liabilities		
Trade and other payables	89,218	83,608
Derivatives	10,884	11,465
Interest bearing liabilities	122,986	4,023
Provisions	10,573	6,978
Total current liabilities	233,661	106,074
Non-current liabilities		
Interest bearing liabilities	499,059	465,901
Provisions	581	406
Total non-current liabilities	499,640	466,307
Total liabilities	733,301	572,381
Net assets	372,338	212,553
Equity		
Issued capital	1,024,442	931,199
Share based payment reserve	27,387	42,882
Reserves	(21,322)	(26,546)
Retained losses	(658,169)	(734,982)
Total equity attributable to equity holders of the parent	372,338	212,553

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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 38 to 114, and remuneration report in the directors' report, set out on pages 22 to 36 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 2020 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 38 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 2020.

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, 26th day of July 2020

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 2020, 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 2020 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

Recognition of available Australian tax losses as a deferred tax asset
 	
The Group has recognised $32.6 million of net deferred tax assets as at 30 June 2020 which includes the recognition of all the available tax losses in Australia as disclosed in note 12.
 	
The relevant accounting standard permits a deferred tax asset to be recognised for unused tax losses only to the extent that it is probable that taxable profit will be available against which the unused tax losses can be utilised.
 	
Significant judgement is required to assess the probability that future taxable profits will be available against which unused tax losses can be utilised.
	Our procedures included, but were not limited to:
	• Understanding the process that management undertakes to develop the model to estimate future taxable profits including the impact of COVID-19 and challenging the reasonableness of the assumptions;
	• Comparing the profit forecast for FY21 to the Board approved FY21 budget;
	• 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 specialists:
	  ○ evaluating whether the unused Australian 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
	  ○ testing managements tax effect accounting calculations and assessing the amount of reversing temporary differences.
	We also assessed the appropriateness of the disclosures in note 12 to the financial statements.

Provisional acquisition accounting
 	
On 28 February 2020, the Group acquired Pit N Portal Mining Services Pty Ltd and Pit N Portal Equipment Hire Pty Ltd ("Pit N Portal") as disclosed in note 36. The acquisition has been provisionally accounted for in the 30 June 2020 financial report.
 	
Accounting for this business acquisition is complex, requiring management to exercise judgement to determine the fair value of acquired assets and liabilities, including separately identifiable intangible assets.
	Our procedures included, but were not limited to:
	• Reviewing the Share Sale Agreement and the Executive Services Agreement associated with the acquisition;
	• Obtaining management's workings for the provisional acquisition accounting and performing the following:
	  ○ Testing them for mathematical accuracy;
	  ○ Assessing compliance with AASB 3 *Business Combinations* including the recognition of intangible assets;
	  ○ Testing the determination of the purchase price including determination of any contingent or deferred consideration;
	  ○ Evaluating management's determination of the fair value of plant & equipment acquired;
	  ○ Testing the assessment of the customer intangible asset which is provisionally recognised;
	  ○ Challenging management's assessment of the fair value of the remaining assets acquired and liabilities assumed; and
	• In conjunction with our tax specialists, assessing the tax impact of Pit N Portal joining the tax consolidation group.
	We also assessed the appropriateness of the disclosures in note 36 to the financial statements.

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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.

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.

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- 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.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 22 to 36 of the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Emeco Holdings Limited, for the year ended 30 June 2020, 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, 26 July 2020

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Financial calendar

The annual general meeting of Emeco Holdings Limited will be held on Thursday, 12 November 2020.

Event	Date*
Annual general meeting	12 November 2020
Half year	31 December 2020
Half year profit announcement	February 2021
Year end	30 June 2021

*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 16 July 2020, 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
Perennial Value Management Limited	18,478,210 [B]	5.01

[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 after the 10 to 1 share consolidation being effected.

Shareholder information

Distribution of shareholders

As at 16 July 2020, there were 7,355 holders of the Company's ordinary shares. The distribution as at 16 July 2020 was as follows:

Range	Investors	Securities	% Issued capital
100,001 and Over	108	323,122,409	87.67
10,001 to 100,000	1,102	31,794,111	8.63
5,001 to 10,000	831	6,493,832	1.76
1,001 to 5,000	2,181	5,851,661	1.59
1 to 1,000	3,133	1,289,011	0.35
Total	7,355	368,551,024	100.00

The number of security investors holding less than a marketable parcel of 556 securities (90 cents on 16 July 2020) is 2,196 and they hold 508,984 securities.

20 largest shareholders

The names of the 20 largest holders of the Company's ordinary shares as at 16 July 2020 are:

Rank	Name	Equity securities	% Issued capital
1	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	123,432,996	33.49
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	60,613,161	16.45
3	CITICORP NOMINEES PTY LIMITED	37,238,922	10.10
4	NATIONAL NOMINEES LIMITED	21,101,282	5.73
5	PACIFIC CUSTODIANS PTY LIMITED	20,728,866	5.62
6	ZERO NOMINEES PTY LTD	11,125,000	3.02
7	BNP PARIBAS NOMS PTY LTD	7,634,400	2.07
8	BNP PARIBAS NOMINEES PTY LTD	6,277,954	1.70
9	PACIFIC CUSTODIANS PTY LIMITED	3,802,492	1.03
10	IAN MICHAEL BARNARD	2,415,459	0.66
10	STEVEN EDWIN VERSTEEGEN	2,415,459	0.66
11	BNP PARIBAS NOMINEES PTY LTD	1,620,145	0.44
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,313,377	0.36
13	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,252,744	0.34
14	G HARVEY NOMINEES PTY LIMITED	1,149,100	0.31
15	ELPHINSTONE HOLDINGS PTY LTD	981,845	0.27
16	MR PETER DAVID WILKINSON & MRS JENNIFER LOUISE WILKINSON	956,509	0.26
17	UBS NOMINEES PTY LTD	879,910	0.24
18	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	713,753	0.19
19	DENNIS BUSINESS ASSETS PTY LTD	666,042	0.18
20	KEONG LIM PTY LIMITED	614,704	0.17

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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 16 July 2020, there are 1,938,190 unvested performance rights on issue to 16 participants pursuant to the Company's employee incentive plans.

Securities subject to voluntary escrow

As at 16 July 2020, there are 4,830,918 ordinary shares that are subject to voluntary escrow. These shares were issued as part consideration for the acquisition of Pit N Portal in February 2020 and the voluntary escrow period will end on 28 February 2021.

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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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SHARE REGISTRY

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AUDITORS

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Perth WA 6000

SECURITIES EXCHANGE LISTING

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