50 YEARS 1972-2022

Annual Report

2022

Emeco

Emeco Holdings Limited and its Controlled Entities

ABN 89 112 188 815

Annual Financial Report

30 June 2022

Contents

Chairman's Report 3
Managing Director's Report 5
Operating and Financial Review 7
Segment Business Overview 12
Financial Report 14

Chairman's Report

Dear Shareholders,

I am pleased to present the Emeco Holdings Limited Annual Report for the 2022 financial year (**FY22**).

People, safety and sustainability

Throughout a challenging year with ongoing impacts of COVID, a tight labour market, increasing inflationary pressures, hard borders and extreme weather events, particularly on the east coast, I am proud of the Emeco team and the way the Company performed in FY22.

The entire Emeco team is to be commended on their unrelenting focus on serving our customers and operating safely despite significant disruption throughout the year. Your Company prides itself on its commitment to supporting its people and this year we added over 25% to our workforce which now stands at ~1,400.

Our ability to attract and retain our people is a major pillar to the ongoing growth and success of our business. Hence, we continued to embed Project Align throughout Emeco to engage and empower our people in our shared vision and values. I am also pleased to report that during the year we increased our female participation in our workforce by 11%, increased the number of apprenticeships by 37% and conducted over 70 leadership training and development courses.

We made strong progress in our community engagement program which provides valuable connection between our people and their community, including charities and local interest groups. In this regard we partnered with Kuuwa to support Indigenous communities and businesses.

Emeco's strong safety performance continued in FY22 with our total recordable injury frequency rate reducing to 1.9 from 2.1, last year. Our lost time injury frequency rate remained at zero for the sixth consecutive year. Ongoing work on our Health, Safety, Environment Training Strategic Plan was implemented during the year, further strengthening our capability and commitment to industry leading practices.

During FY22, the Company developed its inaugural ESG Strategy. Significant work was undertaken on benchmarking and stakeholder engagement to identify material themes that are critical to Emeco's right to operate within our sector and in our communities. Following this important work, metrics, targets and actions are being finalised across the 8 key themes and these will be implemented across our business in FY23.

Updates on the progress of our ESG Strategy will be captured in our ongoing sustainability reporting. More information can be obtained on our website.

A Solid Operating and Financial Performance

Notwithstanding the challenges faced above, the Company delivered a solid operating and financial performance during FY22 and is well placed to build upon this platform into FY23.

Pleasingly, earnings growth was achieved across each of our operating segments, with the Group delivering 5% growth in Operating EBITDA to $250 million and 22% growth to Operating NPAT to $69 million over FY21.

These results reflect strong execution against our strategy of creating a more sustainable and resilient business. Our Rental business had success in deploying fleet across the country, Pit N Portal continued to grow its business, and activity at our Force Workshops was up strongly.

Capital Management

Emeco's strong cash generation supports continued investment in maintaining and replacing our assets and disciplined growth capital expenditure, while maintaining the Board's capital management policy. This year, the Board allocated $24.1 million (35% of FY22 Operating NPAT) towards capital management, comprising a 1.25 cent interim and 1.25 cent final fully franked dividend and $10.8 million of on market share buy backs. In addition, the company also repurchased an additional $7.6 million of shares during 2H22 within the parameters of our 10/12 buy back program announced in February. This brings the total amount allocated to capital management in respect of the FY22 year to $31.7 million.

Thank you

The Board remains enthusiastic about the future of our business and I thank them for their unwavering support. To our shareholders, I say thank you for your continued support of Emeco and thanks also to our management team for their continuing efforts in building shareholder value.

Lastly, I would like to express thanks from the Board to our dedicated employees for their outstanding contribution throughout the year.

Peter Richards
Chairman

Managing Director's Report

Dear Shareholders,

I am proud of the Emeco team in FY22 as we delivered solid growth across all operating segments despite Covid disruptions, labour shortages, inflationary pressures and extreme weather events on the east coast.

We are guided by our strategic goal of making Emeco a sustainable and resilient business that generates long term value for our shareholders. We continue to deliver against our pillars of being the lowest cost, highest quality provider of mining equipment, we continued to widen our customer value proposition, and continued to build a balanced and diversified portfolio of customers and projects throughout Australia with a broad commodity mix.

Our balance sheet remains strong and the significant cash we generated supported continued investment in sustaining and replacing our assets, some modest growth expenditure and our ongoing capital management initiatives.

People, safety and sustainability

Emeco continued to grow its workforce over the year to 1,400 people. We target a zero-harm workplace and safety will always be the number one priority in our business. Our lost time injury frequency rate has remained at zero for over six consecutive years and our total recordable injury frequency rate also decreased to 1.9 from 2.1 over FY22.

We continue to invest in our people and strive to make Emeco an employer of choice in our markets. The addition of over 25% more people to our business to support our growth during the year is a significant achievement. Our continued commitment to and investment in culture, training and diversity was demonstrated during the year as we embedded Project Align further across our expanding workforce.

Project Align is the centrepiece of our employee engagement, development and retention strategy. Our community engagement program continued to build through the year with support provided to a wide range of charities and community organisations.

In FY22, Emeco commenced development of its inaugural ESG Strategy. As part of this, benchmarking and stakeholder engagement was undertaken to determine the current state of ESG performance at Emeco and to identify common ESG themes across the sector. A materiality assessment was then undertaken to identify eight ESG themes that are considered material to Emeco. Actions, metrics and targets associated with identified actions are being finalised for each material theme. Update on the progress of the strategic action plan will form part of our ongoing ESG reporting.

Solid operating and financial performance

Emeco's operating and financial performance was solid in the context of a positive market for our equipment and services, but challenging environment in which to operate. We delivered 5% growth in Operating EBITDA to $250 million and 22% growth in Operating NPAT to $69 million over FY21. We delivered growth across all operating segments – Rental, Pit N Portal, and Force – and our return on capital of 16% remains comfortably above our cost of capital.

Our Rental business has returned to growth as assets were put to work throughout Australia during the year across a wide range of projects further diversifying our commodity mix. Pleasingly we increased the proportion of fully maintained projects which is in line with our strategy of widening the value proposition for our customers and increasing project tenure. Continuing operator shortages due to the tight labour market and extreme weather events on the east coast during the year dampened utilisation. Margins were well managed through tight cost control and rate increases across our projects.

Pit N Portal had a strong year of revenue growth as we secured rental and services work in underground and open cut projects. We have invested significantly to support growth since acquisition in FY20 and the business has delivered solid earnings results in line with expectations except for an underperforming project which has further delayed planned earnings and margin improvements previously anticipated in 2H22. This contract is currently being renegotiated and Pit N Portal earnings, margins and returns will improve once this underperforming contract has been addressed and the project moves into production phase in 1H23.

Force continues its strong performance as it grew both external or retail customer work as well as supported increasing internal rebuild and maintenance activity. Force is crucial to our strategy of being the lowest cost and highest quality equipment provider and has a significant mitigating impact in the current inflationary environment.

Capital Management

The Board announced a payout of 35% of Operating NPAT for the FY22 year. This $24.1 million package comprised a 1.25 cent interim and 1.25 cent fully franked final dividend and $10.8 million of on market share buy backs. In addition, the Board also allocated $7.6 million during 2H22 to repurchase additional shares on market bringing the total capital management program in respect of the FY22 year to $31.7 million.

We remain committed to prudent capital management and disciplined capital allocation decision making across our sustaining, replacement and growth investment initiatives. The strength of our balance sheet and our continuing strong cash generation allows us to return funds to our shareholders whilst providing flexibility to sustain and grow our company.

Outlook for FY23

The Company expects continued earnings growth in FY23 across all operating segments.

Our Rental business is well positioned with our assets now placed into projects that provide upside to operating utilisation as conditions normalise and our customers can work our equipment harder. We expect margins to remain broadly in line with FY22 through increased utilisation from the existing asset base, continued cost control, contractual mechanisms that help mitigate inflation and rate increases in new contracts and extensions.

Pit N Portal will deliver growth weighted towards 2H23 with improved margins, earnings and returns as the business continues on its growth trajectory and the underperforming contract is addressed and the project moves into production phase.

Activity levels will grow in our Force business as we leverage the cost and quality advantage of bringing more component rebuilds work in house. Retail work will also grow, and margins will be closely managed with a focus on continuous improvement initiatives.

Whilst the challenges of tight labour markets and inflation are likely to remain through FY23, the underlying momentum in each operating segment is positive for our equipment rental and services. I am confident that we can deliver sustainable growth and deliver increasing shareholder returns in FY23.

Thank you

I would like to pay tribute to the entire Emeco team for your continued hard work in what was a challenging year. I also would like to thank our Board for their ongoing stewardship and governance.

Finally, I would like to thank our shareholders and investors for their continued support.

Ian Testrow
Managing Director & Chief Executive Officer

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. The Group also supplies operator, technical and engineering solutions and services to the mining industry.

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. The balance of capital expenditure is assets (growth and replacement), including midlife equipment cores and the cost to rebuild these cores.

Table 1: Group financial results

	Operating results[1,2,3]		Statutory results	
A$ millions	**2022**	**2021**	**2022**	**2021**
Revenue	**754.4**	**620.5**	**754.4**	**620.5**
EBITDA[2]	**250.2**	**237.7**	**245.7**	**226.9**
EBIT[2]	**120.7**	**119.1**	**115.1**	**107.2**
NPAT	**68.9**	**56.8**	**65.0**	**20.7**
ROC%[2]	**16.2%**	**16.8%**	**14.9%**	**14.1%**
EBIT margin[2]	**16.0%**	**19.2%**	**15.3%**	**17.3%**
EBITDA margin[2]	**33.2%**	**38.3%**	**32.6%**	**36.6%**

Note: 1. Significant items have been excluded from the reported 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. Non IFRS measures.
3. EBITDA: Earnings before interest, tax, depreciation and amortisation. Excludes tangible asset impairment, net finance costs and net foreign exchange gain; EBIT: Earnings before interest and tax. Excludes net finance costs and net foreign exchange gain; NPAT: Net profit after tax; ROC: Return on capital (EBIT / Average capital employed).

Table 2: FY22 Statutory to operating results reconciliation

A$ millions	EBITDA	EBIT	NPAT
Statutory result	**245.7**	**115.1**	**65.0**
Tangible asset impairment	-	1.1	1.1
Long-term incentive expense	2.0	2.0	2.0
Restructuring expense	0.8	0.8	0.8
Covid-related expense	1.7	1.7	1.7
Tax effect of adjustments	-	-	(1.7)
Operating result	**250.2**	**120.7**	**68.9**

Reconciliation of differences between operating and reported results:

1. FY22 operating results are non IFRS measures and exclude the following:
   - **Tangible asset impairments:** Net impairments totalling $1.1 million were recognised across the business on assets held for sale and subsequently disposed during the period (June 2021: $1.1 million).
   - **Long-term incentive program:** During FY22, Emeco recognised $2.0 million (June 2021: $6.0 million) of non-cash expenses relating to the employee incentive plan.
   - **Restructuring expense:** One-off costs of $0.8 million internal restructuring (June 2021: nil).
   - **COVID related expense:** Expense of $1.7 million (June 2021: nil) incurred in relation to rapid antigen test kits, cleaning and COVID leave as a result of the global pandemic.
   - **Tax effect of adjustments:** notional tax on above adjustments at 30%.
2. Refer to the 2021 Annual Report for a reconciliation of differences between FY21 operating and reported results.

CONTINUED STRONG RETURNS

Operating EBITDA increased to $250.2 million (up $12.5 million or 5% on FY21) as a result of revenue growth and tight cost control across all areas of the business.

Group revenue from continuing operations increased to $754.4 million in FY22 (FY21: $620.5 million). Rental revenue increased to $429.1 million (FY21: $402.6 million) as a result of new contracts secured, increased rates and higher utilisation, despite covid absenteeism, labour shortages and extreme weather events affecting the Group and our clients' workforce. Pit N Portal achieved significant revenue growth of 76% during the year, resulting in revenue of $248.7 million (FY21: $140.6 million). The growth was underpinned by new and expanded projects. External revenue from Workshops increased from $77.3 million in FY21 to $90.6 million in FY22.

Operating EBITDA margins decreased to 33.2% (FY21: 38.3%) primarily as a result of lower Pit N Portal margins. In FY22, Pit N Portal provided a greater proportion of mining services which is typically at lower margins. Despite these challenges, Group EBITDA was up 5%, from $237.7 million to $250.2 million. Return on capital (**ROC**) remained high at 16.2% (FY21: 16.8%) above our cost of capital.

Table 3: Operating cost summary (operating results)

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

A$ millions	2022	2021
Revenue	**754.4**	**620.5**
Operating expenses		
Repairs and maintenance	(123.5)	(108.1)
External mining and maintenance services	(175.5)	(120.6)
Employee expenses[1]	(140.4)	(92.4)
Cartage and fuel	(17.4)	(15.7)
Net other expenses[2]	(47.3)	(45.9)
Operating EBITDA	**250.2**	**237.7**
Depreciation and amortisation expense	(129.4)	(118.6)
Operating EBIT	**120.7**	**119.1**

Note: 1. Employee expenses for operating EBITDA excludes employee share plan expenses of $2.0 million
2. Net other expenses for operating EBITDA excludes restructuring expenses of $0.8 million as well as covid related costs of $1.7 million.

Repairs and maintenance expense increased to $123.5 million (FY21: $108.1 million) driven by growth in the business and inflation. External mining and maintenance services increased as a result of the increase in fully maintained project sites in the Rental segment, workshop maintenance and the significant growth in the Pit N Portal business.

The increase in Employee expenses is as a result of the increase in average number of employees. Group total headcount increased from approximately 1,100 to approximately 1,390 over FY22. A large portion of this growth was in Pit N Portal, increasing from an average of 336 to an average of 588 in FY22 to service new projects.

Cartage and fuel increased to $17.4 million (FY21: $15.7 million) in line with revenue growth across all segments, fuel cost increases and higher utilisation levels.

Net other expenses increased to $47.3 million (FY21: $45.9 million) primarily as a result of the growth across all segments, particularly from Pit N Portal.

Depreciation and amortisation expense increased to $129.4 million in FY22 (FY21: $118.6 million) driven by the growth in asset utilisation and the impact of the growing asset base and inflation over time.

REINVESTMENT IN RENTAL FLEET AND EXPANSION OF PNP

The written down value (**WDV**) of the equipment fleet including capital WIP and inventory increased by $45.9 million to $711.2 million in FY22 primarily due to inflationary impact on stay in business capital expenditure (eg. parts and labour to rebuild components), the capital inventory increase to mitigate against supply chain risks, the commencement of the asset replacement program and growth capital expenditure.

Table 4: Equipment fleet

A$ millions	2022	2021
Equipment fleet	707.1	662.5
Non-current assets held for sale	4.1	2.8
Equipment fleet	711.2	665.3

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	2022	2021
Operating EBITDA	250.2	237.7
Net movement in working capital	(9.8)	6.4
Net sustaining capital expenditure[2]	(149.7)	(115.9)
Acquisition of component inventory	(4.1)	(2.3)
Finance costs	(19.3)	(38.5)
Net free cash flow (pre-growth capex)	**67.3**	**87.4**
Growth capex	(16.7)	(40.1)
Borex acquisition	(2.2)	-
Net free cash flow	**48.4**	**47.3**

Note: 1. Free cash flow excludes any non-recurring items (FY22: restructuring expense $0.8 million, covid related expense $1.7 million) (FY21: Refinancing and adviser fees $2.0 million, finance and hedging costs $15.5 million)
2. Capital expenditure includes assets acquired under leasing arrangements.

Strong net free cash flow in FY22 was supported by growing Operating EBITDA, up from $237.7 million in FY21 to $250.2 million in FY22.

The working capital outflow was largely driven by the significant growth of Pit N Portal. Working capital in the current economic climate is well maintained resulting from a continued strong focus on working capital controls within the business. No increase in debtor write-offs or allowances has occurred in the year.

Net sustaining capital expenditure increased from $115.9 million in FY21 to $149.7 million in FY22. Sustaining capital increased in line with a larger fleet and strong utilisation, inflation and continuation of the asset replacement program which includes a rolling annual replacement of ~5% of the fleet. Growth capex included $11.6 million to support Pit N Portal growth and an opportunistic purchase of $5.6 million worth of midlife equipment cores.

Finance costs were lower in FY22 due to the refinancing and repayment of the USD notes in July 2021.

CONTINUED LEVERAGE IN LINE WITH TARGET

Table 6: Net debt and gearing summary

A$ millions	2022	2021
Interest bearing liabilities (current and non-current)[1]		
Secured Notes- AUD	250.0	-
Secured Notes – USD[4]	-	246.8
Lease liabilities and other financing[5]	55.6	48.8
Total debt[1]	**305.6**	**295.6**
Cash	(60.2)	(74.7)
Net debt[1]	**245.5**	**220.9**
Leverage ratio[2]	0.98x	0.93x
Interest cover ratio[3]	11.6	7.0

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 26.
2. Leverage ratio - Net debt / Operating EBITDA.
3. Interest cover ratio - Operating EBITDA / Net Interest expense.
4. US$180.0 million converted at the effective hedge rate of 0.7293 and excluding liabilities in relation to the premium payable on early repayment or maturity (US$8.3m / A$11.1m) as disclosed in note 26 of the financial report.

In July 2021, the Group refinanced the outstanding US$180.1 million notes with the issuance of A$250.0 million notes. The notes mature in July 2026 and have a semi-annual coupon of 6.25% p.a. This refinancing event marked a significant turning point in the Group with a significant reduction in the annual interest expense. Refer to note 26 in the accompanying financial statements for additional information on Emeco's financing facilities.

Total outstanding debt increased to $305.6 million, up 3% from $295.6 million in the prior year. Lease liabilities increased by $6.3 million, mainly on recognition of a right of use asset and lease liability securing the Group's new corporate head office lease.

Emeco's cash balance was $60.2 million at 30 June 2022, following capital management activities during the year. The Group paid dividends to the company's shareholders totalling $13.5 million in FY22, and embarked on an on-market share buy back. During the year, 17 million shares were purchased at an average price of $0.90 totalling $15.6 million.

Emeco's leverage ratio is steady at 0.98x at 30 June 2022 compared to 0.93x at 30 June 2021.

On 16 August 2022, the board resolved to pay a final dividend for the year ended 30 June 2022 of 1.25 cents per share. The dividend will be fully franked and will be paid on 30 September 2022. The board also resolved to undertake an on market buy back of $6.4 million.

Segment Business Overview

Main markets

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

Rental

The Rental segment achieved revenue growth of 7% during the year, with new projects secured, increased utilisation and higher rates, resulting in revenue of $429.1 million.

Rental Operating EBITDA increased from $228.6 million to $240.2 million, Operating EBITDA margins were steady at 56% compared to 57% in the prior period. External factors including covid, tight labour markets, extreme weather and inflationary pressures have impacted the segment, however margin impact has been well controlled as a result of tight cost controls.

Gross utilisation averaged 92% in FY22 (FY21: 87%) as a result of assets being deployed into projects. Operating utilisation is a measure of how many hours we are invoicing. Group operating utilisation[1] increased over FY22 averaging 60%, up from 59% in FY21. There remains upside in operating utilisation as operating conditions normalise. Management is focussed on increasing the operating utilisation of machines currently on rent and continues to pursue opportunities to dispose of underutilised non-core fleet to generate greater returns as part of the Groups fleet strategy.

Workshops

Total Workshops activity (as measured by retail and internal revenue pre-intercompany eliminations) increased from $155.7 million in FY21 to $173.7 million in FY22, as a result of securing component rebuild works with external retail customers and high demand in Rental. Retail demand continues to be strong with growing customer demand for our expertise. The Operating EBITDA contribution from the external customers increased to $9.0 million (FY21: $8.1 million). Operating EBITDA margin for the period is in line with the prior period at 10%.

Pit N Portal

This segment was established with the acquisition of Pit N Portal in early CY20, and provides underground equipment rental, together with a range of mining services solutions and associated services to customers in Australia.

Pit N Portal's strong revenue growth continued in FY22, with revenue increasing from $140.6 million in FY21 to $248.7 million in FY22. The growth was underpinned by new projects secured and the expansion of current projects.

Pit N Portal operating EBITDA increased from $30.2 million to $32.7 million. The EBITDA margin deteriorated from 21% to 13% as a result of a number of new projects being in the start-up phase, delays in customer mining activity, cost inflation pressures and the impact of labour shortages and covid absenteeism impacting both the PnP and customer workforce.

Management is focused on Pit N Portal's earnings and margin recovery in FY23, particularly as a major contract is renegotiated and the project enters production phase in 1H23.

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

Table 7: Five-year financial summary

		2022[4]	2021[4]	2020[4]	2019	2018
REVENUE						
Total revenue from continuing operations	$'000	754,368	620,528	540,429	464,486	380,992
PROFIT						
Operating EBITDA[2]	$'000	250,173	237,687	254,366	213,966	153,004
Operating EBIT[2]	$'000	120,732	119,110	139,410	125,352	83,193
Operating NPAT[2]	$'000	68,867	56,791	61,037	63,126	20,068
Reported profit/(loss) for the year	$'000	64,953	20,695	66,129	33,961	11,376
Basic EPS[3]	cents	12.1	4.0	19.8	11.2	0.4
BALANCE SHEET						
Total assets	$'000	1,025,413	965,544	1,088,591	768,669	716,052
Total liabilities	$'000	458,192	434,138	731,346	570,591	562,570
Shareholders' equity	**$'000**	**567,221**	**531,406**	**357,245**	**198,078**	**153,482**
Total debt	$'000	305,613	299,304	628,932	481,243	484,581
CASH FLOWS						
Net cash flows from operating activities	$'000	221,148	205,616	181,973	169,464	125,533
Net cash flows from investing activities	$'000	(169,874)	(149,558)	(169,852)	(251,024)	(127,087)
Net cash flows from financing activities	$'000	(65,687)	(179,472)	149,825	(53,718)	156,730
Net cash movement	**$'000**	**(14,413)**	**(123,414)**	**161,946**	**(135,278)**	**155,174**
Free cash flow before repayment/(drawdown) of net debt[1]	**$'000**	**49,674**	**54,859**	**75,308**	**(130,373)**	**162,856**
DIVIDENDS						
Number of ordinary shares at year end[3]	'000	526,666	544,055	368,551	323,212	3,178,859
Total dividends declared in respect to financial year	$'000	13,341	6,801	0	0	0
Ordinary dividends per share declared	**cents**	**2.50**	**1.25**	**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	%	91.8	86.7	90.5	90.1	89.6
Average fleet operating utilisation	%	60.2	59.4	64.4	63.9	57.4
Operating EBIT ROC[2]	%	16.2	16.8	21.0	21.0	19.6
Leverage ratio[2]	x	0.98	0.93	1.58	2.00	2.62

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

1. Includes capex funded via finance lease facilities (excluded from reported cash flow).
2. Operating results and therefore these are non IFRS measures. Please refer to previous annual reports for reconciliation between Reported and Operating Results.
3. Weighted average number of shares restated at 30 June 2021 due to FY21 bonus rights issue. 30 June 2019 includes the impact of a 10:1 share consolidation that occurred on 27 November 2018.
4. FY22, FY21 and FY20 are reported as post AASB 16 Leases.

Financial Report

Directors' Report 15

- **Directors** 15
- **Company secretary** 17
- **Directors' meetings** 18
- **Corporate governance statement** 18
- **Principal activities** 18
- **Operating and financial review** 19
- **Dividends** 19
- **Significant changes in state of affairs** 19
- **Events subsequent to report date** 19
- **Likely developments** 19
- **Directors' interest** 20
- **Indemnification and insurance of officers and auditors** 20
- **Non-audit services** 21
- **Lead auditor's independence declaration** 21
- **Rounding off** 21
- **Remuneration report (audited)** 22
- **Deloitte Touche Tohmatsu independence declaration** 39

Financial Statements 40

- **Consolidated Statement of Profit or Loss and Other Comprehensive Income** 40
- **Consolidated Statement of Financial Position** 42
- **Consolidated Statement of Changes in Equity** 43
- **Consolidated Statement of Cash Flows** 44
- **Notes to the Consolidated Financial Statements** 45

Directors' Declaration 110

Independent Auditor's Report 111

Shareholder Information 116

The board of directors (**Board**) of Emeco Holdings Limited (**Emeco** or **Company**) present its 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 2022 (**FY22**).

Directors

The directors of the Company during FY22 were:

PETER RICHARDS BCom

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

Board committee membership:

- Chairman of the Remuneration and Nomination Committee (Chairman since 12 November 2020, previously a member).
- 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). Peter was a non-executive director of Elmore Limited (previously IndiOre Limited and NSL Consolidated Limited) from 2009 to 2021 and was Chairman from 2014 to 2017 and 2018 to 2021.

Current appointments:

- Chairman of Graincorp Limited since March 2020 (Non-Executive Director since 2015).
- Non-Executive Chairman of Spenda Limited (previously Cirralto Limited) since December 2017.

IAN TESTROW BEng (Civil), MBA

Appointment: Managing Director since 20 August 2015.

Skills and experience: Ian joined Emeco in 2005 and was appointed Chief Executive Officer and Managing Director in August 2015. Prior to this Ian was Emeco's Chief Operating Officer, having previously been responsible for Emeco's Eastern Region Rental business (2005 to 2009) and the North and South American operations (2009 to 2014). Prior to Emeco Ian worked for Wesfarmers, BHP Billiton, Thiess and Dyno Nobel.

PETER FRANK BSEE, MBA

Appointment: Non-Executive Director since April 2017.

Skills and experience: As of 31 December 2021, Peter retired as Senior Managing Director at Black Diamond Capital Management however continues in an advisory capacity. 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 a Director of North Sydney Local Health District (2017 to 2021) and the Chair of the Finance, Risk and Performance Committee. Keith was also 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.

PETER KANE BEng (Mining)

Appointment: Independent Non-Executive Director since December 2020.

Board committee membership:
- Member of the Remuneration and Nomination Committee since December 2020.
- Member of the Audit and Risk Management Committee since December 2020.

Skills and experience:
Peter is a Mining Engineer with over 33 years' experience in the mining industry throughout Australia, New Zealand and Mongolia. Peter is currently the Chief Operating Officer of the QCoal Group where he is responsible for site operations. Prior to QCoal, Peter held roles as the Chief Executive Officer at Cockatoo Coal, Group Managing Director at Guildford Coal, Chief Executive Officer at Aston Resources, and Chief Executive Officer at Boardwalk Resources, Executive General Manager Projects with Whitehaven Coal and Chief Operating Officer with Macarthur Coal. Peter also performed the role of Joint Venture Chair for multiple operations with numerous joint venture partners. Peter's earlier career included 10 years for Leighton in various roles including General Manager of the Australian mining contractor business and 10 years with BHP, primarily in their iron ore and, later, coal divisions. Peter was a Board member of Australian Coal Research Limited from 2017 to 2021.

Peter is a member of the Australasian Institute of Mining & Metallurgy and a graduate of the Australian Institute of Company Directors.

Current appointments:
- Chief Operating Officer at QCoal Group (since 2016).
- Independent Non Executive Director of Multicom Resources (since 2022).

Company secretary

The company secretary of the Company during FY22 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 was as a corporate and commercial lawyer in private practice. Penny holds a Bachelor of Laws, Master of Laws and a Bachelor of Business.

Directors' meetings

The number of board and committee meetings held and attended by each director in FY22 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	6	6	4	4	3	3
Ian Testrow	6	6	4 *	4	3 *	3
Peter Frank	6	6	0 *	4	0 *	3
Keith Skinner	6	6	4	4	3	3
Peter Kane	6	6	4	4	3	3

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 FY22 was the provision of open cut and underground mining equipment rental and also providing complementary equipment and mining services, including maintenance, asset and component rebuilds, fleet optimisation technology, and technical and engineering services.

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

Operating and financial review

A review of Group operations, and the results of those operations for FY22, is set out in the operating and financial review section at pages 7 to 13 and in the accompanying financial statements.

Dividends

On 16 August 2022, the board resolved to pay a final dividend for the financial year ended 30 June 2022 of 1.25 cents per share, representing a total cash payment of $6.583 million. The dividend will be fully franked and will be paid on 30 September 2022.

Type	FY22 final	1H22	FY21
Payment date	30 September 2022	6 April 2022	30 September 2021
Period ends	30 June 2022	31 December 2021	30 June 2021
Cents per share	1.25	1.25	1.25
Value $ million	6.583	6.758	6.786
Fully franked	✓	✓	✓

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

On 16 August 2022, the board resolved to pay a final dividend for the year ended 30 June 2022 of 1.25 cents per share, representing a total cash payment of $6.583 million. The dividend will be fully franked and will be paid on 30 September 2022.

On 16 August 2022, the Company announced its intention to undertake an on-market share buy back of up to $6,399,000.

Other than the above, there have been no other significant events subsequent to the year ended 30 June 2022.

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 7 to 13. 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 securities 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 [A]	Rights	
Peter Richards	11,044	-	
Ian Testrow	12,144,869	2,711,260	[B]
Peter Frank	-	-	
Keith Skinner	22,300	-	
Peter Kane	10,288	-	

[A] This comprises ordinary shares in which the Director has a relevant interest.
[B] This comprises unvested rights issued under the Company's incentive plans.

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 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 certain assurance services. 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 10 of the notes to the financial statements.

Lead auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 39 and forms part of the directors' report.

Rounding off

The amounts contained in the financial report have been rounded to the nearest $1,000 (unless otherwise stated) under the option available to the Company as referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016. The Company is an entity to which the class order applies.

Remuneration report (audited)

Contents

This Remuneration Report for the year ended 30 June 2022 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
   3.1. Remuneration principles and strategy
   3.2. Approach to setting remuneration and details of incentive plans
4. Relationship between executive remuneration and company performance
5. Executive remuneration outcomes for FY22
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 FY22:

Non-executive directors	
Peter Richards	Chair, Independent Non-Executive Director
Peter Frank	Non-Executive Director
Keith Skinner	Independent Non-Executive Director
Peter Kane	Independent Non-Executive Director

Executive directors	
Ian Testrow	Managing Director & Chief Executive Officer

The following persons were also employed as executives of the Company during FY22:

Other executives	Position
Thao Pham	Chief Financial Officer (commenced role on 4 February 2022), previously Interim Chief Financial Officer (29 September 2021 to 3 February 2022) and Chief Strategy Officer (ceased role 28 September 2021)
Neil Siford	Chief Financial Officer (ceased role on 29 September 2021)

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 non-executive directors. 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 FY22 were Mr Peter Richards (Chair), Mr Keith Skinner and Mr Peter Kane.

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. Where required, 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 period, no remuneration recommendations (as defined by the Act) were provided to the Company.

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.

3. Executive remuneration arrangements

3.1 Remuneration principles and strategy

Emeco's executive remuneration strategy is designed to attract, motivate and retain talented 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 providing the lowest cost, highest quality earthmoving equipment solutions and related services that add value to our customers' projects and embed Emeco in its 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
Provide market-competitive remuneration and rewards to executives in order to secure the long-term benefits of their time, experience and loyalty and 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
Fixed Remuneration	Comprises base salary, employer superannuation contributions and other non-cash benefits.	To provide competitive fixed remuneration to attract, retain and motivate executives 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**)), operating earnings before interest, tax, depreciation and amortisation (**Operating EBITDA**) and executive-specific operational or financial targets and focus areas are the key performance measures in FY22 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 progressive achievement of Company KPIs over the three-year performance period. Awards of Rights dependent on achievement of the LTI KPI. Performance Rights may convert into shares after vesting at the end of the three-year performance period (subject to any earlier vesting as set out below) directly aligning executive interests with shareholder value over the three-year period.	Vesting of awards is dependent on company performance inherent within which is 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 after the three-year performance period, so drives executives to maximise shareholder return. Targets are discussed in section 5.

3.2 Approach to setting remuneration and details of incentive plans

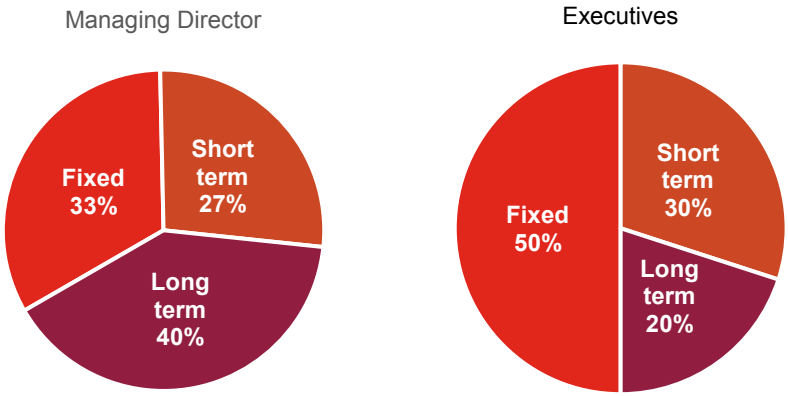
In FY22, the executive remuneration framework consisted of fixed remuneration and short-term and long-term incentives as outlined below.

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 award) 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.



How much variable remuneration can executives earn?

The below table sets out the maximum incentive opportunity for each executive under the FY22 STI and FY22 LTI plans, expressed as a percentage of total fixed remuneration (**TFR**).

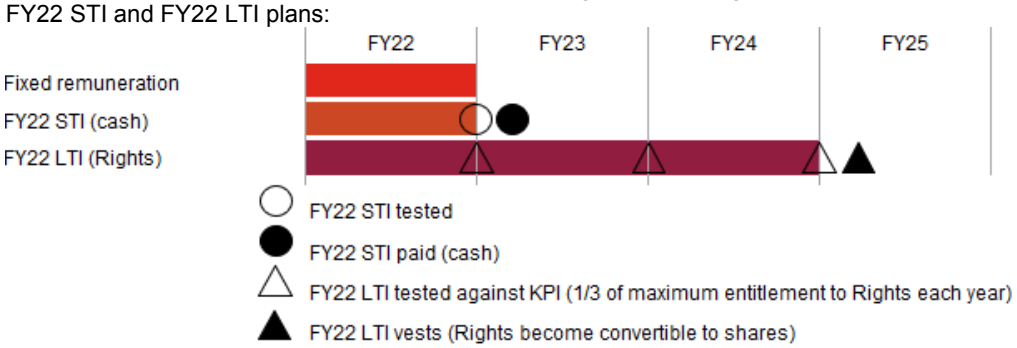
Table 10: Components of variable remuneration

Executive [A]	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 Financial Officer	60%	40%	100%

[A] Mr Neil Siford ceased in his role on 29 September 2021 and was not offered STIs or LTIs for FY22.

How is variable remuneration delivered?

The STI is assessed over a single year and the LTI is assessed progressively over three years. The chart below sets out the time periods for assessing and awarding remuneration under the FY22 STI and FY22 LTI plans:



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 position, 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 (and any recommendations the Remuneration and Nomination Committee).
Variable remuneration - FY22 Short term incentive plan (FY22 STI)	
What is the purpose of the plan?	The FY22 STI plan is a cash incentive that rewards executives for their contribution to achievement of certain KPIs in the financial year.
What are the KPIs and how do they align with business performance?	The KPIs for the FY22 STI plan are based on a balance of financial and non-financial measures which provide the platform for the long-term performance, growth and sustainability of the Company, assessed at either a Company or individual level. See section 5 for more information on the FY22 KPIs.
When is performance measured?	Achievement against the STI KPIs is assessed in conjunction with finalisation of the Company's full year results.
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?	FY22 STI awards are paid in cash.
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.
Variable remuneration - FY22 Long term incentive plan (FY22 LTI)	
What is the purpose of the plan?	The FY22 LTI plan is an equity incentive that rewards executives for their contribution to achievement of certain KPIs over a three-year period. One-third of a participant's maximum entitlement is tested each year against the KPI set for that year. The Board believes that assessing KPIs each year throughout the performance period is appropriate given the cyclic nature of the mining sector. Assessing achievement annually ensures that executives are rewarded for their performance in each year over the three-year period. Awards under the FY22 LTI plan are made in the form of Rights.
What are the KPIs and how do they align with business performance?	The KPI for year 1 of the FY22 LTI was earnings per share growth, which is designed to further align management with shareholder value and to recognise the evolving focus on seeing the strong foundation developed for the Company being reflected in its financial outcomes. The Board determined that an EPS KPI would apply for each year of the LTI plans in FY22. See **section 5** for more information on the FY22 KPI.

When is performance measured?	Achievement against the LTI KPI is measured by the Board, with the assistance of the Remuneration and Nomination Committee, at the time of the Company's full year results. The FY22 LTI plan spans a three-year performance period. Performance is assessed annually by the Board across the three-year period in conjunction with approval of the full year results (see "How is variable remuneration delivered" on page 25).
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 KPI.
How is it paid?	FY22 LTI awards are paid by issuing rights (**Rights**) to fully paid ordinary Emeco shares (**Shares**). Rights issued under the FY22 LTI plan are scheduled to vest after announcement of Emeco's annual results in 2024. Under the FY22 LTI Plan 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 (see "What happens if an executive leaves?" below). The maximum possible award of Rights under the FY22 LTI plan was calculated by reference volume-weighted average price of Emeco shares for the 20 business days following the release of Emeco's FY21 results, being $1.15. Rights will be issued at no cost to the executive. The ultimate value of the FY22 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.
What happens if an executive leaves?	Under the FY22 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 FY22 LTI plan will lapse. If the executive leaves the Emeco Group for any other reason, Rights that have been tested and issued under the FY22 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 FY22 LTI plan; and • awards in respect of any component of the FY22 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).

4. Relationship between executive remuneration and company performance

Emeco's remuneration objectives align the interests of Emeco's executives with the interests of the Company and its shareholders. This is achieved through ensuring that a significant proportion of an executive's remuneration is "at risk" and tied to the satisfaction of KPIs which relate to the Company's performance and execution of the Company's strategic aims. Details of those KPIs, and the Company's performance in respect of those measures, are set out in section 5.

In FY22, the KPIs for variable components of executive remuneration were directed at driving and rewarding leadership performance and behaviours consistent with the Company's strategy, performance and long-term value creation.

The STI KPIs (detailed in section 5) focussed on safety, earnings and executive-specific personal targets based on their roles. The FY22 LTI KPI was earnings per share growth which is designed to further increase alignment between management and shareholders by recognising the importance in seeing the Company's performance being reflected in its financial outcomes. Good performance against the STI KPIs in FY22 is reflected in the partial awards of STIs to executives. Further, although there was strong EPS growth over FY22 (see table 7), the board elected to exercise its discretion to make a partial award against the FY22 LTI KPI to take into the impact of Covid and FY22 earnings coming in at the bottom of the guidance range.

The Board also recognises that 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 focus on building a resilient and sustainable customer-focussed solutions business that can achieve a return on capital above its cost of capital on an ongoing basis has resulted in continued strong financial performance. This was achieved despite facing significant challenges in the FY22 year, including covid, significant tightening of the labour market, extreme weather and inflationary pressures.

Further, the Company is committed to its capital management policy as part of creating value for shareholders. In FY22, the Company executed on its capital management policy of allocating 25-40% of operating net profit after tax to capital management initiatives. Throughout the course of FY22, capital was returned to shareholders through both a dividend and buy back program.

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:

	FY22[3]	FY21[3]	FY20[3]	FY19	FY18
Operating EBITDA ($m) [1]	250.2	237.7	254.4	214.0	153.0
Operating EBIT ($m) [1]	120.7	119.1	139.4	125.4	83.2
Operating NPAT ($m) [1]	67.3	56.8	61.0[4]	63.1	20.1
Net leverage	0.98x	0.93x	1.58x	2.00x	2.60x
Return on capital [1]	16%	17%	21%	21%	20%
Total dividends determined ($m) [5]	13.3	6.8	-	-	-
Total shares bought back ($m) [6]	18.4	3.8	-	-	-
Closing share price as at 30 June [2]	$0.65	$1.05	$0.99	$2.10	$0.38
TRIFR	1.9	2.1	2.9	4.6	1.2

[1] Non IFRS measures. Refer to Table 2 of the Operating and Financial Review for further detail regarding operating adjustments.
[2] A 10 to 1 share consolidation was approved by the Company's shareholders at the 2018 AGM and effected on 27 November 2018. The share price for FY18 is pre-consolidation.
[3] FY22, FY21 and FY20 are reported post AASB 16 Leases.
[4] FY20 Operating NPAT tax effected for comparative purposes.
[5] FY21 figure includes dividends determined in respect of the FY21 year and paid in FY22. FY22 figure includes dividends determined and paid in respect of 1H22 and determined but not yet paid in respect of the full FY22 year.
[6] FY21 figure includes share buy back determined in respect of the FY21 year and paid in FY22. FY22 figure includes shares bought back in respect of 1H22, an additional $7.6 million on-market buy back in 2H22, and a share buy back determined but not yet paid in respect of the full FY22 year.

5. Executive remuneration outcomes for FY22

5.1 Fixed remuneration outcomes

There was a minor change to fixed remuneration for existing key management personnel in FY22 to reflect the increase in the superannuation guarantee rate from 1 July 2021 however there were no changes as part of an annual review. Ms Pham received a fixed remuneration increase on expanding and commencing her role as Chief Financial Officer.

5.2 Variable remuneration outcomes

In FY22 the executives had both common and individual KPIs in order to align the performance of each participant with the overall success of the Company. Set out below is information regarding satisfaction of the applicable KPIs for the FY22 STI and FY22 LTI plans.

5.2.1 FY22 STI plan

Table 11 below sets out the KPIs under the FY22 STI plan and the respective weightings. In the Board's view, these KPIs align the reward of executives with the interests of shareholders. The FY22 STI plan provided for pro-rata entitlements where achievement was between the thresholds and targets.

Table 11: FY22 STI KPI weightings, payment schedule and achievement

KPI	Weight	Payment schedule	Rationale	Achievement
Safety	20%	0% if the Group TRIFR[1] as at 30 June 2022 is equal to Group TRIFR as at 30 June 2021. 20% if the Group TRIFR[1] as at 30 June 2022 is lower than the Group TRIFR as at 30 June 2021. Pro-rata payments between these levels. 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 target and threshold
Operating EBITDA	60%	0% if actual FY22 Group Operating EBITDA ≤ 85% of budget FY22 Operating EBITDA. 100% if actual FY22 Group Operating EBITDA ≥ 105% of budget FY22 Operating EBITDA. Pro-rata payments between these levels.	Reflects the Company's financial performance and ability to pay STI awards.	Between target and threshold
Personal KPIs	20%	Satisfaction of key initiatives set by the Board for each executive.	Reflects key focus areas for each executive.	Between threshold and target

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

5.2.2 FY22 LTI plan

The FY22 LTI KPI has been set for each financial year during the three-year performance period. The KPI is 100% based on earnings per share (**EPS**), reflecting the importance of company performance in financial outcomes at this stage in the Company's evolution. The same EPS KPI applied for year 2 of the FY21 LTI and year 3 of the FY20 LTI.

Building on the achievements of recent years, including last year's refinancing, management continued to work hard throughout FY22 to evolve the Company's business model and expand its service offering, rebalancing the commodity mix and increasing contract tenure. The Group experienced strong EPS growth despite covid, significant tightening of the labour market, extreme weather and inflationary pressures faced by the industry and the Company. However, in light of Covid and FY22 earnings coming in at the bottom of the guidance range and, with an eye on ensuring appropriate linkage between shareholder value and executive remuneration, the Board partially awarded against the EPS KPI.

5.2.3 Incentive outcomes

The following table outlines the proportion of maximum incentive opportunity that was earned (i.e awarded following testing) or forfeited (i.e not awarded following testing) in relation to the FY22 STI plan.

Table 12: FY22 STI

Executive [A]	Maximum STI (% of TFR)	STI awarded (% of Maximum STI available)	STI forfeited (% of Maximum STI available)
Ian Testrow	80%	56.6%	43.4%
Thao Pham	60%	57.6%	42.4%

[A] Mr Neil Siford ceased in his role on 29 September 2021 and was not offered STIs for FY22.

As noted above, in light of the cyclic nature of the Group's business, the FY22 LTI Plan is assessed progressively over a three-year period with one-third of the maximum incentive being tested each year. Accordingly, a maximum of one-third of each executive's FY22 award was available to be earned after FY22, with 1/3 deferred to after FY23 and 1/3 deferred to after FY24.

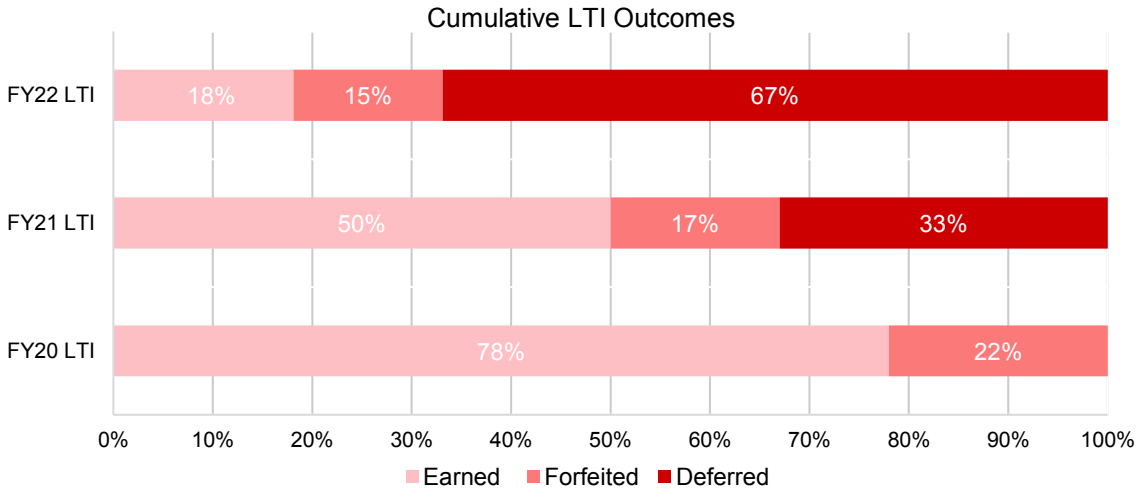
The following table outlines the proportion of maximum incentive opportunity that was earned (i.e awarded following testing), forfeited (i.e not awarded following testing) and deferred (to be tested in FY23 or FY24) in relation to the FY22 LTI Plan.

Table 13: FY22 LTI outcomes

Executive [A]	Maximum LTI (% of TFR)	LTI tested and earned in FY22 (% of Maximum LTI available over 3 year period)	LTI tested and forfeited in FY22 (% of Maximum LTI available over 3 year period)	LTI to be tested across FY23 & FY24 (% of Maximum LTI available over 3 year period)
Ian Testrow	120%	18%	15%	67%
Thao Pham	40%	18%	15%	67%

[A] Mr Neil Siford ceased in his role on 29 September 2021 and was not offered LTIs for FY22.

The table below sets out the cumulative outcomes to date in respect of the FY22 LTI (after testing of the year 1 KPI), the FY21 LTI (after testing of the year 1 and 2 KPIs) and the FY20 LTI (after testing of the year 1, 2 and 3 KPIs). Any deferred components will be tested against their applicable KPIs in subsequent years.



[1] Expressed as a percentage of maximum LTI available over 3 year period.
[2] As detailed above, the year 3 KPI for the FY20 LTI plan and the year 2 KPI for the FY21 LTI plan is the same as the KPI for the FY22 LTI plan and the outcomes are therefore the same. Outcomes for the years 1 and 2 for the FY20 LTI plan and the year 1 FY21 LTI plan are detailed in the FY20 and FY21 annual reports.

Statutory Executive KMP remuneration

The following table sets out total remuneration for executive KMP in FY22 and FY21, calculated in accordance with statutory accounting requirements.

Table 14 – Statutory executive KMP remuneration

KMP		Short term employee benefits			Post-employment benefits			Share based payments		
Executive director		**Salary & Fees [1]**	**Short term bonus payments [2]**	**Non-monetary**	**Superannuation**	**Other long term benefits[3]**	**Termination benefits**	**Long term equity incentives [4]**	**Total statutory remuneration**	**% of remuneration performance related**
Ian Testrow	FY22	1,045,140	460,326	-	27,692	19,026	-	1,922,686	3,474,871	69%
	FY21	1,017,933	623,399	-	25,000	22,167	-	3,659,157	5,347,656	80%
Other executives										
Thao Pham	FY22	622,759	198,720	-	27,692	25,622	-	526,143	1,400,936	52%
	FY21	468,156	240,661	-	25,000	9,963	-	586,377	1,330,157	62%
Neil Siford [5]	FY22	113,239	-	-	7,460	1,925	-	-	122,624	0%
	FY21	395,938	183,602	-	25,000	7,590	-	52,636	664,766	36%
TOTAL KMP remuneration	**FY22**	**1,781,138**	**659,046**	**-**	**62,844**	**46,573**	**-**	**2,448,829**	**4,998,431**	**62%**
	FY21	**1,882,027**	**1,047,662**	**-**	**75,000**	**39,720**	**-**	**4,298,170**	**7,342,579**	**73%**

[1] These figures include annual leave accrual adjustments.
[2] The FY22 figure includes cash awards under the FY22 STI as approved by the Board after review of performance against applicable key performance indicators (see table 11).
[3] Long service leave accruals are revalued where an employee's remuneration increases. Figure also includes certain on-costs which may be re-calculated from time to time.
[4] The FY22 figure includes Rights granted (for accounting purposes) by the Company in FY19, FY20 and FY21 however no Rights under the FY22 LTI plan were issued in FY22.
[5] Mr Siford ceased in his role on 29 September 2021.

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 non-executive directors 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 non-executive directors 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 non-executive directors' pool at the 2022 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 FY22, 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 non-executive directors fee policy for FY22 (inclusive of superannuation):

Board fees	FY22
Chairman	$166,149
Directors	$105,000

Committee fees	FY22
Committee Chair	$13,999
Committee Member	$10,500

Non-executive directors do not receive retirement benefits, nor do they participate in any incentive programs.

The remuneration of non-executive directors for the year ended 30 June 2022 and 30 June 2021 is detailed in table 15 below.

Table 15 – Statutory non-executive director remuneration

Non-executive director		Short-term employee benefits	Post-employment benefits	Long-term benefits	
		Salary and fees	Superannuation benefits	Long term equity incentives	Total
Peter Richards	FY22	163,772	16,378	-	180,150
	FY21	153,642	14,596	-	168,238
Peter Frank	FY22	105,000	10,500	-	115,500
	FY21	91,324	8,676	-	100,000
Keith Skinner	FY22	108,182	10,818	-	119,000
	FY21	103,501	9,833	-	113,333
Peter Kane [1]	FY22	105,000	10,500	-	115,500
	FY21	56,024	5,322	-	61,346
TOTAL	**FY22**	**481,954**	**48,196**	**-**	**530,150**
	FY21	**443,503**	**42,133**	**-**	**485,635**

[1] Mr Kane commenced on 7 December 2020.

8. Additional disclosures relating to share-based payments

Grants and vesting of equity settled awards made to executives in connection with the Company's long term incentive plans in FY19, FY20, FY21 and FY22 are set out in the following table.

All grants are rights (or an entitlement to receive rights) to receive one fully paid ordinary Emeco share. The vesting of rights is subject to satisfaction of vesting conditions. Once vested, a participant has a period within which to exercise the right (at zero cost) and receive shares.

Table 16 – Summary of executive KMP allocated, vested or lapsed equity

Executive	Grant date [1]	Number granted [2]	% vested in FY22	% forfeited in FY22	Vesting date [3] [4]	Fair value per share/right at grant date [5]
Ian Testrow [A]						
2019 MIP (Year 2)	15/11/2018	1,000,000	100%	-	Aug-2021	$3.30
(Year 3)	15/11/2018	1,000,000	-	-	Aug-2022	$3.30
(Year 4)	15/11/2018	1,000,000	-	-	Aug-2023	$3.30
2020 LTI (Year 1)	12/11/2020	157,836	-	-	Aug-2022	$0.94
2020 LTI (Year 2)	18/11/2021	176,404	-	-	Aug-2022	$1.07
2021 LTI (Year 1)	18/11/2021	377,020	-	-	Aug-2023	$1.06
Thao Pham						
2019 MIP	26/07/2018	553,557	-	-	30/06/2023	$3.60
2020 LTI (Year 1)	14/11/2019	29,918 [B]	-	15%	Aug-2022	$1.91
(Year 2)	14/11/2019	29,917 [B]	-	5%	Aug-2022	$1.91
(Year 3)	14/11/2019	29,917 [B]	-	45%	Aug-2022	$1.91
2021 LTI (Year 1)	26/07/2021	63,941 [B]	-	5%	Aug-2023	$0.93
(Year 2)	26/07/2021	63,940 [B]	-	45%	Aug-2023	$0.93
(Year 3)	26/07/2021	63,940 [B]	-	-	Aug-2023	$0.93
2022 LTI (Year 1)	12/08/2021	100,000 [B]	-	45%	Aug-2024	$1.04
(Year 2)	12/08/2021	100,000 [B]	-	-	Aug-2024	$1.01
(Year 3)	12/08/2021	100,000 [B]	-	-	Aug-2024	$0.99
Neil Siford [C]						
2020 LTI (Year 1)	18/03/2020	7,458 [B]	85%	15%	Aug-2022	$0.82
(Year 2)	18/03/2020	7,458 [B]	95%	5%	Aug-2022	$0.82
(Year 3)	18/03/2020	7,458 [B]	-	100%	Aug-2022	$0.82
2021 LTI (Year 1)	26/07/2021	55,556 [B]	95%	5%	Aug-2023	$0.93
(Year 2)	26/07/2021	55,556 [B]	-	100%	Aug-2023	$0.93
(Year 3)	26/07/2021	55,555 [B]	-	100%	Aug-2023	$0.93

[A] Mr Ian Testrow's grant of awards under the: (i) FY19 MIP were approved by shareholders on 15 November 2018; (ii) FY20 LTI (Year 1) was approved by shareholders on 12 November 2020; (iii) FY20 LTI (Year 2) and FY21 LTI (Year 1) was approved by shareholders on 18 November 2021 and (iv) Mr Testrow may, subject to shareholder approval, also be granted up to 396,863 Rights in respect of Year 3 of the FY21 LTI and up to 353,607 Rights in respect of each of Year 2 and Year 3 of the FY22 LTI.
[B] This figure represents maximum entitlement under the FY20, FY21 and FY22 LTI plans 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. Refer to table 17 for more information regarding Rights held by the KMPs.
[C] Mr Siford ceased in his role on 29 September 2021 and, in accordance with their terms, some rights vested and others were forfeited.
[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, FY21 and FY22 incentive plans, differs from the date Rights may be issued over the course of the life of the plan.
[2] All figures are post-consolidation (where applicable).

[3] 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 3.2, 'What happens if an executive leaves?' in respect of the FY22 LTI plan). A participant has a period of time in which to exercise any vested rights into shares. 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 FY22 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.
[4] Where exact vesting dates are not noted, the vesting date will follow release of the Company's full year results.
[5] The fair value of awards granted was determined using the 30-day volume weighted average price on the grant date (under the MIP in FY19 (figure shown post-consolidation)), the 30-day volume weighted average price on 31 July 2019 (for the FY20 LTI), the 20-day volume-weighted average price following release of the Company's FY20 full year results (for the FY21 LTI). The fair value of awards granted under the FY22 LTI were determined using the black scholes valuation method. 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 14) is the portion of the fair value of the securities recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the relevant period. 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 17: KMP Rights

Details of Rights held by KMP, including their personally related entities, for FY22 are as follows:

KMP	Rights [1]	Holding at 1 July 2021	Rights issued in FY22 [2]	Rights vested in FY22	Holding at 30 June 2022	Potential future Rights [3]
Executive Director						
Ian Testrow	Rights / performance shares	3,000,000	-	1,000,000	2,000,000	-
	Rights / performance rights	157,836	553,424	-	711,260	1,104,077
Other executives						
Thao Pham	Rights / performance rights	578,988	89,166	-	668,154	263,940
Neil Siford [4]	Rights / performance rights	6,340	59,864	66,204	-	-

[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 FY22 under the FY20 and FY21 incentive plans.
[3] Maximum remaining possible entitlement to Rights under the FY21 and FY22 LTI plans across the three-year performance period.
[4] Mr Siford ceased his role on 29 September 2021.

Table 18: KMP Shareholding

Details of Shares held by KMP, including their personally related entities, for FY22 are as follows:

	Holding at 1 July 2021	Shares received as a result of rights vesting in FY22	Shares otherwise issued in FY22	Net changes other	Holding at 30 June 2022
Non-executive directors					
Peter Richards	11,044	-	-	-	11,044
Peter Frank	-	-	-	-	-
Peter Kane	10,288	-	-	-	10,288
Keith Skinner	22,300	-	-	-	22,300
Executives					
Ian Testrow [A]	11,722,107	1,000,000	-	(577,238)	12,144,869
Thao Pham	2,569,851	-	-	-	2,569,851

[A] As announced to the market on 20 August 2021, Mr Testrow disposed of 577,238 shares in the Company in order to fund tax liabilities resulting from the vesting of shares under the Company's long term incentive plans.

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, 16th day of August 2022

Deloitte Touche Tohmatsu
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The Board of Directors
Emeco Holdings Limited
Level 3, 133 Hasler Road
Osborne Park WA 6017

16 August 2022

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 2022, 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

David Newman
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2022

	Note	2022 $'000	2021 $'000
Continuing operations			
Revenue	7	754,368	620,528
Other income	8	680	1,084
Repairs and maintenance		(123,508)	(108,146)
Employee expenses	9	(142,405)	(98,424)
External mining and maintenance services		(175,527)	(120,622)
Cartage and fuel		(17,414)	(15,723)
Depreciation and amortisation expense	9	(129,441)	(118,576)
Impairment of tangible assets	9	(1,125)	(1,146)
Other expense	9	(50,488)	(51,772)
Finance income	9	164	362
Finance costs	9	(24,185)	(88,275)
Net foreign exchange (loss)/gain	9	(436)	10,302
Profit before tax expense		90,683	29,592
Tax expense	11	(25,730)	(8,897)
Profit from continuing operations		64,953	20,695
Other comprehensive (loss)/income			
Items that are or may be reclassified to profit and loss:			
Foreign currency translation differences (net of tax)		(446)	21,267
Changes in fair value of cash flow hedges (net of tax)		-	(19,624)
Total other comprehensive (loss)/income for the year		(446)	1,643
Total comprehensive income for the year		64,507	22,338

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 45 to 109.

Emeco Holdings Limited and its Controlled Entities

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

For the year ended 30 June 2022

	2022 $'000	2021 $'000
Profit attributable to:		
Owners of the Company	64,953	20,695
Profit for the year	64,953	20,695
Total comprehensive profit attributable to:		
Owners of the Company	64,507	22,338
Total comprehensive profit for the year	64,507	22,338

	Note	2022 Cents	2021 cents
Earnings per share:			
Basic earnings per share	37	12.13	4.02
Diluted earnings per share	37	11.94	3.96

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 45 to 109.

Emeco Holdings Limited and its Controlled Entities

Consolidated Statement of Financial Position

as at 30 June 2022

	Note	2022 $'000	2021 $'000
Current assets			
Cash and cash equivalents	18	60,158	74,725
Trade and other receivables	19	146,848	124,695
Inventories and work in progress	21	25,311	19,202
Other current assets	17	19,043	7,227
Assets held for sale	15	4,094	2,794
Total current assets		255,454	228,643
Non-current assets			
Intangible assets	22	10,971	10,329
Property, plant and equipment	23	718,094	669,233
Right of use asset	24	40,894	32,850
Deferred tax assets	13	-	24,489
Total non-current assets		769,959	736,901
Total assets		1,025,413	965,544
Current liabilities			
Trade and other payables	25	139,778	110,012
Derivative financial instruments	20	-	12,389
Interest bearing liabilities	26	14,969	13,399
Provisions	28	14,546	11,872
Total current liabilities		169,293	147,672
Non-current liabilities			
Interest bearing liabilities	26	286,095	285,811
Provisions	28	682	655
Deferred tax liabilities	13	2,122	-
Total non-current liabilities		288,899	286,466
Total liabilities		458,192	434,138
Net assets		567,221	531,406
Equity			
Share capital	14	1,155,856	1,171,457
Reserves		7,585	7,632
Retained losses		(596,220)	(647,683)
Total equity attributable to equity holders of the Company		567,221	531,406

The consolidated statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 45 to 109.

Emeco Holdings Limited and its Controlled Entities

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

	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 2020	1,024,442	27,387	(1,233)	14,615	(39,589)	(668,378)	357,244
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	20,695	20,695
Other comprehensive income							
Foreign currency translation differences	-	-	20,857	410	-	-	21,267
Change in fair value of cash flow hedge / recycling of hedge reserve on cessation of hedge accounting, net of tax	-	-	(19,624)	-	-	-	(19,624)
Total comprehensive income for the period	-	-	1,233	410	-	20,695	22,338
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Shares issued during the period, net of issue costs	147,015	-	-	-	-	-	147,015
Shares vested during the period	-	(2,495)	-	-	2,495	-	-
Shares purchased by the trust	-	-	-	-	(1,200)	-	(1,200)
Share-based payment transactions	-	6,009	-	-	-	-	6,009
Total contributions by and distributions to owners	147,015	3,514	-	-	1,295	-	151,824
Balance at 30 June 2021	1,171,457	30,901	-	15,025	(38,294)	(647,683)	531,406

	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 2021	1,171,457	30,901	-	15,025	(38,294)	(647,688)	531,406
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	64,953	64,593
Other comprehensive income							
Foreign currency translation differences	-	-	-	(446)	-	-	(446)
Total comprehensive income/(loss) for the period	-	-	-	(446)	-	64,953	64,507
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
On market share buy back	(15,601)	-	-	-	-	-	(15,601)
Dividends paid	-	-	-	-	-	(13,485)	(13,485)
Shares vested during the period	-	(4,425)	-	-	4,425	-	-
Shares purchased by the trust	-	-	-	-	(1,600)	-	(1,600)
Share-based payment transactions	-	1,999	-	-	-	-	1,999
Total contributions by and distributions to owners	(15,601)	(2,426)	-	-	2,825	(13,485)	(28,687)
Balance at 30 June 2022	1,155,856	28,475	-	14,579	(35,469)	(596,220)	567,221

The consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 45 to 109.

Emeco Holdings Limited and its Controlled Entities

Consolidated Statement of Cash Flows

For the year ended 30 June 2022

	Note	2022 $'000	2021 $'000
Cash flows from operating activities			
Cash receipts from customers		732,378	613,109
Cash paid to suppliers and employees		(491,934)	(368,964)
Cash generated from operations		240,444	244,145
Finance income received		164	362
Finance costs paid		(19,460)	(38,890)
Net cash generated by operating activities	32	221,148	205,616
Cash flows from investing activities			
Proceeds on disposal of non-current assets		2,791	4,268
Payment for property, plant and equipment		(170,417)	(153,554)
Payment for intangible assets		-	(600)
Proceeds on sale of investments		-	328
Payment for acquired entities		(2,248)	-
Net cash used in investing activities		(169,874)	(149,558)
Cash flows from financing activities			
Net proceeds from issue of shares		-	146,100
Dividends paid to company's shareholders		(13,485)	-
Payments for shares bought back		(15,601)	-
Proceeds from borrowings		280,000	2,465
Purchase of own shares		(1,600)	(1,200)
Repayment of borrowings		(276,828)	(291,883)
Premium paid on US notes repurchased		(11,191)	(9,013)
Payment for debt financing costs		(5,566)	(5,793)
Payments for hedge derivatives closed		(5,314)	(3,200)
Repayment of lease liabilities		(16,102)	(16,948)
Net cash used in financing activities		(65,687)	(179,472)
Net decrease in cash and cash equivalents		(14,413)	(123,414)
Cash and cash equivalents at beginning of the period		74,725	198,169
Effects of exchange rate fluctuations on cash held		(154)	(31)
Cash and cash equivalents at the end of the financial period		60,158	74,724

The consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 45 to 109.

1 Reporting entity

Emeco Holdings Limited (the '**Company**') is domiciled in Australia. The address of the Company's registered office is Level 3, 133 Hasler Road, Osborne Park WA 6017. The consolidated financial statements of the Company as at and for the year ended 30 June 2022 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 2021.

The consolidated financial statements were authorised for issue by the board of directors on 16 August 2022.

(b) Comparative financial information

The presentation of certain items in the consolidated statement of profit or loss and other comprehensive income has been amended during the period to simplify the presentation and aide understanding. Where applicable, comparative amounts have been reclassified to ensure comparability. On the face of the consolidated statement of profit or loss and other comprehensive income, the Group has reclassified certain "external mining and maintenance services" costs previously classified as "repairs and maintenance", to more accurately reflect the nature of expenses incurred. There was no impact on total expenses as a result of this reclassification.

(c) 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 are measured at fair value.

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

2 Basis of preparation (continued)

(d) 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. Certain columns and rows may not add due to the use of rounded numbers.

(e) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis and for FY22 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:

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.

Annual impairment testing was conducted at 30 June 2022, with no impairment identified. An impairment assessment was performed for the Group's key cash generating units (**CGUs**), being Rental, Workshops and Pit N Portal. The Group has prepared value-in-use models for the purpose of impairment testing as at 30 June 2022, 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 and key assumptions 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 2022. 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.

2 Basis of preparation (continued)

(e) Use of estimates and judgements (continued)

Impairment of assets (continued)
In performing its detailed impairment assessment, 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;
- the likelihood of any continued disruption to the operations of the Group's customers, as a result of labour shortages, covid absence; and
- the impact of decarbonisation and ESG related impacts on operations.

The post-tax discount rate used in the calculations is 8.7% (2021: 7.2%). 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. The five year cash flow estimates used in assessments for all CGU's were based on Board approved budgets for the year ending 30 June 2023. A compound annual growth rate (CAGR) of 2.8% was used over the remaining four years of the forecast. The terminal value growth rate represents the long term forecast consumer price index (CPI) of 2.0% (2021: 2.0%) for all CGUs. The recoverable amounts of all of the Group's CGUs continued to exceed their carrying amounts at 30 June 2022, with no reasonably possible changes to key assumptions giving rise to an impairment.

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 15.

(f) 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 2021, except for the adoption of new standards effective as of 1 July 2021. 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.

(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.

3 Significant accounting policies (continued)

(c) AASB 16 Leases (continued)

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.

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.

3 Significant accounting policies (continued)

(c) AASB 16 Leases (continued)

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.

(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.

(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.

3 Significant accounting policies (continued)

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

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.

(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.

3 Significant accounting policies (continued)

(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.

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.

3 Significant accounting policies (continued)

(e) Property, plant and equipment (continued)
(iii) Depreciation (continued)

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

(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.

3 Significant accounting policies (continued)

(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.

(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 Rental, 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.

3 Significant accounting policies (continued)

(i) Impairment (continued)

(i) Non-derivative financial assets (continued)

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.

Bad debt policy

An allowance for 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.

3 Significant accounting policies (continued)

(i) Non-derivative financial assets (continued)

(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.

(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.

3 Significant accounting policies (continued)

(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.

(v) Share based payment transactions

Under the Emeco long term incentive plans (**LTI**) and the legacy 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 LTI plans, 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 the share price at grant date. The grant date in respect of the LTI Plans, 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 LTI plans are 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 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.

3 Significant accounting policies (continued)

(k) Employee benefits (continued)

(v) Share based payment transactions (continued)

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 may vest on an accelerated basis. Rights granted under the MIP 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.

(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.

3 Significant accounting policies (continued)

(n) Revenue (continued)

(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 recognised over time on the basis of the work completed and billed to the customer as the customer receives the benefit. Customer contracts are generally based on schedule of rates or a cost plus basis.

Certain contracts with customers include a variable element which is subject to the group meeting either certain cost targets or material movement KPIs. Variable consideration is recognised when it is highly probable that a significant reversal of revenue will not occur in a subsequent period.

(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.

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 is 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.

3 Significant accounting policies (continued)

(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.

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.

3 Significant accounting policies (continued)

(q) Income tax (continued)

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.

(iv) Tax consolidation

Amounts payable or receivable under the tax-funding arrangement between the company and the entities in the tax consolidated group are determined using a 'separate taxpayer within group' approach to determine the tax contribution amounts payable or receivable by each member of the tax-consolidated group. This approach results in the tax effect of transactions being recognised in the legal entity where that transaction occurred and does not tax effect transactions that have no tax consequences to the group. The same basis is used for tax allocation within the tax-consolidated group.

(r) 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.

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 2020-8 Amendments to Australian Accounting Standards – Interest rate benchmark reform – Phase 2

This amendment enables the Group to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as 'risk free rates' or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements. The amendments are relevant for the following types of hedging relationships:

- Fair value hedges where LIBOR-linked derivatives are designated as a fair value hedge of fixed rate debt in respect of the GBP LIBOR risk component.
- Cash flow hedges where IBOR-linked derivatives are designated as a cash flow hedge of IBOR-linked bank borrowings.
- Bills or exchange and lease liabilities which reference LIBORs and are subject to the interest rate benchmark reform.

None of the new accounting standards and interpretations above had an impact on the comprehensive income for the Group or the Statement of Financial Position.

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) 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.

(d) Share based payment transactions
The fair value of the Rights awarded under the LTI plan and MIP 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.

(e) 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.

(f) 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.

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 20)	Cash and bank balances (note 20) [(a)] Trade and other receivables (note 19) [(a)] Interest bearing liabilities (note 26) Trade and other payables (note 25) [(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.

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	
	Note	2022 $'000	2021 $'000
Trade receivables	19	110,055	96,454
Other receivables (including VAT/GST)	19	36,983	28,446
Cash and cash equivalents	18	60,158	74,725
		207,196	199,625

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 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 (2021: $750,000,000). The Group held insurance for the entire financial year ended 30 June 2022.

6 Financial instruments (continued)

Credit risk (continued)

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

	Consolidated		Consolidated	
	Gross 2022 $'000	Impairment 2022 $'000	Gross 2021 $'000	Impairment 2021 $'000
Not past due	89,160	-	89,446	-
Past due 0-30 days	17,235	-	5,234	-
Past due 31-60 days	3,412	-	1,722	(153)
Past due 61 days	248	(189)	52	(52)
	110,055	(189)	96,454	(205)

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	
	2022 $'000	2021 $'000
Blue chip (including subsidiaries)	34,513	33,064
Insured	36,781	37,812
Underinsured	6,966	3,569
Uninsured	31,795	22,009
	110,055	96,454

The Group considers blue chip and insured customers as 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.

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 rental customer 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 has calculated an expected credit loss of $189,000 based on historical loss trends and economic factors (2021: $205,000). No specific customers have been identified as doubtful, and provided for by the Group (2021: $Nil).

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

	Consolidated	
	Impairment 2022 $'000	**Impairment 2021 $'000**
Opening loss allowance as at 1 July	205	536
Net remeasurement of loss allowance	(16)	(331)
Write-offs	-	-
Loss allowance as at 30 June	189	205

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. An allowance 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 $60,158,000 at 30 June 2022 (2021: $74,725,000), 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 2022 the Group held $Nil of bank guarantees (2021: $Nil) and $Nil of prepayments (2021: $Nil).

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 31. At 30 June 2022, $3,121,000 guarantees were outstanding (2021: $1,646,000).

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.

Notes
The Group has issued secured fixed interest notes to the value of A$250,000.000 which mature on 1 July 2026. The nominal fixed interest rate is 6.25%. Refer to note 26 for further details.

Revolving Credit Facility
The Group has a Revolving Credit Facility (**RCF**) facility of $100,000,000, which matures in September 2023, which has two sub facilities consisting of a Loan Note Agreement Facility (**LNA**) of A$96,800,000 (30 June 2021: $97,000,000) and a Bank Guarantee Facility of A$3,200,000 (30 June 2021: $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 2.0x and a fixed charge coverage ratio greater than 1.5x. At 30 June 2022, the Group had drawn $Nil of the LNA and had utilised A$3,121,000 of the bank guarantee facility.

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

The Group has lease facilities totalling A$54,648,000 (2021: A$48,300,000) which have various maturities up to June 2033.

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 2022	Carrying amount $'000	Contract-ual cash flows $'000	6 mths or less $'000	6-12 mths $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Non-derivative financial liabilities							
Secured notes issue	250,000	320,314	7,813	7,813	15,625	289,063	-
Lease liabilities	54,648	60,413	8,157	7,316	18,041	18,632	8,268
Trade and other payables	125,607	125,607	125,607	-	-	-	-
	430,255	506,334	141,577	15,129	33,666	307,695	8,268

Consolidated 30 June 2021	Carrying amount $'000	Contract-ual cash flows $'000	6 mths or less $'000	6-12 mths $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Non-derivative financial liabilities							
Secured notes issue	250,508	330,202	11,416	11,416	22,832	284,539	-
Lease liabilities	48,300	53,709	7,498	7,463	12,263	21,964	4,521
Trade and other payables	105,990	105,990	105,990	-	-	-	-
	404,798	489,901	124,904	18,879	35,095	306,503	4,521
Derivative financial asset/(liability)							
Net cross currency interest rate swaps used for hedging liability	12,389	12,389	12,389	-	-	-	-
	12,389	12,389	12,389	-	-	-	-

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.

6 Financial instruments (continued)

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

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

Currency risk
The functional currency of the Group is the Australian dollar (AUD).

Following the settlement of the USD notes and replacement with AUD notes, the Group is no longer exposed to any material currency risk. Refer to note 26 for further details of this transaction.

The Group is holding no cash flow hedges. The derivatives were closed out on repayment of the hedged liability (the US Notes). Hedge accounting has been discontinued as at 30 June 2021. Refer to note 26 for further details.

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

	USD 2022 $'000	USD 2021 $'000
Cash	6	11
Secured notes issued	-	(180,007)
Gross balance sheet exposure	6	(179,996)
Cross currency interest rate swap to hedge the secured notes issued	-	180,007
	-	180,007
Net exposure	6	11

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2022	2021	2022	2021
US Dollars	0.7258	0.7468	0.6889	0.7518

6 Financial instruments (continued)

Market risk (continued)

Sensitivity analysis

A weakening of the Australian dollar, as indicated below, against the US dollar, would not materially affect the measurement of financial instruments denominated in US dollars. Emeco no longer has material exposure to the US dollar following the settlement of the USD notes as at year ended 30 June 2021.

	Consolidated			
	Strengthening		Weakening	
	Equity $'000	Profit or loss $'000	Equity $'000	Profit or loss $'000
30 June 2022				
USD (10 percent movement)	-	(1)	-	1
30 June 2021				
USD (10 percent movement)	(3,642)	(1)	4,451	2

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	2022 $'000	2021 $'000
Variable rate instruments:			
Cash at bank	18	60,158	74,725
		60,158	74,725
Fixed rate instruments:			
Effective interest rate swaps to hedge interest rate risk	20	-	(12,389)
Interest bearing liabilities (USD notes)	26	-	(250,508)
Interest bearing liabilities (AUD notes)	26	(250,000)	-
Interest bearing finance leases	26	(54,648)	(48,300)
		(304,648)	(311,197)

Cash flow hedges

At 30 June 2022, the Group had no cross currency interest rate swaps (hedging instruments).

Hedge accounting ceased at 30 June 2021 due to repayment of the secured notes and closure of cross-currency interest rate swaps subsequent to 30 June 2021, and all movements in the hedge reserve have been recycled through the Statement of Profit or Loss and Other Comprehensive Income. Refer to note 26 for further information.

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 Statement of Financial Position, are as follows:

		2022		2021	
	Note	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Assets carried at amortised cost					
Receivables	19	146,849	146,849	124,695	124,695
Cash and cash equivalents	18	60,158	60,158	74,725	74,725
		207,007	207,007	199,420	199,420
Liabilities carried at fair value					
Cross currency interest rate swaps	20	-	-	(12,389)	(12,389)
		-	-	(12,389)	(12,389)
Liabilities carried at amortised cost					
Secured notes issue [1]	26	(250,000)	(250,000)	(250,508)	(250,508)
Lease liabilities	26	(54,648)	(60,413)	(48,300)	(53,709)
Loan note agreement	26	158	158	94	94
Trade and other payables	25	(139,778)	(139,778)	(110,012)	(110,012)
		(444,268)	(450,033)	(408,726)	(414,135)

[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.

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 15.0% (2021: 14.1%).

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

	Consolidated	
	2022 $'000	**2021 $'000**
EBIT (continuing and discontinued operations)	115,140	107,203
Average invested capital [1]	773,680	761,707
EBIT return on capital at 30 June	15.0%	14.1%

[1] Average invested capital is average net assets add net debt, less intangibles.

7 Revenue

The Group disaggregates revenue from its contracts with customers through three strategic business units, being rental, workshops and Pit N Portal. This appropriately depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group's fleet is commodity agnostic i.e. the fleet can be used across a range of different commodities without significant modification, and decision making relating to the sale of goods and services is driven by the economic factors affecting each business unit. For further information regarding revenue earned by business unit, refer to note 16.

8 Other income

	Consolidated	
	2022 $'000	**2021 $'000**
Net profit on sale of non current assets [1]	60	318
Sundry income [2]	620	766
	680	1,084

[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 2022 was $2,791,000 (2021: $4,268,000).

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

9 Profit before income tax expense for continuing operations

	Note	Consolidated 2022 $'000	Consolidated 2021 $'000
Profit before income tax expense has been arrived at after charging/(crediting) the following items:			
Impairment of tangible assets:			
- Inventory	21	89	382
- property, plant and equipment		1,036	764
		1,125	1,146
Employee expenses:			
- salaries, wages and superannuation		140,406	92,415
- employee share plan expenses		1,999	6,009
		142,405	98,424
Other expenses:			
- motor vehicles		2,928	2,850
- safety, staff training and amenities		5,756	3,946
- travel and subsistence expense		8,356	4,336
- workshop consumables, tooling and labour		3,942	8,636
- doubtful debts/(reversal)		(2)	(170)
- insurance		5,146	3,492
- property and office expenses		9,068	7,129
- telecommunications and IT		3,448	3,302
- restructuring and redundancies		781	-
- corporate, accounting and legal		3,976	3,464
- COVID-19 expenses		1,686	-
- corporate development expenses		-	2,013
- impairment of investments		-	10
- net loss on AASB 16 lease modification		-	2,737
- hired in equipment and services		1,293	5,708
- other expenses		4,110	4,319
		50,488	51,772
Depreciation of:			
- buildings		66	169
- plant and equipment – owned		111,314	103,128
- plant and equipment – leased		2,078	2,510
- office equipment		553	288
- motor vehicles		1,446	949
- leasehold improvements		140	200
- sundry plant		1,304	963
	23	116,901	108,207
Depreciation of right of use asset	24	10,969	9,230
Total depreciation		127,870	117,437
Amortisation of intangible assets:			
- contract intangible		661	246
- software		910	892
	22	1,571	1,138
Total depreciation and amortisation		129,441	118,576

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

	Consolidated	
	2022 $'000	**2021 $'000**
Finance costs:		
- interest expense	21,600	33,768
- write-off previous facility costs[1]	-	5,633
- amortisation of debt establishment costs using effective interest rate	1,113	3,621
- premium paid on buy back of issue debit[1]	-	20,374
- hedge loss[1]	-	20,339
- net loss on modification of US Notes' contractual terms under AASB 9	-	3,348
- other facility costs	1,472	1,192
Net finance costs	24,185	88,275
Finance income:		
- interest income	(164)	(362)
Net finance income	(164)	(362)
Foreign exchange (gain)/loss:		
Net realised foreign exchange (gain)/loss	192	(4,018)
Net unrealised foreign exchange (gain)/loss	244	(6,284)
Net foreign exchange (gain)/loss	436	(10,302)

[1] Refer to note 26 for further details on the long-term debt refinancing transactions associated with these finance costs.

10 Auditor's remuneration

	Consolidated	
	2022	**2021**
	$	**$**
Audit services		
Auditors of the Company		
Deloitte Touche Tohmatsu Australia:		
- audit and review of financial reports	517,292	698,112
Overseas Deloitte Firms:		
- other assurance services	16,029	36,086
	533,321	734,198
Other assurance and agreed upon procedures		
Auditors of the Company		
Deloitte Touche Tohmatsu Australia:		
- *other assurance services*	51,410	240,013
	51,410	240,013
Other services		
Auditors of the Company		
Deloitte Touche Tohmatsu Australia:		
- taxation services	12,945	45,768
Overseas Deloitte Firms:		
- taxation services	9,610	35,291
	22,555	81,059
	607,286	1,055,270

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

11 Taxes

a. Recognition in the income statement

	Note	Consolidated 2022 $'000	Consolidated 2021 $'000
Deferred tax benefit			
Origination and reversal of temporary differences and tax losses in the current year		25,730	8,897
Tax expense	13	25,730	8,897

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

		Consolidated 2022 $'000	Consolidated 2021 $'000
Share issue costs		-	(915)
Foreign exchange		410	(445)
Cashflow hedges		-	529
	13	410	(831)

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

	Consolidated 2022 $'000	Consolidated 2021 $'000
Prima facie tax expense calculated at 30% on net profit	26,994	8,877
Increase/(decrease) in income tax expense due to:		
Derecognition of foreign tax losses	50	50
Other non-deductible expenses	67	30
Over provided in prior years	(1,381)	(60)
Tax expense	25,730	8,897

12 Current tax assets and liabilities

The current tax asset for the Group of $Nil (2021: $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.

13 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2022	2021	2022	2021	2022	2021
Consolidated	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Property, plant and equipment	-	-	(114,502)	(92,626)	(114,502)	(92,626)
Intangibles	-	-	(471)	(4)	(471)	(4)
Receivables	-	-	(289)	(575)	(289)	(575)
Derivative contracts	-	3,717	-	-	-	3,717
Right of use contracts	13,022	12,807	-	-	13,022	12,807
Other financial assets	-	-	(168)	(116)	(168)	(116)
Inventories	-	-	(1,574)	(230)	(1,574)	(230)
Payables	1,050	1,470	-	-	1,050	1,470
Interest bearing loans and borrowings	-	1,732	-	-	-	1,732
Unearned revenue	-	-	(24)	(25)	(24)	(25)
Business costs	847	1,534	-	-	847	1,534
Provisions	4,582	3,646	-	-	4,582	3,646
Borrowing costs	4,739	6	-	-	4,739	6
Employee share costs	-	-	(435)	(1,246)	(435)	(1,246)
Tax losses carried forward	91,101	94,398	-	-	91,101	94,398
Tax assets/(liabilities)	115,341	119,310	(117,463)	(94,822)	(2,122)	24,488
Set off of tax	(117,463)	(94,822)	117,463	94,822	-	-
Net tax (liabilities)/assets	(2,122)	24,488	-	-	(2,122)	24,488

Movement in deferred tax balances

	Consolidated					
	Balance 1 July 21 $'000	**Balances acquired $'000**	**Recognised in profit or loss $'000**	**Recognised directly in equity $'000**	**Recognised in other comprehensive income $'000**	**Balance 30 Jun 22 $'000**
Property, plant and equipment	(92,626)	(6,309)	(15,566)	-	-	(114,501)
Intangibles assets	(4)	(466)	-	-	-	(470)
Receivables	(575)	-	286	-	-	(289)
Derivative - hedge receivable	3,717	(1,004)	(5,449)	-	-	(2,736)
Right of use contracts	12,807	6,309	(6,095)	-	-	13,021
Other financial assets	(116)	-	(52)	-	-	(168)
Inventories	(230)	-	(1,344)	-	-	(1,574)
Payables	1,470	-	(10)	(410)	-	1,050
Interest bearing loans and borrowings	1,732	1,004	-	-	-	2,736
Unearned revenue	(25)	-	-	-	-	(25)
Business costs	1,534	-	(687)	-	-	847
Provisions	3,646	-	936	-	-	4,582
Borrowing costs	6	-	4,733	-	-	4,739
Employee share costs	(1,245)	-	811	-	-	(435)
Tax losses carried forward	94,398	-	(3,297)	-	-	91,101
	24,488	(466)	(25,734)	(410)	-	(2,122)

13 Deferred tax assets and liabilities (continued)

Movement in deferred tax balances

	Consolidated				
	Balance 1 July 20 $'000	Recognised in profit or loss $'000	Recognised directly in equity $'000	Recognised in other comprehensive income $'000	Balance 30 Jun 21 $'000
Property, plant and equipment	(62,567)	(30,059)	-	-	(92,626)
Intangibles assets	(4)	-	-	-	(4)
Receivables	(491)	(84)	-	-	(575)
Derivative - hedge receivable	(8,410)	12,656	(529)	-	3,717
Right of use contracts	33	12,774	-	-	12,807
Other financial assets	(31)	(85)	-	-	(116)
Inventories	(105)	(125)	-	-	(230)
Payables	1,257	(232)	445	-	1,470
Interest bearing loans and borrowings	14,387	(12,655)	-	-	1,732
Unearned revenue	(25)	-	-	-	(25)
Business costs	1,176	(557)	915	-	1,534
Provisions	3,354	292	-	-	3,646
Borrowing costs	31	(25)	-	-	6
Employee share costs	(2,688)	1,443	-	-	(1,245)
Tax losses carried forward	86,638	7,760	-	-	94,398
	32,555	(8,897)	831	-	24,488

Unrecognised deferred tax assets

	Consolidated	
	2022 $'000	2021 $'000
The following deferred tax assets have not been brought to account as assets:		
Tax losses	82,390	82,340

Unutilised tax losses are in Chile, Indonesia, the United Kingdom, United States and Europe and are not expected to be utilised by the Group.

14 Capital and reserves

	Consolidated	
	2022 $'000	**2021 $'000**
Share capital		
526,666,035 (2021: 544,055,134) ordinary shares, fully paid	1,231,743	1,247,344
Acquisition reserve	(75,887)	(75,887)
	1,155,856	1,171,457

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 2021	544,055,134		1,247,344
On market share buy back [1]	17 September 2021	(3,386,232)	1.12	(3,798)
On market share buy back [1]	14 March 2022	(4,722,867)	0.88	(4,178)
On market share buy back [1]	3 June 2022	(8,826,700)	0.82	(7,276)
On market share buy back [1]	20 June 2022	(453,300)	0.77	(349)
Balance	**30 June 2022**	**526,666,035**		**1,231,743**
Less: treasury shares		4,561,797		
Issued capital		**522,104,238**		

[1] During the period, Emeco announced a capital management package which included an on-market share buy back. During the year ended 30 June 2022, 17,389,099 shares were purchased at an average share price of $0.90 totaling $15,601,000. No share buy backs were undertaken in the year ended 30 June 2021.

14 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 2022 the Company held 4,561,797 treasury shares (2021: 4,232,129), 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)]

On 15 February 2022, a fully franked interim dividend of 1.25 cents per share totalling $6,758,000 was declared and paid on 6 April 2022. For the six months ended 30 June 2021, the board resolved to pay a final dividend of 1.25 cents per share totalling $6,801,000, which was fully franked and paid on 30 September 2021.

On 16 August 2022, the board resolved to pay a final dividend for the year ended 30 June 2022 of 1.25 cents per share and a total cash payment of $6,583,000. The dividend will be fully franked and will be paid on 30 September 2022.

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

14 Capital and reserves (continued)

Franking account

	The Company	
	2022 $'000	**2021 $'000**
Dividend franking account		
30% franking credits available to shareholders of Emeco Holdings Limited for subsequent financial years	79,584	85,394

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 $2,821,000 (2021: $2,914,000). In accordance with the tax consolidation legislation, the Company as the head entity in the Australian tax consolidated group has also assumed the benefit of $79,584,000 (2021: $85,394,000) franking credits.

15 Disposal groups and non-current assets held for sale

During the year $5,576,000 (FY21: $5,645,000) of non-current assets were transferred from property, plant and equipment into non-current assets held for sale. Assets previously classified during the period as held for sale were further impaired by $1,036,000 to their fair value less cost to sell based on market prices of similar equipment.

As at 30 June 2022, the non-current assets held for sale comprised assets of $4,094,000 (2021: $2,794,000). 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.

	2022 $'000	**2021 $'000**
Assets classified as held for sale		
Property, plant and equipment – continuing operations	4,094	2,794
Net assets classified as held for sale	4,094	2,794

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.

16 Segment reporting

The Group has three (2021: three) reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different operational strategies for each geographic region. For each of the strategic business units, the managing director and board of directors review internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

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.

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.

16 Segment reporting (continued)

Information about reportable segments

	Continuing			
	Rental $'000	Workshops $'000	Pit n Portal $'000	Total $'000
Period ended 30 June 2022				
Segment revenue	429,099	173,654	248,656	851,409
Intersegment revenue	(13,978)	(83,063)	-	(97,041)
Revenue from external customers	**415,121**	**90,591**	**248,656**	**754,368**
Other income	590	28	62	680
Segment earnings before interest, tax, depn & amortisation	**240,236**	**9,041**	**32,700**	**281,977**
Impairment of tangible assets	(1,125)	-	-	(1,125)
Depreciation and amortisation	(108,063)	(3,468)	(15,701)	(127,232)
Segment result (EBIT)	**131,048**	**5,573**	**16,999**	**153,620**
Corporate overheads				(38,400)
EBIT				**115,140**
Finance income/(expense) (net)				(24,021)
Foreign exchange movements				(436)
Net profit before tax				**90,683**
Tax expense				(25,730)
Net profit after tax				**64,953**
Total assets for reportable segments	**734,074**	**39,729**	**196,371**	**970,174**
Unallocated assets				55,239
Total Group assets				**1,025,413**
Net capital expenditure	**139,255**	**1,649**	**26,723**	**167,626**
Total liabilities for reportable segments	**79,354**	**38,496**	**52,849**	**170,699**
Unallocated liabilities				287,493
Total Group liabilities				**458,192**

	Continuing			
	Rental $'000	Workshops $'000	Pit n Portal $'000	Total $'000
Period ended 30 June 2021				
Segment revenue	402,250	154,344	141,008	697,601
Intersegment revenue	-	(77,073)	-	(77,073)
Revenue from external customers	**402,250**	**77,271**	**141,008**	**620,528**
Other income	766	(9)	312	1,069
Segment earnings before interest, tax, depn & amortisation	**228,544**	**8,079**	**30,250**	**266,872**
Impairment of tangible assets	(1,134)	(12)	-	(1,146)
Depreciation and amortisation	(101,503)	(2,939)	(12,548)	(116,990)
Segment result (EBIT)	**125,907**	**5,128**	**17,702**	**148,736**
Corporate overheads				(41,533)
EBIT				**107,203**
Finance income/(expense) (net)				(87,913)
Foreign exchange movements				10,302
Net profit before tax				**29,592**
Tax expense				(8,897)
Net profit after tax				**20,695**
Total assets for reportable segments	**690,965**	**33,501**	**153,669**	**878,135**
Unallocated assets				87,409
Total Group assets				**965,544**
Net capital expenditure	**113,636**	**2,028**	**33,622**	**149,286**
Total liabilities for reportable segments	**70,062**	**31,096**	**36,536**	**137,694**
Unallocated liabilities				296,444
Total Group liabilities				**434,138**

17 Other current assets

	Consolidated	
	2022 $'000	**2021 $'000**
Prepayments	3,550	4,521
Contract assets	15,493	2,706
	19,043	7,227

18 Cash and cash equivalents

	Consolidated	
	2022 $'000	**2021 $'000**
Cash at bank	60,158	74,725

19 Trade and other receivables

	Consolidated	
	2022 $'000	**2021 $'000**
Current		
Trade receivables	110,055	96,454
Less: Expected credit losses	(189)	(205)
	109,866	96,249
VAT/GST receivable	3,900	4,452
Accrued revenue	25,667	14,334
Other receivables	7,415	9,660
	146,848	124,695

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

20 Derivatives

	Consolidated	
	2022 $'000	**2021 $'000**
Current liabilities		
Cross currency interest rate swaps	-	(12,389)
	-	(12,389)

The cross currency interest rate swaps were classified as current at 30 June 2021 due to the issuance of A$250,000,000 in the Medium Term Notes market (**AUD Notes**) subsequent to 30 June 2021.

21 Inventories

	Consolidated	
	2022 $'000	**2021 $'000**
Work in progress – at cost [1]	9,523	5,215
Consumables, equipment & spare parts – at cost	12,805	10,019
Total at cost	22,328	15,234
Equipment and parts – at NRV	2,983	3,968
Total inventory	25,311	19,202

[1] During the year ended 30 June 2022 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 $89,000 (2021: $382,000).

22 Intangible assets

	Consolidated	
	2022 $'000	**2021 $'000**
Goodwill	8,005	8,005
	8,005	8,005
Contract intangible	3,737	1,715
Less: Accumulated amortisation	(1,710)	(1,048)
	2,027	667
Software – at cost	8,049	7,857
Less: Accumulated amortisation	(7,710)	(6,199)
	939	1,658
Total intangible assets	10,971	10,329

Contract intangible and goodwill

On the acquisition of Pit N Portal on 28 February 2020, a customer intangible was recognised. This represented 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. The customer intangible is being amortised over the determined life of the intangible. The increase in contract intangible from the prior period is due to contract intangibles acquired relating to Borex Pty Ltd.

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.

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	
	2022 $'000	**2021 $'000**
Amortisation expense	1,571	1,138
Total expense for the year for continuing operations	1,571	1,138

23 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 2022	2,727	5,730	1,376,388	23,429	5,260	14,283	14,585	1,442,402
Accumulated depreciation and impairment at 30 June 2022	(1,398)	(4,819)	(688,561)	(8,728)	(3,888)	(6,863)	(10,051)	(724,308)
	1,329	911	687,827	14,701	1,372	7,420	4,534	718,094
At-cost at 30 June 2021	2,191	5,611	1,244,795	21,836	4,448	9,783	11,961	1,300,625
Accumulated depreciation and impairments at 30 June 2021	(1,332)	(4,679)	(600,708)	(6,650)	(3,335)	(5,941)	(8,747)	(631,392)
	859	932	644,088	15,186	1,113	3,841	3,214	669,233

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:	Consolidated 2022 $'000							
	Land & buildings	Leasehold improvements	Plant & equipment	Leased plant & equipment	Office equipment	Motor vehicles	Sundry plant	Total
Carrying amount at the beginning of the year	859	932	644,088	15,186	1,113	3,841	3,214	669,233
Additions	536	119	141,960	1,593	822	5,051	2,624	152,705
Depreciation	(66)	(140)	(111,314)	(2,078)	(553)	(1,446)	(1,304)	(116,901)
Movement from/(to) assets held for sale	-	-	(5,537)	-	(10)	(26)	-	(5,573)
Movement in major equipment components	-	-	2,866	-	-	-	-	2,866
Movement capital WIP	-	-	15,764	-	-	-	-	15,764
Carrying amount at the end of the year	1,329	911	687,827	14,701	1,372	7,420	4,534	718,094

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:	Consolidated 2021 $'000							
	Land & buildings	Leasehold improvements	Plant & equipment	Leased plant & equipment	Office equipment	Motor vehicles	Sundry plant	Total
Carrying amount at the beginning of the year	746	811	604,498	17,428	537	2,160	2,989	629,169
Additions	283	321	153,685	269	864	2,731	1,268	159,420
Depreciation	(169)	(200)	(103,128)	(2,510)	(288)	(949)	(963)	(108,207)
Transfer asset class	-	-	77	-	-	-	(77)	-
Movement from/(to) assets held for sale	-	-	(5,541)	-	-	(101)	(4)	(5,645)
Movement in major equipment components	-	-	(664)	-	-	-	-	(664)
Movement capital WIP	-	-	(4,839)	-	-	-	-	(4,839)
Carrying amount at the end of the year	859	932	644,088	15,186	1,113	3,841	3,214	669,233

23 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 notes issued. Refer note 26 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 2022, a 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, with no impairment being identified. Refer to note 2(e) "Estimates and judgments" for detailed consideration of this matter.

24 Right of use assets

	Consolidated			
	$'000			
As at 30 June 2022	**Buildings**	**Motor vehicle**	**Equipment**	**Total**
Opening balance 1 July 2021	27,280	6,273	13,657	47,210
Additions	9,004	4,393	5,479	18,876
Termination of lease	(194)	(302)	-	(496)
Remeasurements	(51)	-	-	(51)
Total cost	36,039	10,364	19,136	65,539
Accumulated depreciation				
Accumulated depreciation	(14,799)	(3,945)	(5,901)	(24,645)
Total accumulated depreciation	(14,799)	(3,945)	(5,901)	(24,645)
Net carrying amount	21,240	6,419	13,235	40,894

	Consolidated			
	$'000			
As at 30 June 2021	**Buildings**	**Motor vehicle**	**Equipment**	**Total**
Opening balance 1 July 2020	27,855	2,866	20,421	51,142
Additions	-	2,198	11,587	13,785
Termination of lease	(347)	(105)	(17,037)	(17,489)
Remeasurements	(228)	1,314	(1,315)	(228)
Total cost	27,280	6,273	13,657	47,210
Accumulated depreciation				
Accumulated depreciation	(9,971)	(2,071)	(2,318)	(14,360)
Total accumulated depreciation	(9,971)	(2,071)	(2,318)	(14,360)
Net carrying amount	17,309	4,202	11,339	32,850

The Group's right of use assets relate to property, motor vehicles and heavy earth moving equipment. The average lease term is 4.65 years (2021: 4.53 years).

The corresponding lease liability analysis is presented in note 26.

	Consolidated	
	2022 $'000	**2021 $'000**
Amount recognised in profit and loss		
Depreciation expense on right-of-use assets	10,969	9,230
Interest expense in lease liabilities	2,374	2,684
Expense relating to short term leases	2,420	2,725
Expense relating to leases of low value assets	132	156
	15,895	14,795

25 Trade and other payables

	Consolidated	
	2022 $'000	2021 $'000
Current		
Trade payables		
Trade payables	75,357	55,211
Interest accrual	7,471	4,022
Deferred revenue	6,700	-
Other payables and accruals	50,250	50,779
	139,778	110,012

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

The Company has also entered into a deed of cross guarantee with certain subsidiaries as described in note 39. 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 39.

26 Interest bearing liabilities

	Consolidated	
	2022 $'000	2021 $'000
Current		
Amortised cost		
Lease liabilities	14,005	12,902
Other financing	965	497
	14,970	13,399
Non-current		
Amortised cost		
USD notes – secured	-	250,508
AUD notes – secured	250,000	-
Debt raising costs [1]	(4,548)	(94)
Lease liabilities	40,643	35,397
	286,095	285,811

[1] Carried at amortised cost. The increase from prior year is due to debt financing costs of $5,100,000 paid in July 2021 in relation to AUD Notes issued, less amortisation recorded in the Statement of Profit or Loss and Other Comprehensive Income for the period.

26 Interest bearing liabilities (continued)

Revolving Credit Facility
The Group has a Revolving Credit Facility (RCF) of $100,000,000 which matures in September 2023 and has two sub facilities consisting of a Loan Note Agreement Facility (**LNA**) of A$96,800,000 (30 June 2021: $97,000,000) and a Bank Guarantee Facility of A$3,200,000 (30 June 2021: $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 2.0x 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 2022 the LNA was undrawn (30 June 2021: Nil).

Secured notes issue
On 2 July 2021, the Company successfully completed the issuance of A$250,000,000 notes in the A$ MTN market (AUD Notes). The notes have a fixed coupon of 6.25%, payable semi-annually, and have a maturity date of 10 July 2026. The funds received from this debt raising were used to repay the outstanding US$180,007,000 March 2024 notes, call premium and to close out all hedging associated with these notes on 2 July 2021. AUD$269,450,000 was paid to derivative counterparties on 16 July 2021 with the hedge counterparty payment of US$197,750,000 made to noteholders on 2 August 2021 to repurchase and cancel the notes and associated premium and final coupon. The 16 July 2021 payment of AUD$269,450,000 included the principal amount at the hedged rate of $246,828,000, accrued interest of $6,084,000, a premium for early repayment of the Note of $11,223,000 and a mark-to-market payment on hedge close-out of $5,314,000.

The AUD Notes have fewer restrictions on the Group than the 2024 USD notes, however include restrictions on issuing additional debt if leverage (net debt divided by operating EBITDA) is greater than 1.75x and shareholder distributions if leverage is greater than 2.0x. The notes cannot be called before 10 July 2022 and a call premium of 3.125% is payable if redeemed prior to 10 July 2024 and 1.5625% is payable on the notes if the notes are redeemed prior to 10 July 2025. No call premium is payable after this date. There are no restrictions on capital expenditure in the AUD notes. The effective interest rate of these notes is 6.76%, which is inclusive of the capitalised borrowing costs and annual coupon.

Hedge accounting was discontinued at 30 June 2021 due to the repurchase of the US Notes and close out of associated derivatives. Refer to note 20 for further information.

Working capital facilities
The Group has a credit card facility with a limit of A$150,000 (30 June 2021: A$150,000). The facility is secured via a cash cover account.

26 Interest bearing liabilities (continued)

Lease liabilities

At 30 June 2022, the Group held lease facilities totalling A$54,648,000 (2021: A$48,300,000) which have various maturities up to June 2033. 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	
	2022 $'000	**2021 $'000**
Opening balance as at 1 July	48,300	62,560
New leases	21,028	13,785
Interest expense	2,374	2,684
Principal repayments	(17,201)	(17,359)
Remeasurements	147	(803)
Termination of lease	-	(12,567)
Balance at 30 June	54,648	48,300
Current	14,005	12,902
Non-current	40,643	35,398
	54,648	48,300

The Group's lease liabilities are secured by the leased assets of $40,893,000 (2021: $50,278,000). In the event of default, the leased assets revert to the lessor.

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

26 Interest bearing liabilities (continued)

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 2021 $'000	Financing cash flows $'000	Financial expense* $'000	Net debt acquired/(retired) $'000	Realised FX $'000	Hedging transactions $'000	30 June 2022 $'000
USD notes	250,508	(258,019)	-	-	118	7,393	-
AUD notes	-	-	-	250,000	-	-	250,000
Lease liabilities	48,300	(17,201)	2,374	21,175	-	-	54,648
Debt raising costs	(94)	(5,566)	1,112	-	-	-	(4,548)
Other financing	497	(3,436)	45	3,859	-	-	965
	299,211	(284,222)	3,531	275,034	118	7,393	301,065

* inclusive of amortisation expense

	1 July 2020 $'000	Financing cash flows $'000	Financial expense* $'000	Net debt acquired/(retired) $'000	Realised FX $'000	Unrealised FX $'000	30 June 2021 $'000
USD notes	469,373	(194,883)	11,361	-	(4,003)	(31,340)	250,508
Lease liabilities	62,560	(17,359)	2,684	415	-	-	48,300
Loan note agreement	97,000	(97,000)	-	-	-	-	-
Debt raising costs (144A notes)	(8,235)	-	8,235	-	-	-	-
Debt raising costs (loan note agreement)	(682)	-	587	-	-	-	(94)
Other financing	-	(2,003)	35	2,465	-	-	497
	620,016	(311,245)	22,903	2,880	(4,003)	(31,340)	299,211

* inclusive of amortisation expense

27 Financing arrangements

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

	Consolidated $'000		
2022	**Available facility**	**Facility utilised at reporting date**	**Facility not utilised at reporting date**
AUD notes [1]	250,000	250,000	-
Loan note agreement [2]	96,800	-	96,800
Bank guarantee facility [2]	3,200	3,121	79
Lease liabilities	54,648	54,648	-
	404,648	307,769	96,879

	Consolidated $'000		
2021	**Available facility**	**Facility utilised at reporting date**	**Facility not utilised at reporting date**
USD notes	250,508	250,508	-
Loan note agreement	97,000	-	97,000
Bank guarantee facility	3,000	1,646	1,354
Lease liabilities	48,300	48,300	-
	398,808	300,454	98,354

(1) The facility of A$250,000,000 was fully drawn at 30 June 2022. Refer to note 26 for further details.

(2) The Revolving Credit Facility has a limit of $100,000,000. The Revolving Credit Facility consists of the Loan Note Agreement of A$96,800,000 and bank guarantee of $3,200,000. The Loan Note Agreement was undrawn at 30 June 2022. $3,121,000 of bank guarantees were issued at 30 June 2022.

28 Provisions

	Consolidated	
	2022 $'000	**2021 $'000**
Current		
Employee benefits:		
- annual leave	12,900	9,839
- long service leave	1,647	2,033
	14,547	11,872
Non-current		
Employee benefits – long service leave	680	655
	680	655

	Consolidated	
	2022 $'000	**2021 $'000**
Balance at 1 July	12,527	11,210
Arising during the year	15,000	10,158
Utilised	(12,300)	(8,841)
Balance at 30 June	15,227	12,527

Defined contribution superannuation funds
The Group makes contributions to defined contribution superannuation funds. The expense recognised for the year was $18,128,000 (2021: $12,492,000).

29 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/employee entitled	Number of instruments	Vesting conditions	Contractual life of rights/ performance share rights
MIP			
Rights/performance share rights 2019	1,000,000	3 years service	3 years
Rights/performance share rights 2019	249,102	4 years service	4 years
LTIP			
Rights/performance share rights 2020	83,274	2 years service	2 years
Rights/performance share rights 2021	96,866	1 years service	1 years
	1,429,242		

Unvested plans

Grant date/employee entitled	Number of instruments	Vesting conditions	Contractual life of rights/ performance share rights
MIP			
Rights/performance share rights 2019	1,000,000	4 years service	4 years
Rights/performance share rights 2019	1,553,556	5 years service	5 years
LTIP			
Rights/performance share rights 2020	777,917	3 years service	3 years
LTIP			
Rights/performance share rights 2021	2,040,691	3 years service	3 years
LTIP			
Rights/performance share rights 2022	3,232,619	3 years service	3 years
	8,604,783		

29 Share based payments (continued)

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

	Number of rights/ performance share rights 2022	Number of rights/ performance share rights 2021
Outstanding at 1 July	8,623,741	6,378,316
Granted during the period	3,466,013	3,104,813
Exercised during the period	(1,429,242)	(767,358)
Forfeited during the period	(2,055,730)	(92,030)
Outstanding at 30 June	8,604,782	8,623,741

The fair value of Rights granted during the year are measured using the Black Scholes model resulting in a fair value of $0.94 (FY21: $1.02). Please refer to note 3(k)(v)).

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	**2022**	**2021**
Performance shares/rights	1,999,257	6,009,476
Total expense recognised as employee costs [1]	1,999,257	6,009,476

[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.

30 Commitments

(a) Short term and low value leases

	Consolidated	
	2022 $'000	**2021 $'000**
Future non-cancellable short-term and low value leases not provided for in the financial statements and payable:		
Less than one year	3,363	1,720
Between one and five years	198	108
More than five years	-	-
	3,561	1,828

Short-term and low value lease expenditure for FY22 and FY21 is disclosed in Note 26.

(b) Capital commitments

The Group has nil commitments for purchases of fixed assets (2021: $2,000,000).

31 Contingent liabilities

Guarantees
The Group has provided bank guarantees in the amount of $3,121,000 (2021: $1,646,000) in relation to obligations under operating leases and rental premises.

32 Notes to the statement of cash flows

(i) Reconciliation of cash

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

		Consolidated	
	Note	2022 $'000	2021 $'000
Cash and cash equivalents	18	60,158	74,725

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

		Consolidated	
	Note	2022 $'000	2021 $'000
Net profit from continuing operations		64,953	20,695
Add/(less) items classified as investing/financing activities:			
Net profit on sale of non-current assets	8	(60)	(318)
Payment for debt financing costs	8	-	5,793
Premium paid on buy back of issued debt	9	-	9,013
Add/(less) non-cash items:			
Depreciation and amortisation	9	129,441	118,576
Amortisation of borrowing costs using effective interest rate	9	1,113	3,621
Foreign exchange loss/(gain)	9	436	(10,302)
Hedge loss	9	-	20,339
Net loss on AASB 16 lease modification	9	-	2,737
Impairment losses on tangible assets	9	1,125	1,146
Impairment of investments	9	-	10
Provision for doubtful debts reversal	9	(2)	(170)
Equity settled share based payments	9	1,999	6,009
Income tax expense/(benefit)	11	25,730	8,897
Net cash from operating activities before change in assets/(liabilities) adjusted for assets and (liabilities) acquired		224,735	186,045
Change in operating assets and liabilities, net of effects from purchase of controlled entity:			
Increase in trade and other receivables		(33,408)	(10,426)
Increase in inventories		(6,110)	(4,434)
Increase/(decrease) in payables		33,229	33,114
Increase in provisions		2,700	1,316
Net cash from operating activities		221,148	205,616

33 Controlled entities

(a) Particulars in relation to controlled entities

	Country of incorporation	Ownership interest 2022 %	2021 %
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	100
Pit N Portal Equipment Hire Pty Ltd	Australia	100	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

There were no entities acquired in the current or prior year.

34 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	
Peter Kane	

Executive directors	
Ian Testrow	Managing Director & Chief Executive Officer

Other executives	**Position**
Thao Pham	Chief Strategy Officer & Chief Financial Officer (appointed permanent Chief Financial Officer 4 February 2022)
Neil Siford	Chief Financial Officer (resigned 29 September 2021)

34 Key management personnel disclosure (continued)

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

	Consolidated	
in AUD	**2022**	**2021**
Short term employee benefits	2,922,138	3,373,191
Other long term benefits	46,573	39,720
Post-employment benefits	111,040	117,133
Equity compensation benefits	2,448,829	4,298,170
	5,528,581	7,828,214

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 38.

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

Equity Instruments

Rights over equity instruments granted as compensation under 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 (FY21 $Nil).

35 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.

36 Subsequent events

On 16 August 2022, the board resolved to pay a final dividend for the year ended 30 June 2022 of 1.25 cents per share and a total cash payment of $6,583,000. The dividend will be fully franked and will be paid on 30 September 2022.

On 16 August 2022, the Company announced its intention to undertake an on-market share buy back of up to $6,399,000. The Company reserves the right to vary, suspend or terminate the buy back at any time.

Other than the above, there have been no significant events subsequent to the year ended 30 June 2022.

37 Earnings per share

Basic earnings per share
The calculation of basic earnings per share at 30 June 2022 was based on the profit attributable to ordinary shareholders of $64,953,000 (2021: $20,695,000) and a weighted average number of ordinary shares outstanding less any treasury shares for the year ended 30 June 2022 of 535,493,000 (2021: 514,526,000).

Profit attributed to ordinary shareholders

	Consolidated	
	2022 $'000	**2021 $'000**
Profit for the year	64,953	20,695

Weighted average number of ordinary shares (ordinary)

	Consolidated	
	2022 '000	**2021 '000**
Issued ordinary shares at 1 July	539,823	371,353
Effect of shares issued during the period	-	142,298
Effect of vested employee share plans	955	874
Effect of on market share buy back during the period	(5,285)	-
Weighted average number of ordinary shares at 30 June	535,493	514,526

37 Earnings per share (continued)

Weighted average number of ordinary shares

Diluted earnings per share
The calculation of diluted earnings per share at 30 June 2022 was based on the profit attributable to ordinary shareholders of $64,953,000 (2021: $20,695,000) and a weighted average number of ordinary shares outstanding less any treasury shares during the financial year ended 30 June 2022 of 544,098,000 (2021: 523,150,000).

Profit attributed to ordinary shareholders (diluted)

	Consolidated	
	2022 $'000	**2021 $'000**
Profit for the year	64,953	20,695

Weighted average number of ordinary shares (diluted)

	Consolidated	
	2022 '000	**2021 '000**
Issued ordinary shares at 1 July	539,823	371,353
Effect of shares issued during the period	-	142,298
Effect of vested employee share plans	955	874
Effect of unvested employee share plans	8,605	8,624
Effect of on market share buy back during the period	(5,285)	-
Weighted average number of ordinary shares (diluted) at 30 June	544,098	523,149

38 Parent entity disclosure

As at and throughout the financial year ending 30 June 2022 the parent entity (the '**Company**') of the Group was Emeco Holdings Limited.

	Company	
	2022 $'000	**2021 $'000**
Results of the parent entity		
Profit for the period [1]	325	30,133
Other comprehensive income	-	-
Total comprehensive income for the period	325	30,133
Financial position of parent entity at year end		
Current assets	275	73
Non-current assets	413,433	441,997
Total assets	413,708	442,070
Current liabilities	-	-
Non-current liabilities	-	-
Total liabilities	-	-
Total equity of the parent entity comprising of:		
Share capital	1,155,856	1,171,457
Share based payment reserve	28,476	30,901
Profit reserve	16,891	30,376
Reserve of own shares	(35,469)	(38,294)
Retained losses	(752,045)	(752,370)
Total equity	413,708	442,071

[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 39.

39 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

39 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 2022 is set out as follows:

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

	Consolidated	
	2022 $'000	**2021 $'000**
Revenue	754,368	620,528
Cost of sales	(450,498)	(370,575)
Gross profit	303,872	249,953
Operating expense	(188,056)	(142,200)
Other income	620	764
Finance income	164	362
Finance costs	(24,185)	(88,275)
Unrealised FX	(439)	10,301
Impairment of assets	(1,037)	(1,136)
Profit before tax	90,938	29,770
Tax expense	(25,730)	(8,897)
Net profit after tax	65,208	20,872
Other comprehensive (loss)/income	(446)	1,643
Total comprehensive (loss)/income for the period	(446)	1,643
Retained losses at beginning of year	(635,655)	(658,170)
Retained losses at end of year	(570,891)	(635,654)
Attributed to:		
Equity holders of the Company	(570,891)	(635,654)
Profit for the period	65,208	20,872

39 Deed of cross guarantee (continued)

Statement of financial position

	Consolidated	
	2022 $'000	2021 $'000
Current assets		
Cash and cash equivalents	60,158	74,725
Trade and other receivables	146,848	124,695
Prepayments	19,043	7,227
Inventories	25,312	19,202
Assets held for sale	4,094	2,794
Total current assets	255,454	228,643
Non-current assets		
Trade and other receivables	19,506	17,799
Intangible assets	10,971	10,329
Property, plant and equipment	718,094	669,233
Right of use asset	40,894	32,850
Deferred tax assets	-	24,489
Total non-current assets	789,465	754,700
Total assets	1,044,919	983,343
Current liabilities		
Trade and other payables	139,778	110,012
Derivatives	-	12,389
Interest bearing liabilities	14,969	13,399
Provisions	14,546	11,872
Total current liabilities	169,293	147,672
Non-current liabilities		
Interest bearing liabilities	286,095	285,811
Provisions	680	655
Deferred tax liabilities	2,122	-
Total non-current liabilities	288,897	286,466
Total liabilities	458,190	434,138
Net assets	586,729	549,205
Equity		
Issued capital	1,155,856	1,171,457
Share based payment reserve	28,476	30,901
Reserves	(26,713)	(17,500)
Retained losses	(570,891)	(635,654)
Total equity attributable to equity holders of the parent	586,729	549,205

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 40 to 109, and remuneration report in the directors' report, set out on pages 22 to 38 are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the Group's financial position as at 30 June 2022 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 39 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 2022.

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, 16 August 2022

Signed in accordance with a resolution of the directors:

Ian Testrow
Managing Director

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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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 2022, 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 other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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.

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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.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Revenue recognition of Pit N Portal mining services	
For the year ended 30 June 2022 Pit n Portal generated mining services revenue totaling $248.7 million as disclosed in note 16. Mining services revenue is recognised over time on the basis of work completed. Customer contracts are generally schedule of rates or cost plus in nature. Consideration under either contract type is allocated to performance obligations that are completed for customers. Management judgement is required in determination of contractual entitlement and assessment of the probability of customer approval of variations and acceptance of claims.	Our procedures included, but were not limited to: • obtaining an understanding of the contract terms and conditions to evaluate whether these were reflected in Pit N Portals method for recognition of mining services revenue; • evaluating Pit N Portal's revenue recognition policies against accounting standard requirements; • identifying and testing the design and implementation of controls relevant to the recognition of revenue; • substantively testing on a sample basis, progress claims for which revenue has been recognised to address accuracy, occurrence s of revenue; • assessing variations and claims including review of correspondence with customers concerning the merits and status of those variations and claims; • assessing the recoverability of amounts outstanding from customers, both for works completed and payment claim submitted, and for work completed but variation not yet submitted; • for specific contracts, performing a review of forecasts to completion and performance post year end to identify whether any onerous contract provisions should be recognised ; and • assessing contract assets to verify that they are accurate, recoverable, and are consistent with our knowledge of the related projects. We also assessed the appropriateness of the disclosures in note 3 (n)(iv), 7 and 16 to the financial statements.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Recoverability of non-current assets	
As disclosed in notes 22 and 23, the carrying value of goodwill as at 30 June 2022 is $8.0 million (June 2021: $8.0 million), and the carrying value of property, plant and equipment is $718.1 million (June 2021: $669.2 million). Management undertakes impairment testing to assess the recoverability of non-current assets including, goodwill, intangible assets and property, plant & equipment annually, or whenever a trigger is identified. We focused on the impairment assessment completed by management given that the market capitalisation of the Group fell below the net assets during the year, resulting in an indicator of impairment. The assessment of the recoverable value requires judgement in respect of assumptions and estimates in preparing a value in use model ('VIU'). Significant judgements include but are not limited to: • fleet operating utilisation; • operating and capital cost assumptions; • terminal growth rate; and • discount rate.	In conjunction with our corporate finance specialists, our procedures included, but were not limited to: • performing an impairment risk assessment using internal and external information; • assessing managements historical budgeting accuracy for each individual cash generating unit (CGU); • assessing budgets and forecasts for reasonableness compared to historical actual performance; • assessing the reasonableness of management's assumptions with respect to the impact of environmental, social and governance (ESG) risk on Emeco's operations, including the ability to utilise fleet across different commodities, and also considering the average remaining life of the fleet to identify whether there is any material risk that fleet may be stranded; • assessing to the extent necessary the mathematical accuracy of managements value-in-use models; • assessing the risk of impairment by performing independent breakeven analysis on managements value-in-use models for a range of changes in the key assumptions based on parameters determined in conjunction with our corporate finance specialists; and • assessing whether a reasonably possible change in key assumptions would result in an impairment. We also assessed the appropriateness of the disclosures in note 3 (n)(iv), 7 and 16 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, 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.
- 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's audit. We remain solely responsible for our audit opinion.

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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, actions taken to eliminate threats or safeguards applied.

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

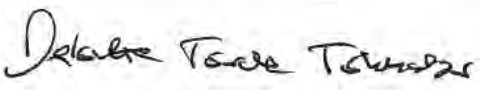
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 22 to 38 of the Directors' Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Emeco Holdings Limited, for the year ended 30 June 2022, 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

David Newman
Partner
Chartered Accountants
Perth, 16 August 2022

Shareholder Information

Financial calendar

The annual general meeting of Emeco Holdings Limited will be held on Thursday, 17 November 2022.

Event	Date*
Annual general meeting	17 November 2022
Half year	31 December 2022
Half year profit announcement	February 2023
Year end	30 June 2023

*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 27 July 2022, 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 Credit Strategies Master Fund Ltd BDCM Opportunity Fund IV LP BDCM Opportunity Fund III LP BDCM Strategic Capital Fund I, L.P.	182,360,220	34.58
Paradice Investment Management Pty Ltd	52,602,397	9.669

Distribution of ordinary shareholders

As at 27 July 2022, there were 6,687 holders of the Company's ordinary shares. The distribution as at 27 July 2022 was as follows:

Range	Investors	Securities	% Ordinary shares
100,001 and Over	172	479,303,343	91.01
10,001 to 100,000	1,162	35,745,387	6.79
5,001 to 10,000	699	5,430,969	1.03
1,001 to 5,000	1,914	5,092,548	0.97
1 to 1,000	2,740	1,093,788	0.21
Total	**6,687**	**526,666,035**	**100**

There were 2,156 security investors holding less than a marketable parcel of 715 securities ($0.70 on 27 July 2022).

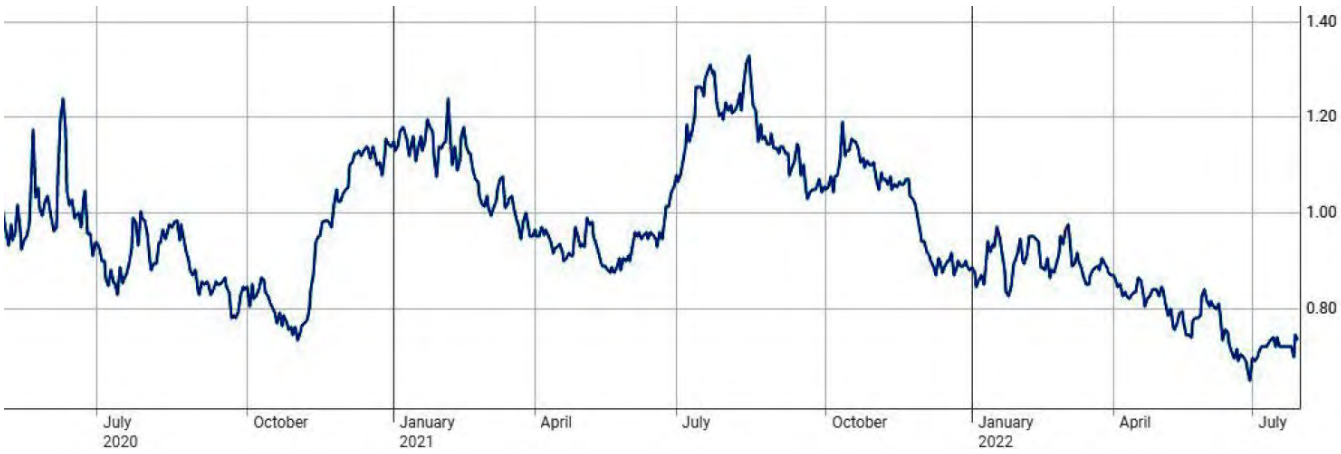
Shareholder Information

20 largest shareholders

The names of the 20 largest holders of the Company's ordinary shares as at 27 July 2022 are:

Rank	Name	Equity securities	% Issued capital
1	J P Morgan Nominees Australia Pty Limited	161,241,812	30.62
2	Citicorp Nominees Pty Limited	110,660,977	21.01
3	HSBC Custody Nominees (Australia) Limited	60,859,838	11.56
4	Pacific Custodians Pty Limited	15,754,985	2.99
5	BNP Paribas Nominees Pty Ltd	13,907,614	2.64
6	Washington H Soul Pattinson And Company Limited	12,548,423	2.38
7	First Samuel Ltd	10,477,670	1.99
8	HSBC Custody Nominees (Australia) Limited	9,806,127	1.86
9	National Nominees Limited	7,406,698	1.41
10	Pacific Custodians Pty Limited	4,561,797	0.87
11	UBS Nominees Pty Ltd	4,427,386	0.84
12	Sandhurst Trustees Ltd	4,335,887	0.82
13	Woodross Nominees Pty Ltd	4,232,647	0.80
14	Brispot Nominees Pty Ltd	3,894,426	0.74
15	Warbont Nominees Pty Ltd	3,127,818	0.59
16	CS Fourth Nominees Pty Limited	2,597,014	0.49
17	Mr Peter David Wilkinson & Mrs Jennifer Louise Wilkinson	2,570,000	0.49
18	Steven Edwin Versteegen	2,415,459	0.46
19	BNP Paribas Noms Pty Ltd	1,628,707	0.31
20	Zthree Pty Ltd	1,600,000	0.30

Closing share price ($)



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.

Unquoted equity securities

As at 27 July 2022, there are 1,710,834 unvested performance rights on issue to 15 participants pursuant to the Company's employee incentive plans. The distribution as at 27 July 2022 was as follows:

Range	Participants	Performance rights	% Performance rights
100,001 and Over	2	1,379,414	80.63%
10,001 to 100,000	10	312,415	18.26%
5,001 to 10,000	2	15,316	0.90%
1,001 to 5,000	1	3,689	0.22%
1 to 1,000	0	0	0.00%
Total	**15**	**1,710,834**	**100.00%**

On-market security purchases

During FY22, Pacific Custodians Pty Limited in its capacity as trustee of the Emeco Employee Share Ownership Plans Trust purchased 1,758,910 ordinary shares on-market, at an average price per share of $0.90, to be used to satisfy upcoming entitlements of participants under the Company's employee incentives scheme to receive ordinary fully-paid shares.

On-market share buy back

On 3 February 2022, the Company announced that it would conduct an on market buy back of up to 54,066,890 ordinary shares between 24 February 2022 and 23 February 2023. As at 27 July 2022, the Company had bought back 14,002,867 ordinary shares under this buy back.

Debt securities

A register of the noteholders of the 6.25% A$ notes, which have a maturity date of 10 July 2026, is kept at the office of EQT Australia Pty Ltd at Level 4, 7 Macquarie Place, Sydney NSW 2000. EQT Australia Pty Ltd can be contacted by telephone on 1300 133 472.

Securities subject to voluntary escrow

As at 27 July 2022, there were no securities subject to voluntary escrow.

Emeco Holdings Limited and its Controlled Entities

Company Directory

DIRECTORS

Peter Richards
Ian Testrow
Peter Frank
Keith Skinner
Peter Kane

SECRETARY

Penelope Young

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SECURITIES EXCHANGE LISTING

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

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Emeco