Production
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2017

ANNUAL REPORT

Emeco Holdings Limited and its Controlled Entities

ABN 89 112 188 815

Annual Financial Report

30 June 2017

Contents

Chairman's Report

Dear Shareholder,

We are pleased to present the Emeco Holdings Limited Annual Report for financial year 2016/2017 (**FY17**).

Balance sheet restructure and a larger, younger Australian fleet

In March 2017, Emeco successfully restructured its balance sheet through the refinancing of its debt, a fully underwritten capital raise, and the merger with Andy's Earthmovers (Asia Pacific) Pty Ltd (**Andy's**) and Orionstone Holdings Pty Ltd (**Orionstone**). This was a complex transaction involving multiple stakeholders from all three businesses. The successful completion of this transaction is testament to Ian Testrow's leadership, the Emeco team's commitment and the strong support from all of our major stakeholders.

The transaction addressed three key strategic initiatives for Emeco:

1. Extending the maturity of Emeco's debt obligations to FY22;
2. Improving our balance sheet to create operational flexibility;
3. Increasing our fleet size while reducing its average age.

Following a strategic review of the international operations, an asset swap was executed in Chile which allowed the Group to exchange its underutilised fleet in Chile for 85 fleet in Australia. As a result, the location of our fleet is now aligned with domestic demand, particularly in the coking coal industry on the Australian east coast. The larger fleet provides Emeco with a stronger platform for short and long-term growth. In addition to the Chile asset swap, Emeco sold its remaining fleet in Canada through completion of a rent-to-purchase agreement. The repositioning of the Canada business and discontinuation of the Chile operations allows Emeco management to focus on improving operational performance and capturing growth in an improving Australian market.

As a result of the transaction and the recent Chilean asset swap, Emeco has an additional 400 pieces of equipment and is focused on driving greater earnings and returns on its assets. The Company's ongoing strategic relationship with The Red Button Group enhances Emeco's ability to manage its larger fleet and focus on operational excellence in asset management and maintenance, which is also facilitated by Emeco's EOS technology.

Safety and sustainability

Emeco continues to maintain its commitment to its people, the environment and the communities in which we operate. The effective induction of new employees and subcontractors following the merger with Andy's and Orionstone was a priority of the integration programme in order to ensure that Emeco continues to adopt safety practices of the highest standard.

Continued cost reduction initiatives and business integrations have not diminished our commitment to safety or sustainability processes or procedures.

Overall, we continue to improve our safety record notwithstanding the increased number of employees and operations. Our LTIFR reduced from 1.1 to zero which is an outstanding achievement for the team, while our TRIFR decreased 61% to 2.2.

For more information on our sustainability performance and policies, please refer to Emeco's FY17 Sustainability Report available on our website.

Focus on synergies and deleveraging the business

In FY18, Emeco's key priorities are to achieve the A$15 million run-rate of operating synergies linked to the merger with Andy's and Orionstone, continue to enhance our customer value proposition through innovation and to reduce costs across the business.

The business ended the year with net debt of A$457.1 million. As a result of the FY17 restructure, Emeco is now in a position to drive meaningful earnings and operating cash flows to further deleverage the Company to create a strong and sustainable capital structure through the mining cycle.

I would like to take the opportunity to thank our shareholders and noteholders for their continued support of Emeco through challenging market conditions. The overwhelming shareholder and noteholder support of the transaction coupled with the shareholder participation in the underwriting of the rights issue were critical to Emeco's short and long-term success.

Finally, post-completion of the transaction, on behalf of Emeco, I would like to welcome Peter Frank, Keith Skinner and Darren Yeates to the Board and extend our appreciation to John Cahill and Erica Smyth who stepped down during the year after 8 years and 5 years of service respectively on the Board. Both John and Erica made significant contributions to the successful restructuring of Emeco and we wish them all the best in their future pursuits.

Peter Richards
Chairman

Managing Director's Report

Dear Shareholder,

Over the past year, Emeco has undergone a significant transformation through the merger with two businesses in Australia and the recapitalisation of all three companies' debt profiles. I am especially proud that we were able to continue to improve our safety performance, decreasing TRIFR from 5.6 at the end of FY16 to 2.2 at the end of FY17 and currently at zero LTIFR, during this period.

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

Solid base for future Australian earnings

Emeco achieved an operating EBITDA of $83.5 million (up $29.3 million on FY16 operating EBITDA of $54.2 million) and an operating net loss after tax of $90.9 million. The benefits of cost reduction initiatives implemented in FY16 were fully realised throughout FY17 and Emeco's focus on operational excellence underpinned earnings growth across the business. Emeco also returned to positive operating EBIT of $12.0 million, which was the first positive EBIT since FY13.

In the first three quarters of FY17 (**YTD Q3FY17**), prior to the completion of the merger, Emeco reported revenue of $137.5 million and operating EBITDA of $54.0 million. This strong result was delivered at the same time as completing the complex restructure, which is a testament to the depth of expertise and commitment of the Emeco operational management team.

After the completion of the recapitalisation and mergers on 31 March 2017, Emeco reported Q4FY17 revenue and operating EBITDA of $94.3m and $29.5m respectively. Increased Q4FY17 revenue was a result of the new scale of the business and with improving market conditions.

Emeco's average group operating utilisation for FY17 was 53%, representing an improvement on the FY16 average of 44% which was driven by growing demand across the Australian business as sentiment improves in addition to greater customer relationships and understanding of their needs. Management has aligned its nation-wide fleet to meet this increase in demand adding 85 pieces of equipment as a result of the Chile asset swap in addition to the fleet acquired from the merger with Andy's and Orionstone. With an additional 400 pieces of equipment, Emeco is focused on increasing operating utilisation and driving greater returns on its assets.

Emeco's New South Wales business continues to perform strongly ending the year with operating utilisation of 68%. In Queensland, Emeco has significantly improved it operational utilisation to 62% and is positioned well to capture new opportunities in FY18 due given its added scale. In Western Australia, Emeco has increased its operating utilisation to 54% as new projects were secured in the iron ore and coal industries and, as a result of the Andy's merger, Emeco now has a presence in South Australia and Victoria.

Emeco has wound down its exposure in both Chile and Canada, allowing management to focus on its Australian operations. Canada is expected to provide a minimal earnings contribution moving forward.

Financial discipline

In FY17, cash generated from operating EBITDA was offset by the one-off costs associated with the merger and working capital deficiencies of the acquired businesses. This resulted in Emeco generating free operating cash flow of $36.9 million.

Emeco also released $15.2 million from the closure of the remaining cross-currency interest rate swaps. A $20.0 million rights issue was completed during the period with the funds received being used to pay a portion of the A$35.0 million transaction costs.

Emeco's debt structure consists of US$356m of bonds due March 2022 and the A$65m revolving credit facility expiring in March 2020 which currently has $2.7 million of bank guarantees drawn against it. At 30 June 2017 Emeco had net debt of $457.1 million and leverage ratio of 5.5x (using Operating EBITDA of three quarters of pre-merger and one quarter post-merger). Emeco is committed to optimising its cash flow and further deleveraging its balance sheet to achieve a sustainable capital structure through the mining cycle.

Emeco expects the leverage ratio to continue to decrease in FY18 with a full year contribution to EBITDA from the merged businesses, earnings growth and cash flow generation.

Execution of strategic objectives

The recapitalisation of Emeco and extension of its debt to FY22 was a key strategic priority for Emeco as it seeks to strengthen its balance sheet for the long-term. Emeco will continue to work towards improving operational performance to generate cash to continue to reduce its leverage.

The merger transaction, together with the asset swaps, has also allowed Emeco to build on its portfolio of projects and full mining fleet to promote sustainable growth over the long-term. The integration of the Andy's and Orionstone businesses has been a focus of management and the business is on track to realise A$15 million in annualised operating synergies by the end of FY18.

With the implementation of an additional EOS project in FY17, Emeco will continue to enhance its customer value proposition. With the help of Emeco's EOS technology, management is also focused on being the best in class in asset and maintenance to improve our fleet capability and our performance while ensuring a strict cost discipline. In FY18, our focus will remain on securing more full mining fleet projects and reducing costs to improve margins and earnings.

Positioning for the future

The significant increase in revenue in Q4FY17 demonstrates both the new scale and future potential of Emeco following the mergers with Andy's and Orionstone. Emeco's fleet has more than doubled as a result of the merger and the recent asset swap provides Emeco with the platform for significant growth, boosted by improving market sentiment. We are focused on ensuring that these additional pieces of equipment are put to work at existing and new projects, and capturing the opportunity of increasing demand in the coal and base metals industries in particular.

In FY18, Emeco will undertake a strategic review of its divisions of the acquired businesses to determine how they fit with Emeco's strategy. We are conscious that there is still a lot of work required to extract merger synergies and ensure Emeco's strict cost discipline and commitment to operational excellence is applied across the integrated company to continue to reduce operating costs. Part of this also includes working with our partner, The Red Button Group, to ensure we effectively manage our capital expenditure, particularly through the significant capex synergy opportunities available as a result of doubling our fleet. The focus on Emeco's capital and maintenance expenditure and will also assist in maximising our earnings and deleverage this business.

I would like to thank all of our employees, shareholders, noteholders and wider stakeholder groups for their continued support of Emeco.

Ian Testrow
Managing Director & Chief Executive Officer

Operating and Financial Review

The Emeco Group supplies safe, reliable and maintained equipment rental solutions 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 equipment rental solutions to the mining industry. Operating costs principally comprise parts, labour and tooling associated with maintaining earthmoving equipment. Capital expenditure principally comprises the purchase of equipment and replacement of major components over the asset's life cycle while owned by Emeco.

Chart 1: Revenue by region

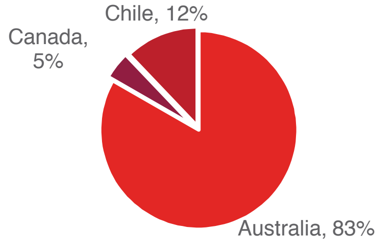


Chart 2: Revenue by commodity

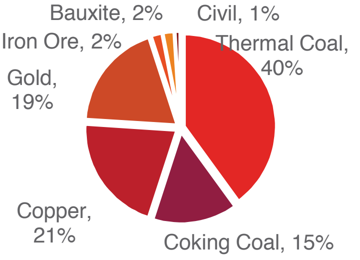
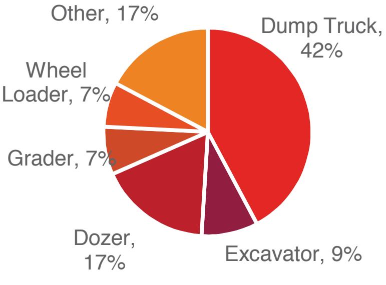


Chart 3: Fleet composition by asset class



Note: Above analysis relates to 12 month period ended 30 June 2017 and includes discontinued operations.

Table 1: Group financial results

	Operating results[1,3]		Statutory results	
A$ millions	**2017**	**2016**	**2017**	**2016**
Revenue	233.0	208.0	233.0	206.6
EBITDA[4]	83.5	54.2	69.6	47.6
EBIT[4]	12.0	(14.2)	(115.2)	(201.4)
NPAT[4]	(90.9)	(90.5)	(180.5)	(225.4)
ROC[4] %	3.3%	(2.7)%	(32.1)%	(25.0)%
EBIT margin	5.2%	(6.8)%	(49.4)%	(97.5)%
EBITDA margin	35.8%	26.1%	29.9%	23.1%

Note:
1. Significant items have been excluded from the statutory result to aid the comparability and usefulness of the financial information. This adjusted information (operating results) enables users to better understand the underlying financial performance of the business in the current period.
2. Operating and statutory results include discontinued operations.
3. Operating results are non-IFRS.
4. EBITDA: Earnings before interest, tax, depreciation and amortisation; EBIT: Earnings before interest and tax; NPAT: Net profit after tax; ROC: Return on capital.

Table 2: 2017 operating results to statutory results reconciliation

A$ millions	Tangible asset impairments	Goodwill impairment	Redundancy and restructuring costs	Long-term incentive program	Transaction costs	Tax effect	NPAT
Operating							(90.9)
Australia	(8.2)	(77.9)	(2.8)	(6.1)	(10.1)	31.6	(73.5)
Canada	(1.9)	-	(1.3)	(0.1)	-	0.9	(2.4)
Chile	(15.2)	-	(3.4)	(0.2)	-	5.1	(13.7)
Statutory	(25.3)	(77.9)	(7.5)	(6.4)	(10.1)	37.6	(180.5)

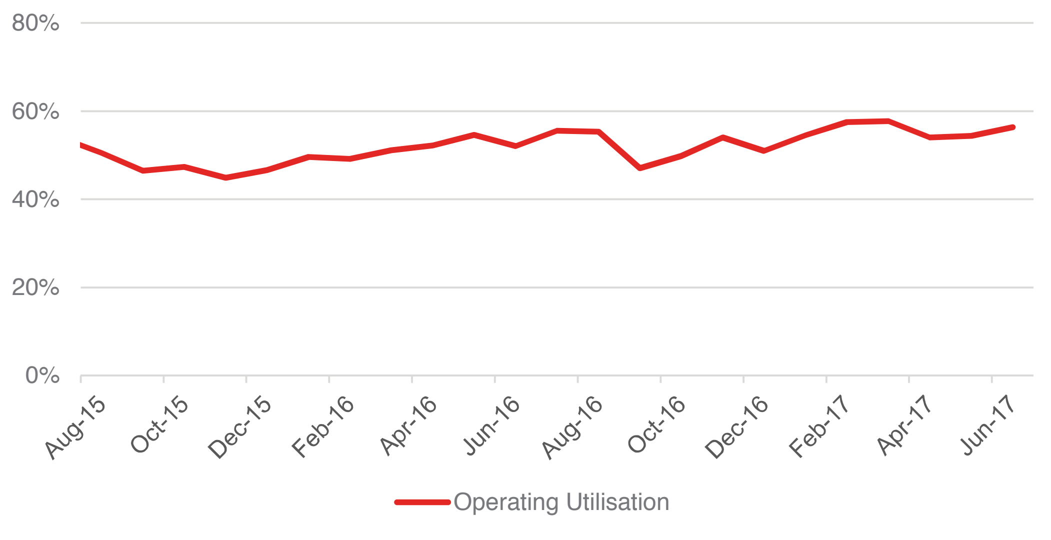
Reconciliation of differences between operating and statutory results:

1. FY17 operating results (non-IFRS) excludes the following:
   - **Tangible asset impairments:** Over FY17 net impairments totalling $25.3 million were recognised across the business on assets held for sale and subsequently disposed during the period. A small number of held for sale assets were reclassified to the rental fleet in Australia to source growth in New South Wales and Queensland businesses, resulting in reversal of impairments recognised in prior reporting periods.
   - **Goodwill impairment:** Goodwill recognised during the period and allocated to the Australia CGU was impaired which resulted in an impairment expense of $77.9 million before tax.
   - **Redundancy and restructuring costs:** One off costs related to redundancy and restructuring totalled $7.5 million before tax.
   - **Long-term incentive program:** During FY17 Emeco recognised $6.4 million of non-cash expenses relating to the employee long-term incentive plan.
   - **Transaction costs:** Costs incurred in relation to the mergers and recapitalisation during the period amounted to $10.1 million before tax. These costs consist of $14.5 million in acquisition expense, $5.8 million in capitalised borrowing costs written off, $10.2 million cost of equity provided to Black Diamond. Offsetting this is a gain realised on the discount on the debt for equity swap of $20.4 million.
2. Refer to our 2016 Annual Report for reconciliation of differences between FY16 operating and statutory results.
3. All reconciling items relating to FY17 operating results are discussed in further detail later in the operating and financial review.

OPERATING UTILISATION TRENDING UPWARDS

Group operating utilisation increased over FY17 to an average of 53% compared to 44% in FY16 and ended the year at 56%. Management is focused on increasing the operating utilisation of machines currently on rent and looking for opportunities to redeploy underutilised fleet to generate greater returns.

Chart 4: 2017 Average Australia Operating Utilisation



Note: 1. Utilisation defined as % of fleet rented to customers (measured by written down value).
2. Operating utilisation defined as ratio of operating hours recognised over a month, compared to 400 hours a month.

Group operating revenue from continuing operations increased in FY17 to $233.0 million (2016: $208.0 million). Rental revenue increased to $208.8 million (2016: $177.7 million) as a result of improvements in the Australian business and the increased scale from the acquired fleet in 4Q17. Maintenance services revenue decreased 5.6% to $22.0 million (2016: $23.3 million) primarily driven by the reduced scope of operations in Canada. Sale of parts and machines decreased in FY17 to $2.6 million, down from $5.5 million in FY16 due to rationalisation of the Australian inventory in FY16.

Operating EBITDA margins increased to 35.8% (2016: 26.1%) as the business realised a full year benefit of the Project Fit initiatives implemented in FY16. The Company's continued focus on operational excellence and cost reduction contributed to the achievement of a 41% operating EBITDA margin in Q3FY17. This was impacted in Q4FY17, partially by the merger transaction and in particular one-off expenses associated with the acquired fleet, acquired low margin projects and cost inefficiencies experienced through integration. EBITDA recovery improved operating return on capital (**ROC**) to 3.3% in FY17 (FY16: negative 2.7%).

Refer to the regional business overview on page 13 for further detail on regional operating and financial performance.

REDUCTION IN EXPENSES IMPROVE OPERATING EBITDA

Table 3: Operating cost summary (operating results)

A$ millions	**2017**	**2016**
Revenue	**233.0**	**206.6**
Operating expenses		
Changes in machinery and parts inventory	(9.5)	(8.9)
Repairs and maintenance	(77.0)	(71.0)
Employee expenses	(21.3)	(34.0)
Hired in equipment and labour	(20.3)	(21.1)
Net other expenses	(21.4)	(17.4)
Operating EBITDA	**83.5**	**54.2**
Depreciation expense	(70.6)	(68.3)
Amortisation	(0.8)	(0.1)
Operating EBIT	**12.0**	**(14.2)**

Operating EBITDA increased $29.3 million (54.1%) due to cost management within the business set throughout FY16 in addition to increased rental revenue in Q4FY17. Although revenue increased 12.7% in FY17, operating expenses decreased 1.9% which is evidence of the significant cost savings made over the course of FY16. The business is on track to realise the $15 million of annualised operating synergies from the transaction over the course of FY18. The full benefit of expected synergies will be recognised in FY19.

Repairs and maintenance expense increased 8.5% to $77 million (2016: $71.0 million). Fleet acquired from Andy's and Orionstone required additional expenditure to bring the assets up to the high standards set by Emeco for its equipment. These costs are one off in nature, with this maintenance program expected to conclude by the end of 1H18.

Employee expenses decreased 37.4% in FY17 to $21.3 million (FY16: $34.0 million) as a full years savings was realised from headcount rationalisation made throughout FY16.

Other expenses increased to $21.4 million (FY16: $17.4 million) predominately due to costs associated with the outsourcing of some functions partially offsetting the decrease in employee expenses. Costs associated with hired in equipment and labour remained relatively flat year on year as Emeco used external contractors to reduce its fixed operating cost base. Refer to note 8 in the financial statements for further breakdown of net other expenses (page 78).

Depreciation expense increased to $70.6 million in FY17 (FY16: $68.3 million) driven by the increased scale of fleet and hours utilised from the merger with Andy's and Orionstone. However, the starting asset cost base was reduced from the prior year through impairments recognised on the fleet in FY16, softening the depreciation increase.

INCREASED AUSTRALIAN FLEET

Table 4: Asset impairments (statutory results)

A$ millions	2017	2016
Rental fleet	339.6	264.6
Non-current assets held for sale	26.4	30.7
Asset impairments		
Stock write down	7.0	11.5
Freehold land and buildings	0.0	4.0
Plant and equipment	18.4	159.0
Other assets	0.0	5.1

The written down value (**WDV**) of the rental fleet increased to $339.6 million over FY17 due to the merger with Andy's and Orionstone adding $84.8 million and $64.1 million respectively.

In June 2017 the business executed a successful asset swap with a mining contractor in Chile which resulted in the acquisition of $43.9 million of in-demand fleet for Australia in exchange for the fleet in Chile and cash consideration. This fleet swap further supports equipment needs in Australia, particularly on the east coast where utilisation in New South Wales and Queensland is currently over 90%. The remaining Canadian fleet was disposed for consideration of $13.9 million during the period.

Impairment loss on plant and equipment decreased to $18.4 million in FY17, down from $159.0 million in FY16 (refer to note 22). FY16 impairment testing indicated all three cash generating units were impaired and the value of the fleet was written down by $159.0 million. FY17 impairment testing resulted in the Australian CGU being impaired. However this impairment was allocated to the goodwill recognised in the CGU and no additional tangible asset impairment was recognised. The impairment of plant and equipment in FY17 of $18.4 million relates to the assets designated as held for sale during the period (refer to note 15).

Inventory was written down by $7.0 million (2016: $11.5 million), largely as a result of the disposal of the Chilean assets as part of the asset swap to Australia.

We continually review our rental fleet, matching fleet mix to regional demand. Idle units identified as having low rental demand and end of life machines are transferred to non-current assets held for sale and are actively marketed through Emeco's global network of brokers.

TRANSACTION IMPACTS OPERATING CASH FLOW

Table 5: Cash flow summary

A$ millions	1H FY17	2H FY17	2017	2016
Operating EBITDA	33.6	49.9	83.5	54.2
Non-Operating EBITDA	(2.2)	(11.7)	(13.9)	(6.6)
Working capital	(11.9)	(20.8)	(32.7)	14.6
Income tax cash flows	0.0	0.0	0.0	4.0
Operating free cash flow	**19.5**	**17.4**	**36.9**	**66.2**
Capital expenditure	(12.0)	(19.4)	(31.4)	(38.2)
Disposals	5.1	25.8	30.9	15.1
Net capital expenditure	**(6.9)**	**6.4**	**(0.5)**	**(23.1)**
Free cash flow	**12.6**	**23.8**	**36.4**	**43.1**

Note: 2016 results exclude discontinued operations

Operating EBITDA increased from $54.2 million in FY16 to $83.5 million in FY17 however increased one off costs and significant working capital deficiencies associated with the merger with Andy's and Orionstone affected the operating free cash flow for FY17. Significant expenditure was incurred in 4Q17 to bring the acquired fleet from Andy's and Orionstone up to Emeco's operating standards. These cash outflows are largely one off in nature and are expected to conclude by the end of 1H18 when Emeco's maintenance program on acquired assets concludes.

Net capital expenditure decreased to $0.5m due to the disposal of the Chile fleet and the close out of two rent to purchase options on the Canadian fleet. The Chile fleet was swapped for assets in Australia in addition to $11.7 million cash whilst the Canadian disposals generated cash of $13.9 million during the period. Capital expenditure was focused on major component expenditure on acquired machines as significant fleet was added to the Australian business during the period via the merger with Andy's and Orionstone.

In addition, during the year Emeco released $15.2 million related to funds received from the closure of the remaining cross-currency interest rate swaps. A $20.0 million rights issue was completed during the period with the funds received being used to pay transaction costs which amounted to $35.0 million.

BALANCE SHEET RESTRUCTURE

The Company successfully completed its debt restructuring and the merger with two businesses in Australia in March 2017. The transaction consisted of the following:

- acquisition of Andy's for consideration of shares in Emeco;
- acquisition of Orionstone for consideration of shares in Emeco;
- cancellation of Emeco 144A notes, Andy's long term debt obligations and Orionstone long term debt obligations in exchange for new notes, for the value of 80% of the face value of the original debt, and 20% received as shares in Emeco. The new notes mature in 2022 with an interest rate of 9.25%;
- a refinanced A$65m revolving credit facility consisting of a A$35 million cash advance and a A$30 million bank guarantee facility, replacing the A$75 million asset backed loan;
- implementation of hedging arrangements against the US dollar denominated new notes;
- 5% of the total number of shares on issue provided to Black Diamond Capital Management LLC as the major holder of Emeco new notes; and
- A$20m rights offer to existing shareholders.

Goodwill of $77.9 million arose on the acquisition due to numerous factors including a 60% increase in the Company's share price over the transaction period and higher than expected short term liabilities acquired. Impairment testing performed at June 2017 indicated the Australia cash generating unit was impaired and consequently the $77.9 million of goodwill recognised on the acquisition was written off.

Table 6: Net debt and gearing summary

A$ millions	2017	2016
Interest bearing liabilities (current and non-current)		
Notes	462.7	0.0
144A notes	0.0	380.7
Revolving credit facility	0.0	0.0
Asset backed loan	0.0	0.0
Lease liabilities	9.8	9.0
Other	1.6	0.5
Cash	17.0	24.8
Net debt	457.1	365.4
Derivative asset / (liability)	(4.4)	18.9
Net debt (including hedging instruments)	461.5	346.5
Leverage ratio	5.5	6.7
Interest cover ratio	1.5	1.1

Note: Above figures based on facilities drawn – bank guarantees are excluded
Leverage ratio - Net debt : Operating EBITDA
Interest cover ratio - Operating EBITDA : Interest expense

The completion of Emeco's balance sheet restructure resulted in net debt increasing to $457.1 million. Following the issuance of the notes, Emeco's debt structure consists of US$360.8 million of bonds of which US$4.9 million are held by Emeco. The net amount outstanding at 30 June 2017 on the notes was US$355.9 million. The notes mature in March 2022 and a semi-annual coupon of 9.25% is payable in January and July each year. The notes are secured and guaranteed by Emeco Holdings Limited and its operating subsidiaries. The new notes do not contain maintenance covenants.

As part of the transaction, A$75 million asset backed loan was replaced by a A$65 million revolving credit facility (**RCF**) consisting of a A$35 million cash advance facility and a A$30 million bank guarantee facility which matures in March 2020. The facility requires the Group to maintain a collateral coverage ratio greater than 3.0x and a fixed charge coverage ratio greater than 1.2x. At 30 June 2017 the RCF was undrawn and $2.7 million of the bank guarantee facility was utilised.

The cross-currency interest rate swaps associated with the 144A notes were closed out during the period generating $15.2 million in cash. New hedging arrangements were entered into to hedge the FX movement on the US$355.9 million outstanding notes. US$230 million of the semi-annual coupon has been hedged to AUD in addition to US$100 million principal hedged. Due to the appreciation in the Australian dollar between the inception of the hedge on 31 March 2017 and 30 June 2017, a net hedge liability of $4.4 million has been recognised at June 2017.

Finance lease liabilities increased from $9.0 million at 30 June 2016 to $9.7 million at 30 June 2017 with Emeco acquiring a number of finance lease assets via the merger with the Andy's and Orionstone businesses.

Emeco's cash balance was $17.0 million at 30 June 2017. The cash flow was impacted by the working capital deficiencies of the acquired entities, combined with expenditure incurred in 4Q17 to bring the acquired fleet from Andy's and Orionstone up to Emeco's operating standards.

Refer to note 24 in the accompanying financial statements for additional information on Emeco's financing facilities.

Emeco's leverage ratio has improved from 6.7x to 5.5x at 30 June 2017 (which includes one quarter of the consolidated Group's Operating EBITDA post-transaction compared with the full post transaction net debt).

Similar to FY16 the board declared a nil interim and final dividend for FY17 as a result of the net operating loss for the period.

Regional Business Overview

Chart 5: Rental revenue by region

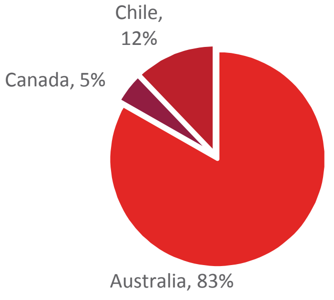


Chart 6: Operating EBITDA contribution by region

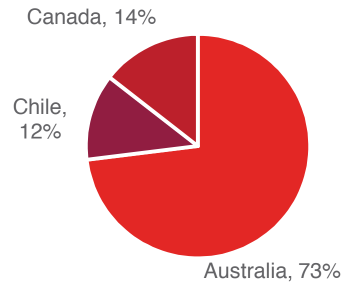
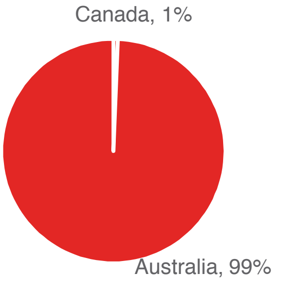


Chart 7: Fleet by region

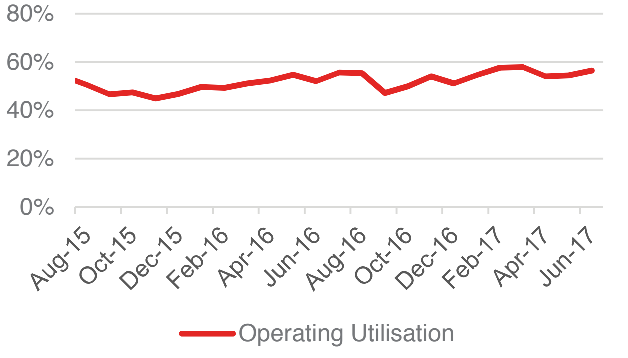


AUSTRALIA

Table 7: Performance indicators

	Operating results		
A$ millions	**2017**	**2016**	**Var**
Rental revenue	185.3	132.2	53.1
Contract mining Revenue	11.9	-	11.9
EBITDA	60.9	46.0	34.5
EBIT	26.1	(8.3)	34.4
No. workforce	241	165	76

Chart 8: Average fleet utilisation



Operating utilisation
Average: 2017: 53%, 2016: 50%
Year-end: 2017: 54%, 2016: 52%

Notes:

- For a reconciliation of statutory to operating results refer to table 1 on page 7, table 2 on page 8 and accompanying notes.
- Utilisation defined as % of fleet rented to customers (measured by written down value).
- Operating utilisation defined as ratio of operating hours recognised over a month, compared to 400 hours a month.
- Australia results in table 7 represent the Australian Rental segment.

Main markets

Comprised of five operating units, Queensland, New South Wales, Western Australia & South Australia, Victoria and Contract Mining, the Australian rental business is well diversified across bulk commodities and metals. The business services high quality customers leveraged to the production phase of the mining cycle. Operating unit performance is summarised below:

Table 8: Operating unit average operating utilisation

	Operating utilisation			Revenue ($ million)	
	Current	2017	2016	2017	2016
Queensland	62%	53%	53%	52.8	29.4
New South Wales	68%	65%	59%	86.0	72.3
Western Australia & South Australia	54%	48%	34%	40.2	30.4
Victoria	23%	17%	n/a	6.3	n/a
Contract Mining	n/a	n/a	n/a	11.9	n/a

FY17 performance

The Australia business improved average operating utilisation over FY16 to 50%, which was led by increased market share in both New South Wales and Queensland. Rental revenue improved by 40% to $185.3 million with operating EBITDA margins increasing from 26.1% in FY16 to 35.8% in FY17. This is a significant improvement in the business and shows the benefits received from cost reduction initiatives implemented in FY16 and the impact of operational excellence efficiencies in FY17. Headcount in Australia increased from 165 at 30 June 2016 to 329 at 30 June 2017 as the business acquired the operations of Andy's and Orionstone. Significant headcount rationalisation was made prior to the merger with the increase in headcount related to the scale of the business in Australia.

The New South Wales business continues to remain a strong Australian business unit with FY17 operating utilisation of 65% compared to 59% over FY16. Revenue increased 18.9% over this period to $86.0 million as the region realises growth on existing projects through the strength of its relationships with customers.

Queensland continued to grow its earnings base through improved market conditions and access to increased fleet and scale through merger with Orionstone. This has increased Emeco's customer base whilst diversifying its commodity exposure to copper and bauxite. Revenue increased 79.6% during this period and the business now holds 194 pieces of equipment in Queensland.

Western Australia has rebounded off the lows experienced in FY16 and has increased operating utilisation in 2HFY17 driven by contracts won in iron ore and coal. During FY17, the Western Region successfully extended a key contract with an EOS customer and also acquired an EOS project site in South Australia. We see greater optimism throughout the Western region and aim to capitalise on this by winning new contracts in the next period.

In Q4FY17, Emeco acquired contract mining and civil businesses which provided revenue of $11.9 million and $6.3 million respectively. Given the large direct costs and overheads associated with these business units, EBITDA contribution to the Group result was marginal.

The year ahead

The Australian business becomes management's core focus for FY18 ensuring that fleet acquired during FY17 is put to work and operating utilisation of fleet is maximised. We expect strong growth in the New South Wales and Queensland businesses, from market exposure to coking coal, which should drive demand and increased utilisation of fleet. The asset transfer from Chile has provided $43.9 million of assets to support demand on the east coast. The majority of assets acquired have already been placed on contract.

The EOS technology is being implemented on a new site in the Western Region which should see increased operating utilisation on that site and significant positive impact to the customer's operations and earnings. Management sees the EOS technology being able to provide improved asset maintenance and cost savings via condition monitoring and operator usage.

Three contract mining projects were acquired from the merger of which two have already ended, with the last expiring in September 2017. Management continues to assess the civil business acquired from Andy's given its revenue contribution compared to its cost base. Opportunities to continue to support the east coast mining and infrastructure customers will be assessed.

CANADA & CHILE

Table 9: Canada Results

	Operating results		
A$ millions	**2017**	**2016**	**Var**
Revenue	10.6	36.6	(26.0)
EBITDA	12.1	3.5	8.6
EBIT	6.1	(3.9)	10.0
No. employees	1	64	(63)

Table 10: Chile Results

	Operating results		
A$ millions	**2017**	**2016**	**Var**
Revenue	28.3	39.1	(10.8)
EBITDA	10.4	14.6	(4.2)
EBIT	0.5	(3.3)	3.8
No. employees	1	25	(24)

Notes:
- For a reconciliation of statutory to operating results refer to table 1 on page 7, table 2 on page 8 and accompanying notes.

Canada Summary

Emeco's Canadian strategic partner, Heavy Metal Equipment Rental (**HMER**), exercised two rent-to-purchase options during FY17 effectively disposing of all of Emeco's Canadian assets during the period.

Emeco continues to hold several customer contracts in Canada which are managed by HMER which will provide a services fee to Emeco over FY18. Emeco does not expect a material earnings contribution from the Canadian business in the near-term. However, Emeco will continue to partner with HMER and maintain a presence in Canada, allowing it to take advantage of potential project opportunities should they arise.

Chile Summary

In Chile, low operating utilisation impacted on earnings and returns. During the period, a strategic partnership was entered into with a maintenance provider that allowed Emeco to significantly reduce operating and overhead costs. Despite the management of cost, the earnings of the business did not improve over FY17 and the decision was made to reduce Emeco's exposure in Chile. Management took an opportunity to dispose of the fleet in Chile in exchange for 85 assets located in Australia and a A$11.7 million cash payment.

Table 11: Five year financial summary

		2017	2016	2015	2014	2013
REVENUE						
Revenue from rental income	$'000	208,286	139,545	206,718	205,368	314,068
Revenue from sale of machines and parts	$'000	2,648	5,470	2,788	8,145	23,413
Revenue from maintenance services	$'000	22,080	22,956	31,925	27,582	41,894
Total	$'000	233,014	167,970	241,431	241,095	379,375
PROFIT						
EBITDA[2]	$'000	83,504	54,246	43,364	67,344	160,251
EBIT[2]	$'000	(97,066)	(14,219)	(59,225)	(10,879)	61,314
NPAT[2]	$'000	(90,891)	(90,519)	(94,813)	(213,543)	28,499
Statutory Profit/(loss) for the year	$'000	(180,463)	(225,389)	(127,703)	(275,309)	6,004
Basic EPS	cents	(3.7)	(15.1)	(15.8)	(3.6)	4.8
BALANCE SHEET						
Total assets	$'000	520,679	427,692	708,755	748,362	1,126,022
Total liabilities	$'000	552,686	421,695	487,284	424,390	514,846
Shareholders' equity	**$'000**	**(32,007)**	**5,997**	**221,471**	**323,972**	**611,176**
Total debt	$'000	474,109	377,818	423,971	343,774	415,426
CASH FLOWS						
Net cash flows from operating activities	$'000	14,223	70,644	(2,894)	82,072	181,303
Net cash flows from investing activities	$'000	486	(23,112)	(13,013)	25,032	(129,124)
Net cash flows from financing activities	$'000	(21,318)	(49,311)	(6,733)	(71,364)	(119,281)
Free cash flow after repayment/(drawdown) of net debt	**$'000**	**(6,609)**	**(1,779)**	**(22,640)**	**35,740**	**(67,102)**
Free cash flow before repayment/(drawdown) of net debt[1]	**$'000**	**(334)**	**5,561**	**(18,495)**	**85,889**	**(9,273)**
DIVIDENDS						
Number of ordinary shares at year end	'000	2,436,860	599,675	599,675	599,675	599,675
Total dividends paid in respect to financial year	$'000	0	0	0	0	15,109
Ordinary dividends per share declared	**cents**	**0.0**	**0.0**	**0.0**	**0.0**	**2.5**
Special dividends per share declared	**cents**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
KEY RATIO'S						
Average fleet utilisation	%	87.3	76.5	69.0	48.0	67.0
Average fleet operating utilisation	%	52.9	44.0	45.7	32.9	44.3
EBIT ROC	%	3.3	(2.7)	(9.4)	(0.8)	7.1
Net debt to operating EBITDA	x	5.47	6.74	10.29	4.78	2.15

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

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

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

Financial Report

Directors' Report

For the year ended 30 June 2017

The directors of Emeco Holdings Limited (**Emeco** or **Company**) present their report together with the financial reports of the consolidated entity, being Emeco and its controlled entities (**Group**) and the auditor's report for the financial year ended 30 June 2017 (**FY17**).

Directors

The directors of the Company during FY17 were:

PETER RICHARDS BCom, 58

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

Board committee membership: Chairman of the Remuneration and Nomination Committee since 1 April 2017 and Member of the Audit and Risk Management Committee.

Skills and experience: Peter has over 35 years of international business experience with global and regional companies including British Petroleum (including its mining arm Seltrust Holdings), Wesfarmers Limited, Dyno Nobel Limited and Norfolk Holdings Limited. During his time at Dyno Nobel, he held a number of senior positions with the North American and Asia Pacific business, before being appointed as Chief Executive Officer in Australia (2005 to 2008). Peter was a Non-Executive Director (2009 to 2015) of Bradken Limited and a Non-Executive Director (2010 to 2015) of Sedgman Limited.

Current appointments:

- Chairman of Baralaba Coal Company Limited (Administrators Appointed) (since 2014)
- Non-Executive Director of NSL Consolidated Limited (since 2009, Chairman 2014 to 2017)
- Non-Executive Director of Graincorp Limited (since 2015)

IAN TESTROW BEng (Civil), MBA, 47

Appointment: Managing Director since 20 August 2015.

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

PETER FRANK BSEE, MBA, 69

Appointment: Non-Executive Director since April 2017

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

KEITH SKINNER B.Comm, FCA, FAICD, 64

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 one of the leading Restructuring and Insolvency practitioners in Australia, leading many corporate turnarounds. Keith was the Chief Operating Officer of Deloitte Australia for 13 years until his retirement from the firm in May 2015. Keith was also a director of Deloitte Australia (1995 to 1997) and a director of the Deloitte Global Firm (2013 to 2015), and a member of the Governance (2013 to 2015) and Risk Committees (2013 to 2015) of both. Keith has also been the Chairman of Emue Technologies Limited (2013 to 2015).

Current appointments:
- Chairman of the Audit and Risk Committee of the Australian Digital Health Agency (since 2016)
- Director of the North Sydney Local Health District (since 2017)
- Director of the Lysicrates Foundation Limited (since 2015)
- Advisory Board of SRX Global Pty Limited (since 2016)

DARREN YEATES B Eng., MBA, FAICD, Grad Dip Mgt, Grad Dip App. Fin , 56

Appointment: Independent Non-Executive Director since April 2017

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

Skills and experience: Darren has over 30 years' mining industry experience, most recently as CEO of Hancock Coal. He has over 22 years' experience with Rio Tinto including as Acting Managing Director and Chief Operating Officer for Coal Australia, General Manager Ports and Infrastructure for Pilbara Iron and General Manager Tarong Coal. Prior to joining Rio Tinto he worked for 6 years for BHP in coal operations and metalliferous exploration.

JOHN CAHILL BBus, Grad Dip Bus, FCPA, GAICD, 61

Appointment: Independent Non-Executive Director from September 2008 until 1 April 2017.

Board committee membership: Chairman of the Audit and Risk Management Committee and member of the Remuneration and Nomination Committee until 1 April 2017.

Skills and experience: John has over 25 years' experience working in senior treasury, finance, accounting and risk management positions, predominantly in the energy utility sector. John is a past Chief Executive Officer of Alinta Infrastructure Holdings and past Chief Financial Officer of Alinta Ltd. John was previously Non-Executive Director (2007 to 2013) and President and Chairman (2011 to 2013) of CPA Australia Ltd and Non-Executive Director (2009 to 2014) and Deputy Chairman (2010 to 2014) of Electricity Networks Corporation, Western Australia (trading as Western Power).

ERICA SMYTH MSc, FAICD, FTSE, 65

Appointment: Independent Non-Executive Director from December 2011 until 1 April 2017.

Board committee membership: Chair of the Remuneration and Nomination Committee and member of the Audit and Risk Management Committee until 1 April 2017.

Skills and experience: With over 40 years' experience in the mineral and petroleum industries, Erica's career highlights include her positions as Chair of Toro Energy, Manager Gas Market Development WA for BHP Petroleum and General Manager Corporate Affairs with Woodside Petroleum Limited. In 2016 she was added to the WA Women's Hall of Fame and the Chamber of Mines & Energy Western Australia awarded Erica a Lifetime Achievement Award for her contribution to the industry as part of the Women in Resources Awards 2010. Erica was elected as a Fellow of the Academy of Technological Science and Engineering in 2012.

GREGORY HAWKINS BCom, FCA, 49

Appointment: Executive Director Finance from 20 August 2015 until 19 August 2016.

Skills and experience: Greg joined Emeco as Chief Financial Officer in July 2014. Before joining Emeco, Greg was Chief Executive Officer of African Barrick Gold plc based in London where he made significant improvements to that business, dealt with considerable challenges in the African environment and set the company on a solid platform of improvement in performance for its long term future. Prior to this he was Chief Financial Officer at Barrick Gold Corporation's Australia Pacific division, based in Perth. Greg is a Fellow of the Institute of Chartered Accountants.

Company secretary

The company secretaries of the Company during FY17 were:

PENELOPE YOUNG BBus, LLB, LLM

Appointment: Company Secretary since April 2017.

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

THAO PHAM LLB (Hons), BCom

Appointment: Company Secretary from 1 July 2014 until 1 April 2017.

Thao was appointed Chief Strategy Officer in May 2017. Prior to this, Thao was Emeco's Chief Legal, Risk & Business Transformation Officer since April 2016, and General Counsel and Company Secretary since July 2014. Thao joined Emeco as Legal Counsel in May 2011. Prior to joining Emeco, Thao spent several years as a corporate and commercial lawyer with an Australian law firm. Thao holds a Bachelor of Law (with honours) and a Bachelor of Commerce, majoring in Accounting and Finance.

Directors' meetings

The number of board and committee meetings held and attended by each director in FY17 is outlined in the following table below:

Table 12: 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	15	15	4	4	2	2
Ian Testrow	15	15	4 *	4	2 *	2
John Cahill	13	13	3	3	2	2
Peter Frank	2	2	1 *	1	0 *	0
Gregory Hawkins	1	1	0 *	0	0 *	0
Keith Skinner	2	2	1	1	0	0
Erica Smyth	13	13	3	3	2	2
Darren Yeates	2	2	1	1	0	0

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.

Directors' Report

For the year ended 30 June 2017

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 during FY17 of the Group was the provision of heavy earthmoving equipment rental solutions to mining companies and contractors and associated 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 FY17, is set out in the operating and financial review section at pages 7 to 16 and in the accompanying financial statements.

Dividends

No dividends were declared or paid during FY17. No dividends have been declared or paid since the end of FY17.

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

During the financial year under review there were no significant events after the balance date.

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 16. This report omits information on likely developments in the Group in future financial years and the expected results of those operations the disclosure of which, in the opinion of the directors, would be likely to result in unreasonable prejudice to the Group.

Directors' interest

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

Table 13: Directors' Interests

Director	Ordinary shares	Options or rights
Peter Richards	52,264	-
Ian Testrow	757,831 [A]	123,246,461 [B]
Peter Frank	-	-
Keith Skinner	-	-
Darren Yeates	-	-

[A] This comprises ordinary shares held directly by Mr Testrow and those which he acquired under the FY15 employee share ownership plan but which are held by the trustee of the plan on his behalf. See section 5.6
[B] This comprises unvested performance shares issued under the Company's long term incentive plans after shareholder approval. See section 5.3, 5.4 and 5.5.

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.

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

- All non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the audit and risk management committee to ensure they do not impact the integrity and objectivity of the auditor.
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants,* as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing the risks and rewards.

Details of the amounts paid to the auditor of the Group, Deloitte Touche Tohmatsu and its network firms, for audit and non-audit services provided during the year are found in note 9 of the notes to the financial statements.

Lead auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 40 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)

Remuneration report contents

This report covers the following matters:

1. Introduction
2. Remuneration governance
3. Executive remuneration
4. Non-executive director remuneration
5. Details of remuneration
6. Service contracts

1. Introduction

This report details the Group's remuneration objectives, practices and outcomes for key management personnel (**KMP**), which includes directors and executives, for the year ended 30 June 2017. 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 FY17:

Non-executive directors

Peter Richards	Chair
Peter Frank	(Commenced role on 1 April 2017)
Keith Skinner	(Commenced role on 1 April 2017)
Darren Yeates	(Commenced role on 1 April 2017)
John Cahill	(Ceased role on 1 April 2017)
Erica Smyth	(Ceased role on 1 April 2017)

Executive directors

Ian Testrow	Managing Director & Chief Executive Officer
Gregory Hawkins	Executive Director, Finance (ceased role on 19 August 2016)

The following persons were also employed as executives of the Company during FY17:

Other executives	**Position**
Thao Pham	Chief Strategy Officer (commenced role on 17 May 2017), previously Chief Legal, Risk & Business Transformation Officer (ceased role as Company Secretary on 1 April 2017).
Justine Lea	Chief Financial Officer (commenced role 24 October 2016), previously Acting Chief Financial Officer (commenced role on 1 July 2016)

2. Remuneration governance

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

- rewarding executives for the achievement of the Company's short and long term financial, strategic and safety goals;
- incentivising executives to remain with the Group; and
- aligning the interests and expectations of executives, shareholders and other stakeholders.

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

The remuneration and nomination committee is responsible for reviewing and suggesting recommendations to the board in relation to:

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

The members of the remuneration and nomination committee in FY17 until 1 April 2017 were Ms Erica Smyth (Chair), Mr John Cahill and Mr Peter Richards. The members of the remuneration and nomination committee from 1 April 2017 were Mr Peter Richards (Chair), Mr Keith Skinner and Mr Darren Yeates.

3. Executive remuneration

3.1 Remuneration policy

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

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

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

3.2 Fixed remuneration

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

Each executive's fixed remuneration is reviewed and benchmarked annually in August. In FY17, this process did not result in any change in any Executive's fixed remuneration. However, fixed remuneration of executives was reviewed as a result of expanded responsibilities on and from, and once executive remuneration restrictions ceased upon, completion the Group's recapitalisation and the acquisitions of Andy's Earthmovers (Asia Pacific) Pty Ltd (**Andy's**) and Orionstone Holdings Pty Ltd and its subsidiaries (**Orionstone**) (together, **Transaction**).

The level of remuneration is set to enable the Company to attract and retain proven performers once they are working within the business. An executive's responsibilities, experience, qualifications, performance and geographic location are also taken into account.

Fixed remuneration for executives has previously been set by reference to the fixed remuneration of comparable positions in comparable sized companies in the mining and mining services sectors. These sectors are considered to be appropriate as they are the key source of talent for the Company.

3.3 Variable remuneration

Generally, executives are entitled to variable remuneration which consists of short and long term incentives.

At the start of FY17 when the board set the FY17 remuneration structure for executives, the employee share trust already held a significant amount of shares for employees pursuant to existing plans. This left little headroom to offer a meaningful long-term equity-based incentive given the Company's share price at that time. Further, there was uncertainty around the Company's capital structure in light of the Company's corporate development activities and the potential Transaction. Therefore, the executive remuneration structure for FY17 did not include a long term, equity-based retention incentive plan. Instead, the percentage of variable remuneration usually offered to executives in respect of long term incentive plans was offered as an additional short term incentive (**STI**). Increasing the STI component ensured executives remained incentivised to maintain a clear focus on day-to-day operations and financial performance in order to create shareholder value, notwithstanding the work required to complete the note refinancing and mergers with Andy's and Orionstone.

The below table sets out the maximum remuneration for each executive in FY17 attributable to STIs as a percentage of total fixed remuneration (**TFR**) if maximum performance is achieved.

Table 14: STI remuneration

Executive	Position	STI	LTI	Maximum total variable remuneration
Ian Testrow	Managing Director & Chief Executive Officer	200%	-	200%
Thao Pham	Chief Strategy Officer	100%	-	100%
Justine Lea	Chief Financial Officer	100%	-	100%

Further, on 13 March 2017 the Company held extraordinary general meeting (**EGM**) for the purpose of approving a series of interrelated resolutions required in order to approve the Transaction. At that meeting, shareholders approved the establishment of the Company's new management incentive plan (**MIP**) as part of the Transaction.

In FY17 after completion of the Transaction, 303,603,596 awards were made to senior management under the MIP in recognition of their contribution to the Transaction and also their ability to drive the long term objectives of the Emeco Group and increase shareholder wealth. This offer differed from other long-term incentive offers given its connection to the Transaction and also as the awards were not determined by reference to a percentage of remuneration. Approximately 75% of the MIP awards are performance shares which are already on issue. A performance share is a fully paid ordinary share on issue, the vesting of which is subject to a performance condition being met. See section 3.3.2.

3.3.1 STI remuneration

Cash

STIs are usually used to reward the performance of executives over a full financial year. However, for FY17, in light of the acquisition of Andy's and Orionstone on 30 March 2017, STIs were assessed against Company performance in respect of key performance indicators (**KPIs**) over the:

- first three quarters of FY17 for financial KPIs as these related to FY17 budget (the fourth quarter budget became irrelevant upon completion of the Transaction); and
- the full financial year for non-financial KPIs.

The actual amount of STI awarded is determined after the end of the financial year in light of the Company's performance against the KPIs. All executive STI awards require review and approval by the remuneration and nomination committee and the board.

An executive's maximum achievable STI award is set as a percentage of TFR (see table 14 above for details). FY17 STI awards are made 100% in cash.

Key performance indicators

As noted above, due to the Transaction completing on 30 March 2017 resulting in the earnings of Andy's and Orionstone being included in the fourth quarter financials, the financial KPI (which was based on budget EBITDA) was assessed over the first three quarters of FY17.

Along with the financial performance indicator, a safety KPI was included given the importance of safety to the Group's workforce, customers and therefore the long term sustainability and success of the Group.

In respect of the FY17 STI plan, the executives had identical KPIs and no personal KPIs. This was designed to focus executive efforts on the overall performance of the Company and promote collaboration and support between executives, senior managers and the Group as a whole.

Table 15 below sets out the KPIs for the FY17 STI plan and the weightings attributable to each of them. In the board's view, these KPIs align the reward of executives with the interests of shareholders.

Table 15: FY17 STI plan KPI weightings and entitlements

KPI	Weighting	Entitlement	Rationale	Achievement
EBITDA for Q1, Q2 and Q3	80%	0% if actual EBITDA less than 90% of budget EBITDA 100% if actual EBITDA more than 110% of budget EBITDA Pro-rata payments between these levels	Reflects the financial performance and the ability of the Company to pay STI awards.	100%
Safety [A]	20%	0% if TRIFR as at 30 June 2017 is an improvement of less than 10% or less on FY16 performance. 100% if TRIFR as at 30 June 2017 is a 25% or more improvement on FY16 performance. Pro-rata payments between these levels.	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 aspiration.	100%

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

3.3.2 MIP remuneration

Allocation of MIP awards to executives formed an important aspect of the Transaction to incentivise management to stay with the Group post-Transaction and this award aligns the interests of senior managers with the long term interests of shareholders.

MIP awards are in the form of performance shares or performance rights (**MIP awards**). A performance share is a fully paid ordinary Emeco share on issue, the vesting of which is subject to service conditions being met. A performance right is a right to receive a fully paid ordinary Emeco share, the vesting of which is subject to service conditions being met.

After completion of the Transaction, selected participants were offered performance rights under the MIP. These were offered both as a recognition of their contribution to the Transaction and as an incentive to remain with the Group in order to achieve timely integration of the Emeco, Andy's and Orionstone businesses, forecasted synergies and to deliver the Group's long term objectives.

The number of performance rights offered to executives was determined by reference to a percentage of the issued capital of the Company. The number of performance shares ultimately granted to Mr Testrow was reduced as part of the Transaction and calculated in accordance with description set out in the notice of meeting for the EGM and as approved by the shareholders at the EGM. This calculation reflected a reduction in Mr Testrow's entitlement of 5% of the issued capital of the Company under his executive services agreement by the corresponding number of shares that were issued to a transaction party under a top-up placement (see the EGM notice of meeting for further information).

Performance shares and performance rights were offered at no cost, however, vesting is subject to the service condition described below being satisfied.

Service condition

MIP awards vest at the end of a three year period to encourage senior management to remain with the Group for the three year vesting period. Retaining senior management is particularly important to the Company given integration of the Andy's and Orionstone businesses, the significant increase in equipment numbers and personnel as well as the long term objectives of the Group.

Performance shares which vest will be transferred to the participant. In respect of performance rights which vest, corresponding shares will be transferred to the participant.

MIP awards that do not vest will lapse and any associated shares on issue will continue to be held in trust for subsequent reallocation.

Vesting on involuntary termination

If an executive's employment is terminated due to death, total and permanent disability, retrenchment or retirement, then the executive's unvested MIP awards will vest, pro-rated based on the period that the executive has been employed with Emeco during the vesting period.
All unvested MIP awards lapse if an executive resigns or is terminated for cause.

3.4 Prohibition of hedging securities

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

3.5 Relationship between remuneration and Company performance

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

This has been achieved by setting STI KPIs which are focussed on the overall performance of the Company and which promote collaboration and support between executives, senior managers and the Group as a whole.

In respect of FY17, 100% of the executives' target STI was awarded as a result of the improved financial performance of the Group.

MIP awards are dependent on continued employment with the Group over, and the value of which are ultimately dependent on the share price at the end of, the vesting period. No incentives under the Company's previous long term incentive plans vested in FY17. See section 5.5 for more detail.

In FY17, the Company continued to focus on cash generation through reducing costs, disposing surplus fleet and managing capital expenditure and working capital in order to deleverage and strengthen its balance sheet. EBITDA is a good indicator of the Company's cash generating ability. Further deleveraging was achieved through the recapitalisation and mergers with Andy's and Orionstone and the Company's new senior secured notes and revolving credit facility have provided financial flexibility to generate cash to continue to reduce debt.

Retaining senior management during this period was integral to the Company's achievements and in placing the Group in a leading market position from which to benefit from the improving market conditions and hence greater shareholder returns.

Details of the KPIs for the FY17 STI and MIP plans are set out in the following table:

KPI	STI	MIP
Financial	EBITDA	Share price
Non-financial	Safety	Continued employment

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

In FY17, the STI awards to executives increased from FY16 due to the Company's improved financial performance. However, the extent to which Emeco has set financial KPIs which are genuinely challenging, and which mean that STI remuneration is genuinely at risk, is highlighted by the fact that in FY16 all executives only received 25% of their target STI as the operating EBITDA target was not reached. No executive subject to the financial hurdle in FY15 received a STI payment in that year. In FY14, the STIs were awarded for safety and personal goals and the sale of idle assets KPIs being met, however, no STIs in respect of financial KPIs were awarded. STI payments to executives decreased in FY13 partially due to financial KPIs not being met. Details of the FY17 KPIs are set out above in section 3.3.1.

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

	FY17	FY16	FY15	FY14	FY13
Profit/(loss) from continuing operations ($m)	(156.2)	(168.4)	(123.1)	(224.2)	(0.0)
Profit/(loss) from discontinuing operations ($m)	(24.3)	(56.9)	(4.6)	(51.1)	6.0
Statutory EBITDA	69.6	47.6	32.8	27.2	148.3
Statutory profit/(loss) ($m)	(180.5)	(225.3)	(127.7)	(275.3)	6.0
Total dividends declared ($m)	-	-	-	-	15.0
Statutory return on capital employed	(50.2%)	(61.6%)	(20.7%)	(30.7%)	4.2%
Closing share price as at 30 June	$0.11	$0.03	$0.08	$0.20	$0.28

Macroeconomic uncertainty, a downturn in the resources sector globally, difficult trading conditions in Emeco's markets and a resultant decline in the Company's earnings saw the Company's share price close at 28 cents, 20 cents, 8 cents and 3 cents on 30 June 2013, 30 June 2014, 30 June 2015 and 30 June 2016 respectively. In FY17, market conditions improved, contributing to an increase in the Company's earnings. The Company's share price also increased and closed at 10.5 cents on 30 June 2017. No long term securities have vested in the last five years as a result of the Company's performance.

The change to retention based long term incentive plans provides senior managers with a more meaningful incentive to remain with the Group over the longer term. The Company considers retaining senior managers will be a key factor in the performance of the Group. The Company's innovative technological platforms, in addition to the enhanced fleet and capability as a result of the Transaction, positions the Group well to add further value for Emeco customers and increase Company earnings. The value of the MIP awards upon vesting will be wholly dependent on the Company's share price, which aligns executives' interests with that of shareholders.

The primary means available to the Company to grow shareholder wealth, whether by way of dividend distributions or increases in the Company's share price, is to strive to increase earnings and return on capital. In this regard, the Company will maintain remuneration policies and practices which reward strong financial performance and align the interests of management with the interests of shareholders.

4. 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 reviewed and benchmarked annually in August. In FY17, this process did not result in any change in non-executive director fees.

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

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

The chair is entitled to an annual fee of $158,238. All other non-executive directors receive an annual fee of $90,422. An additional annual fee of $6,782 is paid to a director who is a member of a board committee. This fee is increased to $9,042 for a director who chairs a committee. All amounts specified in this section are inclusive of superannuation contributions.

Due to the small number of Australian based non-executive directors in FY17, all Australian non-executive directors sit on more than one committee. However non-executive directors only get paid for sitting on one committee.

5. Details of remuneration

5.1 Remuneration received in relation to FY17

Details of the elements comprising the remuneration of the Group's KMP in FY17 are set out in table 16 below. The table does not include the following components of remuneration because they were either not provided to KMP during FY17 or were not available to KMP by reason of their executive role:

- Short term cash profit sharing bonuses.
- Long term incentives distributed in cash.
- Post-employment benefits other than superannuation.
- Share based payments other than shares and units and share based payments in the form of options.

Also, payments made in respect of a period before the appointment, or after the cessation, of a person as KMP are not included in table 16.

Table 16: FY17 KMP remuneration (Company and consolidated)

	Short-term employee benefits			Post-employment benefits			Share based payments		
	Salary and fees $	Short term bonus payments [1] $	Non-monetary $	Superannuation benefits $	Other long term benefits $	Termination benefits $	Long term equity incentives [2] $	Total $	% of remuneration performance related
Non-executive directors									
Peter Richards	151,219	-	-	14,366	-	-	-	165,585	-
John Cahill [A]	68,126	-	-	6,472	-	-	-	74,598	-
Peter Frank [B]	20,644	-	-	1,961	-	-	-	22,605	-
Keith Skinner [B]	22,709	-	-	2,157	-	-	-	24,866	-
Erica Smyth [A]	68,126	-	-	6,472	-	-	-	74,598	-
Darren Yeates [B]	22,193	-	-	2,108	-	-	-	24,301	-
TOTAL NON-EXECUTIVE DIRECTORS	**353,017**	**-**	**-**	**33,536**	**-**	**-**	**-**	**386,553**	**-**
Executive directors									
Ian Testrow [C]	801,002	3,060,000 [E]	60,275	32,302	60,173	-	969,333	4,983,085	81%
Gregory Hawkins [D]	51,834	-	-	5,839	-	-	(134,442)	(76,768)	n/a
Other executives									
Thao Pham	335,398	600,400 [F]	-	26,775	-	-	232,462	1,195,035	70%
Justine Lea	318,365	428,500 [F]	-	29,086	22,551	-	69,905	868,407	57%
TOTAL ALL EXECUTIVES	**1,506,599**	**4,088,900**	**60,275**	**94,002**	**82,724**	**-**	**1,137,258**	**6,969,758**	
TOTAL	**1,859,616**	**4,088,900**	**60,275**	**127,538**	**82,724**	**-**	**1,137,258**	**7,356,311**	

[1] This figure includes: (i) STI awards under the FY17 plan which were finally determined on 24 August 2017 after completion of performance reviews (refer to table 17) and (ii) Transaction related bonuses and payments (see notes E and F below).

[2] This figure includes equity based incentives offered under the Company's long-term equity based incentive plans in FY15, FY16 and FY17.

[A] Mr John Cahill and Ms Erica Smyth ceased as non-executive directors on 1 April 2017.

[B] Mr Peter Frank, Mr Keith Skinner and Mr Darren Yeates commenced as non-executive directors on 1 April 2017.

[C] Mr Ian Testrow received non-monetary benefits including housing in respect of his relocation arrangement back to Australia in 2014. These benefits ceased in February 2017.

[D] Mr Gregory Hawkins ceased his role as Executive Director, Finance on 19 August 2016. All unvested long term securities offered to Mr Hawkins were forfeited in accordance with their terms and expensed through the income statement.

[E] This figure includes the following one-off cash bonuses paid to Mr Ian Testrow after completion of the Transaction: (i) $650,000 in recognition of Mr Testrow's partial MIP sacrifice during the Transaction (see section 3.3.2 for further information); and (ii) Transaction bonus of $650,000 (in accordance with Mr Testrow's executive services agreement, completion of the Transaction on 31 March 2017 gave rise to an entitlement to a transactional bonus of $1,000,000. The transactional bonus was entirely dependent on the Transaction completing and therefore was either payable in full or not payable at all. Mr Testrow elected to exercise his option to share, and directed portions of, the transactional bonus to other KMPs in recognition of their significant contributions to completion of the Transaction (see note F below).

[F] This figure includes one-off transactional cash bonuses of $250,000 and $100,000 paid to Ms Thao Pham and Ms Justine Lea respectively in recognition of their significant contributions to completion of the Transaction (see note E above).

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

	Short-term employee benefits			Post-employment benefits			Share based payments		
	Salary and fees	STI [1]	Non-monetary	Super-annuation benefits	Other long term benefits	Termina-tion benefits	LTIs [2]	Total	% of remuneration performance related
	$	$	$	$	$	$	$	$	%
Non-executive directors									
Alec Brennan [A]	113,495	-	-	10,782	-	-	-	124,277	-
John Cahill	97,853	-	-	9,296	-	-	-	107,149	-
Peter Richards	123,388	-	-	11,721	-	-	-	135,109	-
Erica Smyth	92,589	-	-	8,795	-	-	-	101,384	-
Executive directors									
Ian Testrow [B]	611,000	130,000	97,995	32,938	-	-	219,761	1,091,694	20%
Gregory Hawkins	484,121	-	-	31,321	-	-	94,583	610,025	16%
Kenneth Lewsey [C]	259,747	-	-	24,675	-	501,539	783,723	1,569,684	50%
TOTAL ALL DIRECTORS	**1,782,193**	**130,000**	**97,995**	**129,528**	**-**	**501,539**	**1,098,067**	**3,739,322**	
Other executives									
Thao Pham	290,767	26,857	-	31,011	-	-	89,065	437,700	20%
Christopher Hayman [D]	69,431	-	-	-	-	174,081	(150,083)	93,429	-161%
Kalien Selby [E]	53,906	-	-	18,435	-	190,935	24,983	288,259	9%
TOTAL ALL EXECUTIVES	**414,104**	**26,857**	**-**	**49,446**	**-**	**365,016**	**(36,035)**	**819,388**	
TOTAL	**2,196,297**	**156,857**	**97,995**	**178,974**	**-**	**866,555**	**1,062,032**	**4,558,710**	

[1] STI awards under the FY16 plan were finally determined on 24 August 2016 after completion of performance reviews.
[2] This figure includes long term incentives offered under the Company's previous long term incentive plan and, in respect of Ms Thao Pham, RIs offered in FY16.
[A] Mr Alec Brennan ceased his role as non-executive director on 22 April 2016.
[B] Mr Testrow received non-monetary benefits including housing in respect of his relocation arrangement back to Australia is 2014.
[C] Mr Kenneth Lewsey ceased his role as managing director and chief executive officer on 20 August 2015. All unvested long term securities granted to Mr Lewsey were forfeited in accordance with the terms of the grant and expensed through the income statement.
[D] Mr Christopher Hayman's remuneration has been converted to Australian dollars on the basis of an AUD/CAD exchange rate of 0.9890. Mr Hayman ceased his employment on 6 November 2015. All unvested long term securities granted to Mr Hayman were forfeited in accordance with the terms of the grant and reversed through the income statement.
[E] Ms Kalien Selby ceased her employment on 28 August 2015. All unvested long term securities granted to Ms Selby were forfeited in accordance with the terms of the grant and expensed through the income statement.

5.2 FY17 STI grants

The terms of the FY17 STI plan are discussed at pages 28 to 30.

Details of the vesting profile of the STI grants awarded to executives in respect of FY17 are set out below:

Table 17: FY17 executive STI vesting information

Executive [A]	Maximum total STI value [1]	% of STI awarded	% of STI forfeited
Ian Testrow	$1,760,000	100%	0%
Thao Pham	$350,400	100%	0%
Justine Lea	$328,500	100%	0%

[A] Mr Gregory Hawkins ceased employment with the Group on 19 August 2016 and did not have FY17 STI entitlements.
[1] The minimum STI value for each KMP is zero. All STI awards will be paid in cash.

5.3 MIP grants

The terms of the MIP are discussed at page 30 to 31.

Grants and vesting of MIP awards made to executives under the MIP in FY17 are set out in the following table:

Table 18: MIP award grants and vesting to executives

Executive		Grant date	Equity instrument	Number granted	Maximum value [1]	Vesting date	Fair value per share/right at grant date [2]	Number held at year end
Ian Testrow	[A]	31/03/2017	Performance shares	108,674,758	$9,020,005	1/04/2020	$0.083	108,674,758
Thao Pham		31/03/2017	Performance rights	24,368,606	$2,022,594	1/04/2020	$0.083	24,368,606
Justine Lea		31/03/2017	Performance rights	8,122,868	$674,198	1/04/2020	$0.083	8,122,868

[A] Mr Ian Testrow's grant of performance shares was approved by shareholders at the EGM as part of the interrelated resolutions to approve the Transaction. As set out above, performance shares are fully paid ordinary Emeco shares already on issue, the vesting of which is subject to service conditions being met (see section 3.3.2).
[1] The minimum value of each grant is zero.
[2] The fair value of the securities was determined using the share price at market open on 31 March 2017, and is allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed in the KMP remuneration table (table 16) is the portion of the fair value of the securities recognised in FY17.

5.4 Retention Incentives

In FY16 the Company offered executives retention incentives (**RI**). The awards offered under the RI Plan are not conditional on Company performance but rather vest at the end of a three year period (**performance period**). This was to encourage senior management to remain with the Group for the performance period.

Historically most of the Company's long term incentive plans included a performance condition based on the relative total shareholder return (**TSR**) of the Company measured against a peer group over a three year vesting period. TSR performance conditions became particularly difficult to satisfy given the downturn in the mining sector and seemingly affected the value of these plans as a retention tool. Since, the Company has offered long term incentive plans with service conditions rather than TSR performance conditions. Turnover in senior management has decreased during FY16 and FY17 as a result.

RI remuneration is in the form of performance shares or performance rights (**RI securities**). All RI securities are backed by ordinary shares on issue and, as such, RI securities which vest will not impact the issued capital of the Company. As set out in section 3.3.2, a performance share is a fully paid ordinary Emeco share, the vesting of which is subject to the performance condition being met. A performance right is a right to receive a fully paid ordinary Emeco share on issue, the vesting of which is subject to the performance condition being met.

RI securities that do not vest at the end of the vesting period will lapse. Shares associated with these RI securities will be held in trust for subsequent reallocation.

Performance shares which vest are transferred to the employee. In respect of performance rights which vest, corresponding shares are transferred to the employee.

Grants and vesting of RI securities made to executives under the Company's RI Plan are set out in the following table:

Table 19: RI securities grants and vesting to executives

Executive [A]	Grant date	Equity instrument	Number granted	Maximum value [1]	Vesting date	Fair value per share/right at grant date [2]	Number held at year end
Ian Testrow	14/12/2016	Performance shares	13,021,703	$780,000	Sep-18	$0.030	13,021,703
Thao Pham	05/02/2016	Performance shares	3,330,756	$199,525	Sep-18	$0.030	3,330,756

[A] The performance share offer made to Mr Ian Testrow in FY16 was approved by shareholders at the Company's 2016 annual general meeting. Mr Hawkins ceased employment with the Group on 19 August 2016 and his offer of performance shares was forfeited prior to shareholder approval for the grant being sought. Ms Justine Lea was not offered performance shares in FY16.
[1] The minimum value of each grant is zero.
[2] The fair value of the RI securities was determined using a Monte Carlo share price simulation model, and is allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed in the KMP remuneration table (table 16) is the portion of the fair value of the securities recognised in FY17.

5.5 Long Term Incentives

During FY08 to FY15, the Company offered long term incentives (**LTI**s) to executives to reward them for Company performance over a three year period (**vesting period**).

LTI remuneration was in the form of performance shares or performance rights (**LTI securities**).

The performance condition for the vesting of LTI securities was based on the relative TSR of the Company measured against a peer group (**peer group**) over the vesting period.

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

At the end of the vesting period, the TSR for Emeco and each company in the peer group will be measured and ranked. Emeco will be allocated a percentile rank representing the percentage of companies in the peer group that has a lower TSR than Emeco (**percentile rank**).

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

Percentile rank	Percentage of LTI securities that vest
50% or lower	Nil
Between 50% and 75%	50% plus 2% for each percentile rank over 50%
75% or higher	100%

LTI securities that do not vest at the end of the vesting period will lapse. The shares associated with these LTI securities will be held in trust for subsequent reallocation.

Performance shares which vest are transferred to the employee. In respect of performance rights which vest, corresponding shares are transferred to the employee.

Grants and vesting of LTI securities made to executives under the Company's LTI plans are set out in the following table:

Executive [A]	Grant date	Equity instrument	Number granted	Maximum value [1]	% vested in FY17	% forfeited in FY17	Vesting date [2]	Fair value per share/right at grant date [3]	Number held at year end
Ian Testrow	04/12/2013	Performance rights	1,633,151	$228,641	-	100%	Sep-16	$0.15	0
	14/12/2016	Performance shares	1,550,000	$232,500	-	-	Sep-17	$0.12	1,550,000
Thao Pham	07/10/2013	Performance shares	199,456	$33,908	-	100%	Sep-16	$0.18	0
	24/11/2014	Performance shares	640,000	$96,000	-	-	Sep-17	$0.12	640,000
Justine Lea	07/10/2013	Performance shares	215,294	$36,600	-	100%	Sep-16	$0.18	0
	24/11/2014	Performance shares	244,000	$36,600	-	-	Sep-17	$0.12	244,000

[A] The LTI securities offer made to Mr Ian Testrow in FY15 was approved by shareholders at the Company's 2016 annual general meeting on 14 December 2016. Mr Hawkins ceased employment with the Group on 19 August 2016 and his offer of LTI securities was forfeited prior to shareholder approval.

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

[2] For LTI securities granted in FY15 the vesting date is the twentieth trading day after the announcement of the Company's annual results in 2017.

[3] The fair value of the LTI securities was determined using a Monte Carlo share price simulation model, and is allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed in the KMP remuneration table (table 16) is the portion of the fair value of the securities recognised in FY17.

5.6 Emeco employee share ownership plan

Emeco's employee share ownership plan (**ESOP**) was an elective plan which was open to all Australian employees between FY08 and FY15. Under the ESOP, for every five shares acquired and paid for by the employee under the ESOP (**ESOP shares**), Emeco acquired one matching share on market at no cost to the employee.

The matching shares are subject to a vesting condition. Under the ESOP, a participating employee must remain employed with Emeco for one year after the end of the calendar year in which the matching shares are acquired (**restriction period**). If an employee resigns from the Group before the expiry of the restriction period, the matching shares are forfeited. All matching shares automatically vest if an employee is made redundant before the expiry of the restriction period.

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

Emeco has not offered any shares under the ESOP since FY14. However, shares acquired in 2015 under previous ESOPs vested for participating employees that remain employed with Emeco at 31 December 2016.

During FY17 ESOP shares were released from escrow, and matching shares vested, under previous ESOPs as set out below:

Executive	Released ESOP shares	Vested matching shares
Ian Testrow	24,886	4,973
Thao Pham	24,886	4,973

6. Service contracts

Each executive is employed pursuant to contracts which provide for an indefinite term. In respect of Mr Testrow, his employment contract is terminable by either party giving notice of the greater of: (i) 12 months; and (ii) a period expiring on 30 March 2020 (**Notice Period**) or on the payment to Mr Testrow of the Notice Period in lieu of notice (subject to shareholder approval where required). The employment contracts of the other executives are terminable on either party giving six months' notice or on the payment to the executive of up to six months' salary in lieu of notice. No termination payments other than salary in lieu of notice and accrued statutory leave entitlements are payable under these contracts.

Signed in accordance with a resolution of the directors.

Ian Testrow
Managing Director

Dated at Perth, 30th day of August 2017

Deloitte.

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

30 August 2017

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 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Leanne Karamfiles
Partner
Chartered Accountants

Emeco Holdings Limited and its Controlled Entities

Financial Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Continuing operations			
Revenue from rental income		183,248	139,545
Revenue from the sale of machines and parts		1,639	5,470
Revenue from maintenance services		20,156	22,956
		205,043	167,970
Changes in machinery and parts inventory	8	(8,322)	(8,502)
Repairs and maintenance		(68,648)	(63,144)
Employee expenses		(20,689)	(30,890)
Hired in equipment and labour		(16,108)	(14,873)
Depreciation expense	8	(60,721)	(51,282)
Gross profit		30,555	(721)
Other income	7	2,716	1,227
Other expenses	8	(31,362)	(18,420)
Impairment of tangible assets	8	(10,153)	(130,789)
Amortisation expense	21	(826)	(148)
Business acquisition and restructuring transaction expenses	8b	(87,997)	-
Finance income	8	14,112	79,053
Finance costs	8	(48,441)	(55,132)
Net foreign exchange gain/(loss)	8	(10,079)	(41,666)
Loss before tax expense		(141,475)	(166,596)
Tax benefit/(expense)	10	(14,672)	(1,858)
Loss from continuing operations		(156,147)	(168,454)
Discontinued operations			
Loss from discontinued operations (net of tax)	14	(24,316)	(56,935)
Loss from discontinued operations		(24,316)	(56,935)
Loss for the year		(180,463)	(225,389)
Other comprehensive (loss)/income			
Items that are or may be reclassified to profit and loss:			
Foreign currency translation differences for foreign operations (net of tax)		14,397	(3,403)
Changes in fair value of cash flow hedges (net of tax)		(15,400)	11,821
Total other comprehensive income/(loss) for the year		(1,003)	8,418
Total comprehensive income/(loss) for the year		(181,466)	(216,971)

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 46 to 128.

Emeco Holdings Limited and its Controlled Entities

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

For the year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Loss attributable to:			
Owners of the Company	35	(180,463)	(225,389)
Loss for the year		(180,463)	(225,389)
Total comprehensive loss attributable to:			
Owners of the Company	35	(181,466)	(216,971)
Total comprehensive loss for the year		(181,466)	(216,971)

	Note	2017 cents	2016 cents
Loss per share:			
Basic loss per share	35	(18.66)	(40.42)
Diluted loss per share	35	(18.66)	(40.42)
Loss per share from continuing operations			
Basic loss per share	35	(16.15)	(30.21)
Diluted loss per share	35	(16.15)	(30.21)

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 46 to 128.

Emeco Holdings Limited and its Controlled Entities

Consolidated Statement of Financial Position

as at 30 June 2017

	Note	2017 $'000	2016 $'000
Current Assets			
Cash assets	17	16,978	24,854
Trade and other receivables	18	113,535	37,734
Derivative financial instruments	19	-	6,315
Inventories	20	3,114	5,333
Prepayments		2,956	1,832
Assets held for sale	15	26,421	30,728
Total current assets		163,004	106,796
Non-current Assets			
Trade and other receivables	18	237	6,234
Derivative financial instruments	19	4,015	12,629
Intangible assets	21	2,887	2,344
Property, plant and equipment	22	349,737	280,182
Deferred tax assets	12	-	19,507
Investments		799	-
Total non-current assets		357,675	320,896
Total assets		520,679	427,692
Current Liabilities			
Trade and other payables	23	82,545	38,035
Liabilities directly associated with assets classified as held for sale	15	449	883
Derivative financial instruments	19	8,366	-
Interest bearing liabilities	24	6,894	4,579
Provisions	26	6,383	3,469
Total current liabilities		104,637	46,966
Non-current Liabilities			
Interest bearing liabilities	24	447,145	373,239
Provisions	26	904	1,490
Total non-current liabilities		448,049	374,729
Total liabilities		552,686	421,695
Net (liabilities)/assets		(32,007)	5,997
Equity			
Share capital	13	749,117	593,616
Reserves		(537)	12,505
Retained losses		(780,587)	(600,124)
Total equity attributable to equity holders of the Company		(32,007)	5,997

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 46 to 128.

Emeco Holdings Limited and its Controlled Entities

Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

	Share capital $'000	Share based payment reserve $'000	Hedging reserve $'000	Foreign currency translation reserve $'000	Reserve for own shares $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2015	593,616	15,247	(8,219)	16,196	(20,634)	(374,735)	221,471
Total comprehensive income for the period							
Profit or (loss)	-	-	-	-	-	(225,389)	(225,389)
Other comprehensive income							
Foreign currency translation differences	-	-	(3,257)	(146)	-	-	(3,403)
Effective portion of changes in fair value of cash flow hedge, net of tax	-	-	11,821	-	-	-	11,821
Total comprehensive income/(loss) for the period	-	-	8,564	(146)	-	(225,389)	(216,971)
Transactions with owners, recorded directly							
Contributions by and distributions to owners							
Own shares acquired by employee share plan trust	-	-	-	-	-	-	-
Share-based payment transactions	-	1,497	-	-	-	-	1,497
Total contributions by and distributions to owners	-	1,497	-	-	-	-	1,497
Balance at 30 June 2016	593,616	16,744	345	16,050	(20,634)	(600,124)	5,997

	Share capital $'000	Share based payment reserve $'000	Hedging reserve $'000	Foreign currency translation reserve $'000	Reserve for own shares $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2016	593,616	16,744	345	16,050	(20,634)	(600,124)	5,997
Total comprehensive income for the period							
Profit or (loss)	-	-	-	-	-	(180,463)	(180,463)
Other comprehensive income							
Foreign currency translation differences	-	-	12,581	1,816	-	-	14,397
Changes in fair value of cash flow hedge, net of tax	-	-	(15,400)	-	-	-	(15,400)
Total comprehensive income/(loss) for the period	-	-	(2,819)	1,816	-	(180,463)	(181,466)
Transactions with owners, recorded directly							
Contributions by and distributions to owners							
Shares issued during the period	155,501	-	-	-	-	-	155,501
Own shares acquired by employee share plan trust	-	-	-	-	(18,440)	-	(18,440)
Share-based payment transactions	-	6,401	-	-	-	-	6,401
Total contributions by and distributions to owners	155,501	6,401	-	-	(18,440)	-	143,462
Balance at 30 June 2017	749,117	23,145	(2,474)	17,866	(39,074)	(780,587)	(32,007)

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 46 to 128.

Emeco Holdings Limited and its Controlled Entities

Consolidated Statement of Cash Flows

For the year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Cash receipts from customers		157,376	228,558
Cash paid to suppliers and employees		(133,646)	(166,245)
Cash generated from operations		23,730	62,313
Finance income received		54	702
Finance expense paid		(38,010)	(44,503)
Cash receipts from derivatives sold		15,206	48,167
Taxes received		-	3,965
Net cash inflow from operating activities of discontinued operations	14	13,243	-
Net cash from operating activities	30	14,223	70,644
Cash flows from investing activities			
Proceeds on disposal of non-current assets		15,404	15,103
Payment for property, plant and equipment		(31,371)	(38,215)
Cash acquired from acquired business	36	942	-
Acquisition costs	8b	(14,445)	-
Net cash inflow from investing activities of discontinued operations	14	15,511	-
Net cash (used in) investing activities		(13,959)	(23,112)
Cash flows from financing activities			
Proceeds from issue of shares		20,000	-
Repurchase of issued debt		-	(41,971)
Payment for debt establishment costs		(20,598)	-
Payment of finance lease liabilities		(4,558)	(7,340)
Net cash outflow from financing activities of discontinued operations	14	(1,717)	-
Net cash (used in) financing activities		(6,873)	(49,311)
Net decrease in cash and cash equivalents		(6,609)	(1,779)
Cash and cash equivalents at beginning of the period		24,854	27,800
Effects of exchange rate fluctuations on cash held		(1,267)	(1,167)
Cash and cash equivalents at the end of the financial period		16,978	24,854

The consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 46 to 128.

1 Reporting entity

Emeco Holdings Limited (the '**Company**') is domiciled in Australia. The address of the Company's registered office is Level 3, 71 Walters Drive, Osborne Park WA 6017. The consolidated financial statements of the Company as at and for the year ended 30 June 2017 comprise the Company and its subsidiaries (together referred to as the '**Group**'). The Group is a for profit entity and primarily involved in the provision of safe, reliable and maintained heavy earthmoving equipment solutions to customers in the mining industry (refer note 16).

2 Basis of preparation

(a) Statement of compliance

The consolidated 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 consolidated financial statements were authorised for issue by the board of directors on 30 August 2017.

(b) Basis of measurement

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

- derivative financial instruments are measured at fair value;
- assets held for sale at fair value less costs of disposal; and
- financial instruments at fair value through profit or loss are measured at fair value.

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

(c) Functional and presentation currency

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

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

(d) Use of estimates and judgements

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

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

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

2 Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

Recognition of tax losses

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

Impairment of assets

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

Assets held for sale

In accordance with the Company's accounting policies for assets held for sale (refer note 3(i)), non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs of disposal. Fair value less costs of disposal includes estimates and judgements about the market value of these assets. Changes in these estimates and assumptions could impact on the carrying amount of these assets held for sale. The carrying amount of assets held for sale are set out note 15.

Business combinations

In accordance with the Company's accounting policies for business combinations (refer note 3(r)), assets and liabilities acquired under business combinations are recognised at their fair value at the date of acquisition. Estimates and assumptions have been made about the collectability of trade and other receivables and fair value of inventory and items of property, plant and equipment and provisions. Refer to note 36 for further information on business combinations and note 5(h) for details on determination of fair value.

2 Basis of preparation (continued)

(e) Going Concern

The directors note that as at 30 June 2017 the Group has positive net current assets of $58,367,000. Additional debt acquired during the period in addition to the impairment of goodwill acquired from business combinations has resulted in a net asset deficiency of $32,007,000. The Group has also made a net loss after tax of $180,463,000 during the period.

Notwithstanding, the Consolidated Financial Statements for the year ended 30 June 2017 has been prepared on a going concern basis. This assumes the Company and the Group will be able to realise their assets and discharge their liabilities in the normal course of business.

The directors believe this is appropriate on the basis that the notes do not mature until March 2022 and the current cash reserves along with forecasted cash flows are sufficient to cover the Company's obligations including the payment of interest due on the notes in July 2017 and January and July 2018.

3 Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

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

(ii) Transactions eliminated on consolidation

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

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

(ii) Foreign operations

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

3 Significant accounting policies (continued)

(c) Financial instruments

(i) Non-derivative financial assets and financial liabilities recognition and derecognition

The Group initially recognises loans and receivables and deposits and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are recognised initially on the trade date.

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

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

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

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

(ii) Non-derivative financial assets - measurement

Loans and receivables

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

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents

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

(iii) Non-derivative financial liabilities - measurement

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method unless the Group has applied fair value hedging, in which case amortised cost is adjusted to reflect the movement in the fair value of the underlying hedge item. This adjustment is recorded in the statement of profit and loss.

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

(iv) Derivative financial instruments, including hedge accounting

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

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

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

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

Fair value hedges

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

Cash flow hedges

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

When the hedged item is a non-financial asset, the amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the non-financial item affects profit or loss. In other cases the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified in profit or loss.

Other non-trading derivatives

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

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

(v) Share capital

Ordinary shares

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

Purchase of share capital (treasury shares)

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

Dividends

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

Repurchase and reissue of share capital (treasury shares)

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented in retained earnings.

(d) Property, plant and equipment

(i) Recognition and measurement

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

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

Cost includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

3 Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Expenditure on major overhauls and refurbishments of equipment is capitalised in property, plant and equipment as it is incurred, where that expenditure is expected to provide future economic benefits. The costs of the day-to-day servicing of property, plant and equipment and ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

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

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

Depreciation on buildings, leasehold improvements, furniture, fixtures and fittings, office equipment, motor vehicles and sundry plant is calculated on a straight line basis. Depreciation on plant and equipment is calculated on a units of production method and charged on machine hours worked over their estimated useful life. In certain specific contracts, depreciation methodology on some items of plant and equipment are reassessed in line with their effective lives. In these situations, depreciation is recognised in line with the pattern of economic benefits expected to be consumed.

The estimated useful lives are as follows:

Leasehold improvements	15 years
Plant and equipment	3 – 15 years
Furniture, fixtures and fittings	10 years
Office equipment	3 – 10 years
Motor vehicles	5 years
Sundry plant	7 – 10 years

(e) Intangible assets

(i) Research and Development

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

(ii) Goodwill

Goodwill arises on the acquisition of subsidiaries. Goodwill represents the excess of the cost of the acquisition over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative, the gain on bargain purchase is recognised immediately in profit or loss.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

3 Significant accounting policies (continued)

(e) Intangible assets (continued)

(iii) Other intangible assets

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

(iv) Amortisation

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

Amortisation is recognised in profit or loss on a straight line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

- Software 0 – 3 years

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

(f) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

Inventory is occasionally sold under a rental purchase option (**RPO**). Under the RPO the purchaser is entitled to a rebate upon exercising the option. A charge is recognised against the carrying value of inventory on RPOs to reflect the consumption of economic benefits related to that inventory.

(g) Work in progress

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

3 Significant accounting policies (continued)

(h) Impairment

(i) Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Group considers a decline of 20% to be significant and a period of nine months to be prolonged.

Financial assets measured at amortised cost
The Group considers evidence of impairment for these assets measured at both an individual asset and a collective level. All individually significant assets are individually assessed for specific impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of the impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

(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.

3 Significant accounting policies (continued)

(h) Impairment (continued)
(ii) Non-financial assets (continued)

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.

(i) Assets held for sale

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

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

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

(j) Employee benefits
(i) Defined contribution plans

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

(ii) Other long term employee benefits

The Group's net obligation in respect of long term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

(iii) Termination benefits

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

3 Significant accounting policies (continued)

(j) Employee benefits (continued)

(iv) Short term benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(v) Share based payment transactions

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

(b) A Retention Incentive (**RI**) plan allows certain management personnel to receive shares or rights of the Company. Under the RI, rights or shares granted to each RI participant vest to the employee after three years. The 2015 long term incentive plan (**LTIP**), included a performance condition included a performance hurdle based on relative total shareholder return (**TSR**). The peer group that the Company's TSR is measured against consists of 123 Companies (this number may change as a result of takeovers, mergers etc.) and includes 16 Companies that are considered direct peers to Emeco, in addition to the S&P/ASX Small Industrials (excluding banks, insurance companies, property trust companies and investment property trust/companies and other stapled securities). The fair value of the performance rights or shares granted under the LTIP have been measured using Monte Carlo simulation analysis and are expensed evenly over the period from grant date to vesting date.

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

3 Significant accounting policies (continued)

(j) Employee benefits (continued)
(v) Share based payment transactions (continued)

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

(e) A short term incentive (**STI**) plan allows the executive leadership team to receive, on board approval, cash or shares of the Company upon satisfying performance conditions. This is determined at the end of each financial year based on the executive's performance. The performance conditions related to KPIs include EBITDA, direct costs, overheads, capital expenditure, working capital, free cash flow, sale of idle assets, safety and personal goals. These benefits are accounted for in accordance with AAS 2 and AAS119.

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

(i) 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.

(l) Revenue
(i) Rental revenue
Revenue from the rental of machines is recognised in profit and loss based on the number of hours the machines operate each month. Customers are billed monthly.

(ii) Goods sold
Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

3 Significant accounting policies (continued)

(l) Revenue (continued)

(iii) Maintenance services

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

(m) Leases

Leased assets

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

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

Lease payments

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

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

(n) Finance income and finance costs

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;
- 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.

3 Significant accounting policies (continued)

(o) Income tax

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

(i) Current tax

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

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; or
- taxable temporary differences arising on the initial recognition of goodwill.

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

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(iii) Tax exposures

The Company and its wholly owned Australian resident entities have formed a tax consolidated group with effect from 16 December 2004 and are therefore taxed as a single entity from that date. The entities acquired during the period were added to the tax consolidated group on the date of acquisition. The head entity within the tax consolidated group is Emeco Holdings Limited.

3 Significant accounting policies (continued)

(p) Discontinued operations

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

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

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

When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

(q) Segment reporting

Segment results that are reported to the board of directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly cash, interest bearing liabilities and finance expense.

(r) Business combinations

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

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

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

4 New standards and interpretations not yet adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2017. Those which may be relevant to the Group are set out below.

(i) AASB 16 Leases (2016)
AASB16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right of use asset representing its right-to-use the underlying leased asset and a lease liability representing its obligations to make lease payments. Management is in the process of assessing the potential impact of the changes to AASB. The Group holds commitments that would be impacted by the change to this standard however does not consider them to be material as they expire prior to the adoption date of the standard. The Group continues to assess the potential impact when reviewing new contracts that would be accounted for under this standard.

(ii) AASB 15 Revenue from Contracts with Customers (2015)
The new standard replaces AASB 118 which covers the revenues arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. Management is in the process of assessing the likely impact of the changes to AASB 15 and does not believe the changes to the standard will have a material impact on the financial performance and financial position of the Group.

(iii) AASB 9 Financial Instruments (2014)
AASB 9 will replace AASB 139: Financial Instruments: Recognition and Measurement. The key changes that may affect the Group on initial application of AASB 9 and associated amending Standards include:

- simplifying the general classifications of financial assets into those carried at amortised cost and those carried at fair value;
- permitting entities to irrevocably elect on initial recognition to present gains and losses on an equity instrument that is not held for trading in other comprehensive income (**OCI**);
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in OCI, except when it would create an 'accounting mismatch';
- introducing a new model for hedge accounting that permits greater flexibility in the ability to hedge risk, particularly with respect to non-financial items; and
- requiring impairment of financial assets carried at amortised cost based on an expected loss approach.

Management has assessed the likely impact of AASB 9 and does not believe the changes to the standard will have a material impact on the financial performance and financial position of the Group. There is the potential for increased impairment of receivables under the standard which is yet to be assessed by Management.

5 Determination of fair values

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

(a) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of property, plant and equipment has been determined with reference to an independent external valuation in addition to comparisons to similar assets currently on market.

(b) Trade and other receivables

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

(c) Forward exchange contracts and interest rate swaps

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

The fair value of interest rate swaps is based on third party valuations provided by financiers. Those valuations are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

(d) Other non-derivative financial liabilities

Other non-derivative financial liabilities are measured at fair value at initial recognition and for disclosure purposes, at each annual and interim reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

(e) Share based payment transactions

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

5 Determination of fair values (continued)

(f) Equity and debt securities

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

(g) Assets held for sale

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

(h) Business combinations

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

6 Financial instruments

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

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

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

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

The Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Committee is assisted in its oversight role by the internal audit function.

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

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

		Consolidated	
		Carrying amount	
		2017	2016
	Note	$'000	$'000
Trade receivables	18	87,821	32,803
Other receivables	18	26,151	12,255
Cash and cash equivalents	17	16,978	24,854
Derivatives	19	4,015	18,944
		134,965	88,856

6 Financial instruments (continued)
Credit risk (continued)

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

Both insured and uninsured debtors are subject to the Group's credit policy. The Group's credit policy requires each new customer to be analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer according to the external rating and are approved by the appropriate management level dependent on the size of the limit. In the instance that a customer fails to meet the Group's creditworthiness and the Group is unable to secure credit insurance, future transactions with the customer will only be assessed on a case by case basis and where possible, prepayment or appropriate security such as a bank guarantee or letter of credit.

Where commercially available the Group aims to insure the majority of rental customers that are not considered either blue chip customers, subsidiaries of blue chip companies or Government. Blue chip customers are determined as those customers who have a market capitalisation of greater than $700,000,000 (2016: $700,000,000). The Australian and Chilean businesses held insurance for the entire financial year ended 30 June 2017.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures. The specific loss component is made up of the insurance excess for insured debts that have been classified as doubtful and uninsured customers that are classified as doubtful.

As at 30 June 2017 the Group's doubtful debts provision for continuing and discontinued operations was $200,000 (2016: $1,090,000). As at 30 June 2017 the Group recognised bad debt write offs for continuing and discontinued operations for a total amount of $23,000 (2016: $4,924,000).

The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historic payment behaviour and extensive analysis of the underlying customers' credit ratings.

6 Financial instruments (continued)
Credit risk (continued)

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

	Consolidated		Consolidated	
	Gross 2017 $'000	Impairment provision 2017 $'000	Gross 2016 $'000	Impairment provision 2016 $'000
Australia	78,794	(200)	21,070	(37)
North America	526	-	4,095	(938)
South America	8,501	-	7,638	(115)
	87,821	(200)	32,803	(1,090)

Trade and other receivables (continued)

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

	Consolidated Carrying amount	
	2017 $'000	2016 $'000
Insured	27,529	15,205
Blue chip (including subsidiaries)	36,595	15,294
Other security	-	-
Uninsured	23,697	2,304
	87,821	32,803

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

	Consolidated		Consolidated	
	Gross 2017 $'000	Impairment 2017 $'000	Gross 2016 $'000	Impairment 2016 $'000
Not past due	45,420	-	25,338	-
Past due 0-30 days	17,890	-	2,993	-
Past due 31-60 days	13,112	-	2,414	-
Past due 61 days	11,399	(200)	2,058	(1,090)
	87,821	(200)	32,803	(1,090)

6 Financial instruments (continued)
Credit risk (continued)

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

	Consolidated	
	2017	**2016**
	$'000	**$'000**
Balance at 1 July	1,090	5,874
Bad debt written off	(24)	(4,924)
Change in provision for doubtful debts	(866)	140
Balance at 30 June	200	1,090

Derivatives
The Group also held derivative liabilities in relation to cross currency interest rate swaps and forward exchange rate swaps to the total value of $4,351,000 (2016: asset $18,944,000) at 30 June 2017, which represents its maximum credit exposure on these assets. The interest rate swaps and cross currency interest rate swaps are held with bank and financial institution counter parties which are rated greater than A-.

Cash
The Group held cash and cash equivalents of $16,978,000 at 30 June 2017 (2016: $24,854,000), 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 2017 the Group held $116,000 of bank guarantees (2016: $116,000) and $Nil of prepayments (2016: $Nil).

Guarantees
Financial guarantees are generally only provided to wholly owned subsidiaries or when entering into a premise rental agreement or performance bonds for completion of contract. Details of outstanding guarantees are provided in note 29. At 30 June 2017 $4,172,000 guarantees were outstanding (2016: $11,504,000).

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.

6 Financial instruments (continued)

Liquidity risk (continued)

The Group has issued secured fixed interest notes to the value of US$360,818,000 which matures on 30 March 2022. The nominal fixed interest rate is 9.25%. These notes will remain fully drawn until maturity. Of the notes on issue, the Group holds US$4,890,000 which has been netted off against the total notes outstanding.

The Group has an A$65,000,000 facility that matures in March 2020 which has two sub facilities consisting of a Revolving Cash Advance Facility (**RCF**) of A$35,000,000 and a Bank Guarantee Facility of A$30,000,000. The bank guarantee facility attracts a fee of 2.75% on the unutilised portion of the facility and a fee of 5.5% on the outstanding balance of guarantees on issue. The nominal interest rate on the RCF is equal to the aggregate of the bank bill swap rate (**BBSY**) plus a margin of between 5% and 7% dependant on the calculated leverage ratio. The facility also attracts an undrawn line fee of between 2.5% and 3.5% dependant on the calculated leverage ratio on the undrawn available balance of the facility.
The facilities require the Group to maintain a collateral coverage ratio greater than 3.0x and a fixed charge coverage ratio greater than 1.2x. At year end the Group had drawn $Nil of the RCF but had utilised $2,729,000 of the bank guarantee facility.

The Group has a facility agreement comprising a credit card facility with a limit of A$60,000 and foreign exchange forward contracts. The facility matures in December 2016 and will be available for general corporate purposes. The facility is secured via a cash cover account. The Group has a separate bank guarantee facility of $560,000 which is fully utilised and secured via a cash cover account.

The Group has finance lease facilities totalling A$9,801,000 (2016: A$9,006,000) which have various maturities up to November 2020.

The Group has financed its insurance payments with A$1,584,000 remaining at year end which matures in January 2018.

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

6 Financial instruments (continued)

Liquidity risk (continued)

Consolidated 30 June 2017	Carrying amount $'000	Contractual cash flows $'000	6 mths or less $'000	6-12 mths $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Non-derivative financial liabilities							
Secured notes issue	443,284	676,734	14,267	21,401	42,802	598,264	-
Finance lease liabilities	9,801	10,458	2,426	2,609	3,207	2,216	-
Insurance financing	1,584	1,584	1,584	-	-	-	-
Trade and other payables	24,491	24,491	24,491	-	-	-	-
Liabilities directly associated with assets classified as held for sale	449	449	449	-	-	-	-
	479,609	713,716	43,217	24,010	46,009	600,480	-
Derivative financial asset/(liability)							
Cross currency interest rate swaps used for hedging asset/(liability)	(4,351)	(12,275)	(8,363)	(832)	(2,323)	(757)	-
	(4,351)	(12,275)	(8,363)	(832)	(2,323)	(757)	-

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

Consolidated 30 June 2016	Carrying amount $'000	Contractual cash flows $'000	6 mths or less $'000	6-12 mths $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Non-derivative financial liabilities							
Secured notes issue	368,277	493,504	18,798	18,798	37,596	418,312	-
Finance lease liabilities	9,006	9,692	2,823	1,551	1,689	3,642	-
Insurance financing	535	535	535	-	-	-	-
Trade and other payables	13,658	13,658	13,658	-	-	-	-
Liabilities directly associated with assets classified as held for sale	883	896	896	-	-	-	-
	392,359	518,285	36,710	20,349	39,285	421,954	-
Derivative financial assets							
Cross currency interest rate swaps used for hedging asset/(liability)	18,944	19,805	29	114	19,662	-	-
	18,944	19,805	29	114	19,662	-	-

The gross inflows/(outflows) disclosed in the previous table 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 Group is exposed to currency risk on revenue, expenditure, assets and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Australian dollar (**AUD**), but also the United States Dollars (**USD**) and Canadian Dollars (**CAD**). The currencies in which these transactions primarily are denominated are AUD, USD, CAD, Euro dollars (**EURO**), Indonesian Rupiah (**IDR**) and Chilean Peso (**CLP**).

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

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

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

In March 2017 the Group cancelled US$282,720,000 of notes in the 144A high yield market and were replaced with US$360,818,000 new notes of which US$4,890,000 were held by the Group. The net exposure of the notes to the Group at 30 June 2017 is US$355,927,000 of which US$230,000,000 face value of the annual coupon has been hedged and US$100,000,000 face value of the principal has been hedged to Australian Dollars. As derivatives have been entered into, hedge accounting has been applied to these instruments. At 30 June 2017, the group was unhedged US$125,928,000 face value of the annual coupon and US$255,927,000 face value of the net principal outstanding.

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6 Financial instruments (continued)
Market risk (continued)

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

	30 June 2017		30 June 2016	
	USD $'000	CAD $'000	USD $'000	CAD $'000
Cash	3,727	15	13	72
Secured notes issued [1]	(355,927)	-	(218,902)	90,551
Gross balance sheet exposure	(352,200)	15	(218,889)	90,623
Cross currency interest rate swap to hedge the secured notes issued	100,000	-	71,500	-
	100,000	-	71,500	-
Net exposure	(252,200)	15	(147,389)	90,623

(1) Net USD exposure of US$355,927,000 (2016: US$282,720,000) in an AUD denominated entity. Balance is net of notes held by the Group and intercompany loans.

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2017	2016	2017	2016
CAD	1.0102	0.9890	0.9990	0.9632
USD	0.7554	0.7316	0.7692	0.7426
EURO	0.7448	0.6602	0.6730	0.6699
IDR	10,052	9,911	10,252	9,867
CLP	502.65	503.77	510.14	492.52
GBP	0.5911	0.4918	0.5913	0.5549

6 Financial instruments (continued)

Market risk (continued)

Sensitivity analysis

A weakening of the Australian dollar, as indicated below, against the following currencies at 30 June 2017 would have affected the measurement of financial instruments denominated in a foreign currency and increased/(decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2016, as indicated below:

	Consolidated			
	Strengthening		Weakening	
	Equity $'000	Profit or loss $'000	Equity $'000	Profit or loss $'000
30 June 2017				
USD (10 percent movement)	(10,747)	20,430	5,426	(24,970)
CAD (10 percent movement)	-	-	-	-
30 June 2016				
USD (10 percent movement)	(1,470)	21,224	1,796	(25,940)
CAD (10 percent movement)	-	7,256	-	(5,937)

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.

6 Financial instruments (continued)

Market risk (continued)

Profile

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

		Consolidated	
		2017	2016
	Note	$'000	$'000
Variable rate instruments:			
Cash at bank	17	16,978	24,854
Effective interest rate swaps to hedge interest rate risk			
Australian dollars 144A		4,015	18,944
		20,993	43,798
Fixed rate instruments:			
Interest bearing liabilities (notes)	24	(462,724)	(380,716)
Interest bearing finance leases	24	(9,801)	(9,006)
Insurance financing	24	(1,584)	(535)
		(474,109)	(390,257)

Cash flow hedges and fair value hedges

The floating-to-fixed interest rate swaps (hedging instrument) are designated as cash flow hedges through equity. Therefore a change in interest rates at the reporting date would not affect profit or loss to the extent they are effective hedges. The interest rate swaps are designated to hedge the exposure to variability in cash flows attributed to market interest rate risk. These instruments were disposed of in September 2016.

The fixed-to-floating interest rate swaps (hedging instrument) are accounted for as fair value hedges. Therefore a change in interest rates at the reporting date affects profit or loss. The interest rate swaps are designated to hedge the exposure to liquidity risk through the benchmark interest rate. These instruments were disposed of in September 2016.

The cross currency interest rate swaps (hedging instrument) are accounted for as cash flow hedges. The cross currency interest rate swaps are designated to hedge the exposure to variability in foreign exchange rates and exposure to liquidity risk through the benchmark interest rate of the USD fixed rate interest payments on the debt principal amount of the Company's outstanding debt and the foreign currency remeasurement risk arising on the principal balance every 6 months on the Company's outstanding debt.

6 Financial instruments (continued)

Market risk (continued)

Fair value sensitivity analysis for fixed rate instruments

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

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

	Profit or loss		Equity	
Fair value hedges	**100bp increase $'000**	**100bp decrease $'000**	**100bp increase $'000**	**100bp decrease $'000**
30 June 2017				
Fixed rate instruments (144A notes)	-	-	-	-
Interest rate swap	-	-	-	-
Cash flow sensitivity (net)	-	-	-	-
30 June 2016				
Fixed rate instruments (144A notes)	23	(24)	-	-
Interest rate swap	(23)	24	-	-
Cash flow sensitivity (net)	-	-	-	-

6 Financial instruments (continued)

Market risk (continued)

Cash flow sensitivity analysis for fixed rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2016.

	Profit or loss		Equity	
Cash flow hedges	**100bp increase $'000**	**100bp decrease $'000**	**100bp increase $'000**	**100bp decrease $'000**
30 June 2017				
Variable rate instruments	-	-	-	-
Interest rate swap	-	-	-	-
fixed rate foreign currency instruments	-	-	(7,846)	6,279
Cash flow sensitivity (net)	-	-	(7,846)	6,279
30 June 2016				
Variable rate instruments	5	(6)	-	-
Interest rate swap	-	-	69	(70)
Cash flow sensitivity (net)	5	(6)	69	(70)

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

	Profit or loss	
Financial instrument	**2017 $'000**	**2016 $'000**
Cross currency interest rate swap		
- Swap	1,349	1,296
- Hedged item (debt)	-	-
Net profit and loss impact before tax	1,349	1,296

During the year the hedging relationships were highly effective and no ineffectiveness was recognised in the profit or loss for the year. The hedge relationship is expected to be highly effective throughout the life of the hedge and is not expected to impact the profit and loss until the hedge reserve is transferred to the profit and loss at the maturity of the hedge.

6 Financial instruments (continued)

Market risk (continued)

Fair values

Interest rates used for determining fair value

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

	2017			2016		
Derivatives	0.1%	-	2.3%	0.1%	-	2.3%
Loans and borrowings	0.1%	-	3.5%	0.1%	-	3.5%
Leases	4.5%	-	8.1%	4.5%	-	8.1%
144A notes	9.3%	-	9.9%	9.9%	-	9.9%

Fair values versus carrying amounts

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

		30 June 2017		30 June 2016	
	Note	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Assets carried at fair value					
Interest rate swaps used for hedging	19	4,015	4,015	18,944	18,944
		4,015	4,015	18,944	18,944
Assets carried at amortised cost					
Receivables	18	113,535	113,535	37,734	37,734
Cash and cash equivalents	17	16,978	16,978	24,854	24,854
		130,513	130,513	62,588	62,588
Liabilities carried at fair value					
Interest rate swaps used for hedging	19	(8,366)	(8,366)	-	-
		(8,366)	(8,366)	-	-
Liabilities carried at amortised cost					
Secured bank loans	24	630	-	1,310	-
Secured notes issue	24	(443,284)	(462,724)	(278,168)	(284,433)
Secured notes issue (1)	24	-	-	(91,420)	(96,283)
Insurance financing	24	(1,584)	(1,584)	(535)	(535)
Finance lease liabilities	24	(9,801)	(10,458)	(9,006)	(9,692)
Trade and other payables	23	(82,545)	(82,545)	(38,035)	(38,035)
		(536,584)	(557,311)	(415,853)	(428,978)

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

All fair values above have been determined with the use of level 3 inputs which are unobservable. The basis for determining fair values is disclosed in note 5.

6 Financial instruments (continued)
Market risk (continued)

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.

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.

7 Other income

	Consolidated	
	2017	**2016**
	$'000	**$'000**
Net profit on sale of non current assets [1]	504	400
Sundry income [2]	2,212	1,391
	2,716	1,791

(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 2017 was $93,518,000 (2016: $18,049,000) which included $64,430,000 of non-cash assets sales.
(2) Included in sundry income are fees charged on overdue accounts and bad debts and fees earned on through the strategic relationship in Canada.

8 Loss before income tax expense for continuing operations

		Consolidated	
		2017	2016
	Note	$'000	$'000
Loss before income tax expense has been arrived at after charging/(crediting) the following items:			
Cost of sale of machines and parts		8,322	8,502
Impairment of tangible assets:			
- inventory	20	387	7,857
- property, plant and equipment		10,997	130,565
- reversal of impairment on property, plant and equipment		(1,231)	(7,634)
		10,153	130,789
Employee expenses:			
- superannuation		2,128	2,500
Other expenses:			
- bad debts		24	4,924
- doubtful debts/(reversal)		(591)	(5,335)
- insurance		1,467	2,036
- motor vehicles		1,572	2,497
- rental expense		3,376	3,176
- safety expenses		567	718
- travel and subsistence expense		2,847	2,469
- telecommunications		1,035	1,089
- workshop consumables, tooling and labour		1,378	895
- restructuring		1,101	3,046
- corporate development expenses		687	1,812
- consulting fees		4,568	1,276
- employee share plan expenses		6,164	1,665
- other expenses		7,167	(1,850)
		31,362	18,420
Depreciation of:			
- buildings		368	535
- plant and equipment - owned		66,667	62,796
- plant and equipment - leased		1,744	2,976
- furniture fittings and fixtures		21	89
- office equipment		205	239
- motor vehicles		674	1,128
- leasehold improvements		245	331
- sundry plant		684	1,100
less discontinuing operations depreciation expense	14	(9,887)	(17,912)
		60,721	51,282

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

	Consolidated 2017 $'000	Consolidated 2016 $'000
Finance costs:		
- interest expense	42,596	47,105
- witholding tax expense	767	2,559
- amortisation of debt establishment costs using effective interest rate	3,456	3,186
- write off facility costs (1)	-	1,251
- other facility costs	1,622	1,031
Net financial costs	48,441	55,132
Finance income:		
- interest income	(54)	(414)
- hedge gains (2)	(14,058)	(46,976)
- discount on repurchased debt (3)	-	(31,663)
Net financial income	(14,112)	(79,053)
Foreign exchange (gain)/loss:		
Net realised foreign exchange loss	69,024	1,481
Net unrealised foreign exchange (gain)/loss	(58,945)	40,184
Net foreign exchange loss	10,079	41,666

(1) This balance relates to the write off of capitalised borrowing costs related to the 144A notes cancelled during the period and replaced with new notes. The previous period balance relates to accelerated debt establishment costs expensed in relation to the repurchase of US$52,280,000 144A notes in December 2015.

(2) In September 2016, the Group closed out US$71,500,000 face value of cross currency interest rate swaps which generated a cash inflow of A$15,206,000 (US$11,794,000). The balance of the hedge reserve was transferred to the consolidated statement of profit or loss and other comprehensive income during the period resulting in a net gain of $14,058,000.

(3) In December 2015, the Group closed out US$138,500,000 face value of cross currency interest rate swaps which generated a cash inflow of A$48,167,000. These proceeds were used to finance the purchase of US$52,280,000 144A notes for consideration of A$41,971,000 (US$29,799,000) with a resulting gain on repurchase of A$31,663,000.

8b Business acquisition and restructuring transaction expenses

In March 2017, the Company completed a transaction that involved the following:

- acquisition of Andy's Earthmovers (Asia Pacific) Pty Ltd (**Andy's**) and Orionstone Holdings Pty Ltd (**Orionstone**). Refer to note 36 for further details;
- cancellation of the existing Emeco 144A notes, Andy's long term debt and Orionstone long term debt obligations in exchange for new notes for the value of 80% of the face value of the original debt and 20% as shares in Emeco. Refer to notes 13 and 24 for further details;
- refinance of its asset backed loan facility. Refer to note 24 for further details; and
- rights issue of $20,000,000. Refer to note 13 for further details.

Together referred to as (The **Transaction**).

The below table details the items recognised through the consolidated statement of profit or loss and other comprehensive income:

	Consolidated	
	2017	**2016**
	$'000	**$'000**
Business acquisition and restructuring transaction expenses		
- cost of shares issued to Black Diamond Capital Management LLC (1)	10,253	-
- acquisition expenses (2)	14,445	-
- write off facility costs (2)	5,778	-
- impairment of goodwill (3)	77,880	-
- discount on refinanced debt (4)	(20,359)	-
Net financial costs	87,997	-

(1) 123,526,158 shares were provided to Black Diamond Capital Management LLC in consideration for the successful completion of the transaction. The share price at 31 March 2017 has been used in determining the cost of this transaction.

(2) The company incurred $35,043,000 in costs related to the transaction of which $14,445,000 has been recognised as acquisition costs and expensed through the consolidated statement of profit or loss and other comprehensive income. $20,598,000 of this expenditure related to the cancellation of the 144A notes and ABL facility and the issuance of the new notes and RCF facility and have been capitalised. The remaining balance of previously capitalised borrowing costs related to the cancelled 144A notes and ABL facility have been expensed through the consolidated statement of profit or loss and other comprehensive income amounting to $5,778,000. Refer to note 24 for further information.

(3) Goodwill of $77,880,000 was recognised on the acquisition of Andy's and Orionstone (refer to note 36 for details of the business combination) and allocated to the Australia CGU. Impairment testing conducted at 30 June 2017 on the Australia CGU resulted in an impairment loss of $77,880,000 which was allocated against the goodwill of the Australia CGU. Refer to note 22 for further information on the impairment testing process.

(4) The long term debt (excluding finance leases) refinanced via the acquisition of Andy's ($66,558,000) and Orionstone ($137,359,000) in addition to the Group's US$282,720,000/A$365,779,000 144A notes were exchanged for newly issued Emeco new notes to the value of US$360,818,000/A$469,082,000 and 966,563,209 ordinary shares in the Company which were issued at fair value resulting in a gain of $20,359,000.

9 Auditor's remuneration

	Consolidated	
	2017	**2016**
	$	**$**
Audit services		
Auditors of the Company		
Deloitte Touche Tohmatsu Australia:		
- audit and review of financial reports	540,965	333,780
KPMG Australia:		
- audit and review of financial reports	-	32,000
Overseas Deloitte Firms:		
- other assurance services	11,000	4,903
	551,965	370,683
Other services		
Auditors of the Company		
Deloitte Touche Tohmatsu Australia:		
- taxation services	146,160	41,215
- independent expert services	388,890	-
KPMG Australia:		
- taxation services	-	190,740
Overseas Deloitte Firms:		
- taxation services	35,033	10,465
- account preparation	3,741	-
Overseas KPMG Firms:		
- taxation services	-	205,777
	573,824	448,197
	1,125,789	818,880

10 Taxes

a. Recognition in the income statement

	Note	Consolidated 2017 $'000	Consolidated 2016 $'000
Current tax benefit/(expense):			
Current year		-	-
Adjustments for prior years		-	3,915
		-	3,915
Deferred tax benefit/(expense):			
Reversal of temporary differences		(14,672)	(9,841)
Increase in tax rate		-	-
	12	(14,672)	(9,841)
Tax benefit/(expense)		(14,672)	(5,926)
Tax benefit/(expense) from continuing operations		(14,672)	(5,926)
Tax benefit/(expense) from discontinued operations	14	(5,150)	-
Total tax benefit/(expense)		(19,822)	(5,926)

b. Current and deferred tax expense recognised directly in equity

	Consolidated 2017 $'000	Consolidated 2016 $'000
Share issue costs	-	(512)
Cashflow hedges	1,056	15,864
Foreign currency translation reserve	119	-
	1,175	15,352

10 Taxes (continued)

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

	Consolidated	
	2017 $'000	2016 $'000
Prima facie tax benefit/(expense) calculated at 30% on net profit	48,192	65,840
Decrease/(increase) in income tax expense due to:		
Effect on tax rate in foreign jurisdictions	(468)	(6,842)
Non-deductible interest	(499)	(3,658)
Non-deductible foreign taxes	(232)	(757)
DTA from temporary differences and losses not recognised	(41,091)	(57,965)
Non-deductible acquisition costs	(7,409)	-
Other non-deductible expenses	(99)	(238)
Goodwill impairment	(23,364)	-
Non-assessable debt forgiveness gain	5,148	-
Under/(over) provided in prior years	-	(2,306)
Tax benefit/(expense)	(19,822)	(5,926)

11 Current tax assets and liabilities

The current tax asset for the Group of $Nil (2016: $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.

12 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
Consolidated	$'000	$'000	$'000	$'000	$'000	$'000
Property, plant and equipment	-	578	(9,097)	(24,134)	(9,097)	(23,555)
Receivables	3,363	295	(1,130)	(4,912)	2,233	(4,617)
Accrued revenue	-	-	-	(575)	-	(575)
Inventories	-	-	(67)	(849)	(67)	(849)
Payables	1,971	1,546	-	-	1,971	1,546
Derivatives - hedge payable	-	-	-	-	-	-
Derivatives - hedge receivable	1,305	-	-	(5,382)	1,305	(5,382)
Interest bearing loans and borrowings	-	25,323	(891)	-	(891)	25,323
Employee benefits	1,418	980	-	-	1,418	980
Unearned revenue	-	-	-	-	-	-
Equity - capital raising costs	-	363	-	-	-	363
Provisions	311	487	-	-	311	487
Employee share costs	-	-	(3,718)	-	(3,718)	-
Tax losses carried forward	6,535	27,643	-	(1,857)	6,535	25,786
Tax assets/(liabilities)	14,903	57,215	(14,903)	(37,708)	-	19,507
Set off of tax	(14,903)	(72,456)	14,903	72,456	-	-
Net tax assets/(liabilities)	-	(15,241)	-	34,748	-	19,507

Movement in deferred tax balances

	Consolidated						
	Balance 1 July 16 $'000	Balances acquired 31 March 17 $'000	Recognised in profit or loss $'000	Recognised directly in equity $'000	Recognised in other comprehensive income $'000	Included in discontinued operations (note 14) $'000	Balance 30 June 17 $'000
Property, plant and equipment	(23,555)	(6,050)	7,175	-	-	13,333	(9,097)
Receivables	(5,192)	3,530	3,975	-	-	(80)	2,233
Inventories	(849)	(19)	374	-	-	427	(67)
Payables	1,546	107	359	-	-	(41)	1,971
Derivatives - hedge payable	-	-	-	-	-	-	-
Derivatives - hedge receivable	(5,382)	-	87	6,600	-	-	1,305
Interest bearing loans and borrowings	25,323	1,197	(21,986)	(5,425)	-	-	(891)
Employee benefits	980	-	472	-	-	(34)	1,418
Equity - capital raising costs	363	-	(363)	-	-	-	-
Unearned revenue	-	-	(575)	-	-	575	-
Provisions	487	375	(551)	-	-	-	311
Employee share costs	-	-	(3,718)	-	-	-	(3,718)
Tax losses carried forward	25,786	-	79	-	-	(19,330)	6,535
	19,507	(860)	(14,672)	1,175	-	(5,150)	-

12 Deferred tax assets and liabilities (continued)

Movement in deferred tax balances

	Consolidated						
	Balance 1 July 15 $'000	Balances acquired $'000	Recognised in profit or loss $'000	Recognised directly in equity $'000	Recognised in other comprehensive income $'000	Included in discontinued operations (note 14) $'000	Balance 30 June 16 $'000
Property, plant and equipment	(65,615)	-	55,393	-	-	(13,333)	(23,555)
Receivables	(4,983)	-	(289)	-	-	80	(5,192)
Inventories	120	-	(542)	-	-	(427)	(849)
Payables	1,062	-	443	-	-	41	1,546
Derivatives - hedge payable	459	-	(459)	-	-	-	-
Derivatives - hedge receivable	(14,203)	-	-	-	8,821	-	(5,382)
Interest bearing loans and borrowings	20,965	-	(2,685)	-	7,043	-	25,323
Employee benefits	857	-	89	-	-	34	980
Equity - capital raising costs	477	-	398	(512)	-	-	363
Unearned revenue	188	-	387	-	-	(575)	-
Provisions	548	-	(61)	-	-	-	487
Tax losses carried forward	74,121	-	(67,665)	-	-	19,330	25,786
	13,996		(14,991)	(512)	15,864	5,150	19,507

Unrecognised deferred tax assets

	Consolidated	
	2017 $'000	2016 $'000
The following deferred tax assets have not been brought to account as assets:		
Tax losses	132,532	53,211

Unutilised tax losses are in Australia, Chile, Canada, Indonesia, the United Kingdom, United States and Europe. $38,187,000 of these losses are related to the Australian tax jurisdiction and do not expire. The remaining losses are not expected to be utilised by the Group.

13 Capital and reserves

	Consolidated 2017 $'000	Consolidated 2016 $'000
Share capital		
2,436,860,480 (2016: 599,675,707) ordinary shares, fully paid	825,004	669,503
Acquisition reserve	(75,887)	(75,887)
	749,117	593,616

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 2015	599,675,707		669,503
Balance	1 July 2016	599,675,707		669,503
Issue of shares for consideration of Andy's Earthmovers (Asia Pacific) Pty Ltd	30 March 2017	105,887,545	$ 0.083	8,789
Issue of shares for consideration of Orionstone Holdings Pty Ltd	30 March 2017	214,380,704	$ 0.083	17,794
Issue of shares in exchange for cancellation of external debt	30 March 2017	966,563,209	$ 0.083	80,225
Issue of shares to Black Diamond Capital Management LLC	30 March 2017	123,526,158	$ 0.083	10,253
Issue of shares for underwriting of rights issue	30 March 2017	12,844,038	$ 0.083	1,066
Issue of shares for rights issue	20 April 2017	183,486,238	$ 0.109	20,000
Issue of shares to Employee Share Ownership Plan Trust	28 April 2017	230,496,881	$ 0.080	18,440
Less: share issue costs, net of deferred tax				(1,066)
Balance	**30 June 2017**	**2,436,860,480**		**825,004**

13 Capital and reserves (continued)

Reserve of own shares [(1)]
The reserve of own shares comprises of shares purchased on market to satisfy the vesting of shares and rights under the LTIP. Shares that are forfeited under the Company's MISP due to employees not meeting the service vesting requirement will remain in the reserve. 230,496,881 treasury shares were issued to the share trust during the year and 51,541,768 treasury shares were released from the share trust in satisfaction of the incentive plans. As at 30 June 2017 the Company held 210,690,767 treasury shares (2016: 30,581,304) 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 hedging instruments used in cash flow hedges pending subsequent recognition of hedged cash flows.

Share based payment reserve [(1)]
The share based payment reserve comprises the expenses incurred from the issue of the Company's securities under its employee share/option plans (refer note 3(j)(v)).

Dividends [(1)]
No dividends were paid or declared during the year (2016: $Nil) or prior to the release of this report.

Franking account

	The Company	
	2017	**2016**
	$'000	**$'000**
Dividend franking account		
30% franking credits available to shareholders of Emeco Holdings Limited for subsequent financial years	46,215	25,518

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

(a) franking credits that will arise from the payment of current tax liabilities and recovery of current tax receivables;
(b) franking debits that will arise from the payment of dividends recognised as a liability at the year end;
(c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year end; and
(d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability is to reduce it by $Nil (2016: $Nil). In accordance with the tax consolidation legislation, the Company as the head entity in the Australian tax consolidated group has also assumed the benefit of $46,215,000 (2016: $25,518,000) franking credits.

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

14 Discontinued operations

In June 2017 the board resolved to exit the Chilean business after a strategic review of the operations. The board's decision to close this business was to address the underperformance in returns being generated by this business unit. An asset swap was conducted with a third party in June 2017 allowing the Company to increase the size of its Australian fleet by 85 units and dispose of the Chilean fleet. The asset swap agreement took effect on 30 June 2017 and accordingly as at this date the Chile assets were derecognised and the acquired assets were recognised in the Australia CGU. The fair value of these assets acquired was determined with reference to an independent third party valuation. The FY16 comparative information has been restated.

	2017 $'000	2016 $'000
Losses of discontinued operations		
Revenue	27,971	38,594
Other income	347	557
Direct costs	(13,686)	(14,470)
Profit on sale of assets	86	7
Impairment of tangible assets		
- Inventories	(6,617)	(3,596)
- Property, plant and equipment	(8,614)	(45,225)
Other expenses	(7,071)	(7,350)
Employee expenses	(621)	(3,105)
Depreciation	(9,887)	(17,913)
Finance income	280	292
Finance costs	(1,354)	(659)
Income tax (expense)/benefit	(5,150)	(4,067)
Loss for the year	(24,316)	(56,935)

The loss from discontinued operation of $24,316,000 (2016: $56,935,000) is attributable entirely to the owners of the Company.

	2017 $'000	2016 $'000
Cash flows from/(used in) discontinued operation		
Net cash used in operating activities	13,243	23,579
Net cash from investing activities	15,511	(7,414)
Net cash from financing activities	(1,717)	(4,010)
Net cash from/(used in) discontinued operation	27,037	12,155

15 Disposal groups and non-current assets held for sale

During the year $98,755,000 of non-current assets were transferred from property, plant and equipment into non-current assets held for sale. Assets previously classified as held for sale were further impaired by $18,380,000 to their fair value less cost to sell based on market prices of similar equipment.

As at 30 June 2017, the non-current assets held for sale comprised assets of $26,421,000 (2016: $30,728,000). These relate to plant and equipment in Australia and one piece of equipment in Chile. 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.

	2017 $'000	2016 $'000
Assets classified as held for sale		
Property, plant and equipment - continuing operations	25,834	30,728
Property, plant and equipment - discontinuing operations	587	-
	26,421	30,728
Liabilities directly associated with assets classified as held for sale		
Continuing operations	(449)	(883)
	(449)	(883)
Net assets classified as held for sale	25,972	29,845

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

16 Segment reporting

The Group has two (2016: 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:

Australia	Provides a wide range of earthmoving equipment and maintenance services to customers in Australia.
Canada	Provides a wide range of maintenance services to customers who are predominately within Canada.
Chile (discontinued)	Provides a wide range of earthmoving equipment and maintenance services to customers in Chile. This segment was discontinued in June 2017.

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

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16 Segment reporting (continued)

Information about reportable segments 2017

	Australia $'000	Canada $'000	Chile (discont'd) $'000	Total $'000
Year ended 30 June 2017				
Revenue from external customers	196,043	9,000	27,971	233,014
Other Income	581	1,632	347	2,560
Impairment of tangible assets	8,206	1,946	15,231	25,383
Segment earnings before interest, tax, depreciation and amortisation	**50,299**	**8,924**	**(8,205)**	**51,018**
Impairment of goodw ill	(77,880)	-	-	(77,880)
Depreciation and amortisation	(55,573)	(5,974)	(9,887)	(71,434)
Segment result (EBIT)	(83,154)	2,950	(18,092)	(98,296)
Corporate overheads				(16,861)
EBIT				**(115,157)**
Finance income/(expense) (net)				(35,403)
Foreign exchange movements				(10,079)
Net loss before tax				**(160,639)**
Tax expense				(19,822)
Net loss after tax				**(180,463)**
Total Assets for reportable segments	499,614	4,038	12,854	516,506
Unallocated assets				4,173
Total Group Assets				520,679
Net capital Expenditure	**(27,962)**	**10,852**	**15,511**	**(1,599)**
Total Liabilities for reportable segments	60,591	6,081	16,405	83,077
Unallocated liabilities				469,609
Total Group Liabilities				552,686

16 Segment reporting (continued)

Information about reportable segments 2016

	Australia	Canada	Chile (discont'd)	Total
	$'000	$'000	$'000	$'000
Year ended 30 June 2016				
Revenue from external customers	131,746	36,229	38,589	206,564
Other Income	427	394	568	1,389
Impairment of tangible assets	36,435	93,999	48,820	179,254
Segment earnings before interest, tax, depreciation and amortisation	**(5,824)**	**(91,563)**	**(34,685)**	**(132,072)**
Depreciation and amortisation	(43,875)	(7,406)	(17,913)	(69,194)
Segment result (EBIT)	**(49,699)**	**(98,969)**	**(52,598)**	**(201,266)**
Corporate overheads				(86)
EBIT				**(201,352)**
Finance income/(expense) (net)				23,554
Foreign exchange movements				(41,666)
Net loss before tax				**(219,464)**
Tax expense				(5,925)
Net loss after tax				**(225,389)**
Total Assets for reportable segments	244,321	48,097	102,554	394,972
Unallocated assets				32,720
Total Group Assets				427,692
Net capital expenditure	**(24,512)**	**8,615**	**(7,415)**	**(23,312)**
Total Liabilities for reportable segments	32,322	6,246	5,239	43,807
Unallocated liabilities				377,888
Total Group Liabilities				421,695

16 Segment reporting (continued)

Major customer
In the year ended 30 June 2017 the Group had four major customers that represented $104,486,000 (2016: three customers representing $83,742,000) of the Group's total revenues, as indicated below:

Segment	2017 $'000	2016 $'000
Australia	68,844	37,321
Canada	9,474	18,340
Chile	26,168	28,081
Total	104,486	83,742

17 Cash and cash equivalents

	Consolidated	
	2017 $'000	2016 $'000
Cash at bank	16,978	24,854

18 Trade and other receivables

	Consolidated	
	2017 $'000	2016 $'000
Current		
Trade receivables	87,821	32,803
Less: Impairment of receivables	(200)	(1,090)
	87,621	31,713
VAT/GST receivable	3,805	2,849
Other receivables	22,109	3,172
	113,535	37,734
Non-Current		
Other receivables	237	6,234
	237	6,234

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

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19 Derivatives

	Consolidated	
	2017	2016
	$'000	$'000
Current Assets		
Cross currency interest rate swaps	-	6,315
	-	6,315
Non Current Assets		
Cross currency interest rate swaps	4,015	12,629
	4,015	12,629
Current Liabilities		
Cross currency interest rate swaps	8,366	-
	8,366	-

20 Inventories

	Consolidated	
	2017	2016
	$'000	$'000
Work in progress - at cost	2,199	596
Consumables, spare parts - at cost	222	1,732
Total at cost	2,421	2,328
Equipment and parts - at NRV (1)	693	3,005
Total inventory	3,114	5,333

(1) During the year ended 30 June 2017 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 $387,000 (2016: $10,072,000).

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21 Intangible assets

	Consolidated	
	2017	2016
	$'000	$'000
Goodwilll	77,880	-
Less: Impairment	(77,880)	-
	-	-
Contract intangibles - at cost	-	712
Less: Accumulated amortisation	-	(712)
	-	-
Other intangibles - at cost	5,006	3,636
Less: Accumulated amortisation	(2,119)	(1,292)
	2,887	2,344
Total intangible assets	2,887	2,344

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	
	2017	2016
	$'000	$'000
Amortisation expense	826	148
Goodwill Impairment	77,880	-
Total expense for the year for continuing operations	78,706	148

Impairment testing at 30 June 2017 indicated that the goodwill assigned to the Australian CGU was impaired. The Goodwill has been impaired to nil at 30 June 2017 and an impairment expense of $77,880,000 has been recognised in the consolidated statement of profit or loss and other comprehensive income. Refer to note 36 for details of goodwill recognised during the period and note 22 for details on impairment testing. Refer to note 8b for details of the transaction.

22 Property, plant and equipment

	Consolidated	
	2017 $'000	2016 $'000
Freehold land and buildings - at cost	1,712	6,046
Less: Accumulated depreciation	(866)	(3,904)
	846	2,142
Leasehold improvements - at cost	4,601	4,869
Less: Accumulated depreciation	(3,916)	(3,935)
	685	934
Plant and equipment - at cost	637,588	622,142
Less : Accumulated depreciation	(297,975)	(357,505)
	339,613	264,637
Leased plant and equipment - at capitalised cost	6,812	23,139
Less : Accumulated depreciation	(1,251)	(13,941)
	5,561	9,198
Furniture, fixtures and fittings - at cost	469	667
Less : Accumulated depreciation	(426)	(605)
	43	62
Office equipment - at cost	2,495	2,378
Less : Accumulated depreciation	(2,090)	(2,038)
	405	340
Motor vehicles - at cost	7,462	7,800
Less : Accumulated depreciation	(5,601)	(6,673)
	1,861	1,127
Sundry plant - at cost	6,946	10,812
Less : Accumulated depreciation	(6,223)	(9,070)
	723	1,742
Total property, plant and equipment - at net book value	349,737	280,182

22 Property, plant and equipment (continued)

	Consolidated	
	2017	2016
	$'000	$'000
Reconciliations		
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:		
Freehold land and buildings		
Carrying amount at the beginning of the year	2,142	6,613
Additions	-	199
Additions from acquisition (Andy's)	450	-
Depreciation	(368)	(535)
Disposals	(1,321)	(85)
Impairment	-	(3,982)
Effects of movement in foreign exchange	(57)	(68)
Carrying amount at the end of the year	846	2,142
Leasehold improvements		
Carrying amount at the beginning of the year	934	1,362
Additions	19	93
Disposals	(21)	-
Depreciation	(245)	(331)
Impairment	-	(188)
Effects of movement in foreign exchange	(2)	(2)
Carrying amount at the end of the year	685	934
Plant and equipment		
Carrying amount at the beginning of the year	264,637	458,580
Additions	88,426	41,788
Additions from acquisition (Orionstone)	85,344	-
Additions from acquisition (Andy's)	62,277	-
Net movement in capital work in progress	6,169	(3,488)
Net movement in rental inventory (1)	(1,531)	(2,306)
Depreciation	(66,540)	(62,796)
Impairment loss on continuing and discontinuing operations (2)	-	(150,615)
Movement from/(to) assets held for sale	(96,217)	(21,897)
Effects of movements in foreign exchange	(2,952)	5,371
Carrying amount at the end of the year	339,613	264,637
Furniture, fixtures and fittings		
Carrying amount at the beginning of the year	62	155
Additions	-	14
Disposals	-	-
Depreciation	(21)	(89)
Impairment	-	(17)
Effects of movement in foreign exchange	2	(1)
Carrying amount at the end of the year	43	62

(1) Included in this movement are purchases totalling $356,000 for the year ended 30 June 2017 (2016: $302,000). Included in this movement is an impairment charge of nil for the year ended 30 June 2017 (2016: $2,503,000).

(2) Relates to impairment recognised on the Australia, Chile and Canada CGU for the year ended 30 June 2016.

22 Property, plant and equipment (continued)

	Consolidated 2017 $'000	Consolidated 2016 $'000
Reconciliations (continued)		
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:		
Office equipment		
Carrying amount at the beginning of the year	340	408
Additions	275	552
Disposals	(5)	(48)
Depreciation	(205)	(239)
Impairment	-	(333)
Effects of movement in foreign exchange	-	-
Carrying amount at the end of the year	405	340
Motor vehicles		
Carrying amount at the beginning of the year	1,127	2,021
Additions	46	921
Additions from acquisition (Orionstone)	1,686	-
Disposals	(307)	(179)
Depreciation	(674)	(1,128)
Impairment	-	(504)
Effects of movement in foreign exchange	(17)	(4)
Carrying amount at the end of the year	1,861	1,127
Sundry plant		
Carrying amount at the beginning of the year	1,742	3,460
Additions	46	885
Additions from acquisition (Orionstone)	144	-
Additions from acquisition (Andy's)	10	-
Disposals	(506)	(41)
Depreciation	(684)	(1,100)
Impairment	-	(1,458)
Effects of movement in foreign exchange	(29)	(4)
Carrying amount at the end of the year	723	1,742
Leased plant and equipment		
Carrying amount at the beginning of the year	9,198	9,752
Additions	264	8,362
Additions from acquisition (Orionstone)	-	-
Additions from acquisition (Andy's)	6,345	-
Disposals	(727)	-
Depreciation	(1,871)	(2,976)
Movement from/(to) assets held for sale	(7,573)	(2,313)
Impairment	-	(3,627)
Effects of movement in foreign exchange	(75)	-
Carrying amount at the end of the year	5,561	9,198

Security

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

22 Property, plant and equipment (continued)

Impairment tests for cash generating units

The Group conducts impairment testing annually at 30 June each year and when impairment indicators exist, such as when market capitalisation is lower than the net assets of the Group. The Group has determined the recoverable amount of its cash generating units (**CGU**) using a value in use and fair value less costs to sell methodologies (2016: value in use). CGU's are classified as the operating segments of the Group. The Australia CGU was valued on a value in use methodology which is based on discounted cash flows for five years plus a terminal value. The Chile CGU was discontinued in June 2017 and consequently has been valued at Fair Value less Costs to Sell. The Canada CGU was valued on a Fair Value less Costs to Sell basis.

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

Impairment testing is intended to assess the recoverable amount of both tangible and intangible assets. Nominal post tax discount rates have been derived as a weighted cost of equity and debt. Cost of equity is calculated using country specific ten year bond rates plus an appropriate market risk premium. The cost of debt is determined using the appropriate CGU three year swap rate plus a margin for three year tenor debt of equivalently credit rated businesses at 30 June 2017. The three year swap rates were used as the base rate to reflect the relative illiquidity for longer tenure debt in the current market. The nominal post tax discount rates for determining the Australia rental CGU valuation was 9.5% (2016: 8.9%). For future cashflows of the Australia CGU, the revenue growth in the first year of the business reflects the best estimate for the coming year taking account of macroeconomic, business model, strategic and market factors. Growth rates for subsequent years are based on Emeco's five year outlook taking into account all available information at this current time and are subject to change over time. A compound annual growth rate (**CAGR**) of 1.3% (2016: 2.2%) has been used over the five years of the forecast.

Impairment testing conducted during the year ending 30 June 2017 determined that the Australia CGU was impaired by $77,880,000. The impairment was first allocated to the goodwill in the CGU of $77,880,000. No impairment was made to the tangible assets of the Australia CGU. Refer to note 8b for details of the impairment expense recognised in the consolidated statement of profit or loss and other comprehensive income.

Write down to fair value of assets designated as held for sale

The table below outlines the amount recognised in the consolidated statement of profit or loss and other comprehensive income for each CGU during the year ended 30 June 2017 in relation to the designation and disposal of assets designated as held for sale.

	Impairment recognised A$'000
CGU	
Australia rental	8,207
Canada rental	1,946
Chile rental	15,231
Total	25,384

22 Property, plant and equipment (continued)

Impairment testing sensitivities
The CGU valuations are sensitive to changes in the discount rate and underlying fleet utilisation assumptions for cashflow forecasts and terminal value. The following table presents the amount by which the impairment recognised for each CGU increases due to a 1 percent drop in CGU average utilisation over the forecast period and a 1 percent increase in discount rates.

	Impact on impairment from 1% decline in CGU utilisation A$million	Impact on impairment from 1% increase in discount rate A$million
CGU		
Australia rental	16.8	41.1

23 Trade and other payables

	Consolidated	
	2017 $'000	2016 $'000
Current		
Trade payables		
Trade payables	24,491	13,658
Other payables and accruals	58,054	24,377
	82,545	38,035

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 38. Under the terms of the deed, the Company has guaranteed the repayment of all current and future creditors in the event any of the entities party to the deed are wound up. Details of the consolidated financial position of the Company and subsidiaries party to the deed are set out in note 38.

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24 Interest bearing liabilities

	Consolidated	
	2017	2016
	$'000	$'000
Current		
Amortised cost		
Other financing	1,584	535
Lease liabilities - secured	5,310	4,044
	6,894	4,579
Non-current		
Amortised cost		
USD notes - secured	462,724	-
Notes issue - secured	-	284,433
Notes issue - secured (2)	-	96,283
Debt raising costs (2)	(19,440)	(2,121)
Debt raising costs	-	(6,265)
OID (1)	-	(2,743)
Debt raising costs (revolving credit facility)	(630)	-
Debt raising costs (asset backed loan)	-	(1,310)
Lease liabilities - secured	4,491	4,962
	447,145	373,239

(1) Originating issue discount – the discount from par value at the time the 144A notes were issued. This is amortised using the effective interest rate method over the life of the notes.

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

Bank loans

The Group extinguished its A$75,000,000 asset backed loan on 31 March 2017 and was replaced with a A$65,000,000 revolving credit facility (**RCF**) consisting of two sub facilities of A$30,000,000 available for the issuance of bank guarantees and A$35,000,000 available as a revolving cash advance facility. The facility matures in March 2020.

The bank guarantee facility attracts a fee of 2.75% on the unutilised portion of the facility and a fee of 5.5% on the outstanding balance of guarantees on issue.

The nominal interest rate on the RCF is equal to the aggregate of the bank bill swap rate (**BBSY**) plus a margin of between 5% and 7% dependant on the calculated leverage ratio. The facility also attracts an undrawn line fee of between 2.5% and 3.5% dependant on the calculated leverage ratio on the undrawn available balance of the facility.

The facilities require the Group to maintain a collateral coverage ratio greater than 3.0x and a fixed charge coverage ratio greater than 1.2x.

At year end the Group had drawn $Nil of the revolving cash advance facility but had utilised $2,729,000 of the bank guarantee facility.

24 Interest bearing liabilities (continued)

144A notes issue

As part of the acquisition of Andy's and Orionstone, the Group acquired A$66,558,000 and A$137,360,000 of long term debt respectively from each of these businesses. These amounts, in addition to the US$282,720,000 outstanding on the Group's 144A notes were exchanged for newly issued Emeco new notes to the value of US$360,818,000/A$469,082,000 and 966,563,209 ordinary shares in the Company. The refinancing of the long term debt was a condition of the Transaction. Of these newly issued notes, US$4,890,000/A$5,357,000 is held by the Group and has been netted off against the total debt of the group. The original 144A notes were cancelled on completion of the transaction.

The notes attract a nominal interest rate of 9.25% and mature on 30 March 2022. The notes will remain fully drawn until maturity. Under the terms of the note agreement, the noteholders hold a joint fixed and floating charge with the revolving credit facility bank over the assets and undertakings of the Group. The notes are measured at amortised cost. The notes have a limitation on capital expenditure to the amount of A$77,500,000 for the 10 months ending 31 January 2018, A$87,500,000 for the 12 months ending 31 January 2019 and A$92,500,000 for the 12 months ending 21 January 2019 and for each preceding 12 month period. Any unused limit can be carried forward for the preceding 12 month period.

The Group designated derivatives (cross currency interest rate swaps) as hedge instruments against this underlying debt.

	FY17		FY16	
	USD $'000	**AUD $'000**	**USD $'000**	**AUD $'000**
USD Notes	US$355,927	$462,724	-	-
144A notes	-	-	US$282,720	$380,715
Hedged (Asset)/Liability	-	$4,351	-	($18,944)
Net Exposure	US$355,927	$467,075	US$282,720	$361,771

Working capital facilities

The Group has a credit card facility with a limit of A$60,000. The facility is secured via a cash cover account. The Group has a separate bank guarantee facility of A$560,000 which is fully utilised and secured via a cash cover account.

Finance leases

At 30 June 2017, the Group held finance lease facilities totalling A$9,801,000 (2016: A$9,006,000) which have various maturities up to November 2020. Liabilities under the facility are secured by the assets leased.

Other financial liabilities

At year end the Group financed its insurance premium totalling A$1,584,000 which matures in January 2018.

24 Interest bearing liabilities (continued)

Finance lease liabilities
Finance lease liabilities of the Group are payable as follows:

Consolidated	Future minimum lease payments 2017 $'000	Interest 2017 $'000	Present value of minimum lease payments 2017 $'000	Future minimum lease payments 2016 $'000	Interest 2016 $'000	Present value of minimum lease payments 2016 $'000
Less than one year	5,769	(459)	5,310	4,361	(317)	4,044
Between one and five years	4,689	(198)	4,491	5,331	(369)	4,962
More than five years	-	-	-	-	-	-
	10,458	(657)	9,801	9,692	(686)	9,006

The Group leases plant and equipment under finance leases. The Group's lease liabilities are secured by the leased assets of $5,561,000 (2016: $9,198,000). In the event of default, the leased assets revert to the lessor.

25 Financing arrangements

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

	Consolidated	
	2017 $'000	2016 $'000
Total facilities available:		
Revolving credit facility	35,000	-
Bank guarantee facility	30,000	-
Bank loans	-	75,000
USD notes (1)	462,724	-
144A notes	-	451,118
Finance leases	9,801	9,006
Insurance financing	1,584	535
Working capital	866	1,616
	539,975	537,275
Facilities utilised at reporting date:		
Revolving credit facility $35m	-	-
Bank guarantee facility $30m	2,729	-
Bank loans (2)	-	11,504
USD notes (1)	462,724	-
144A notes	-	451,118
Finance leases	9,801	9,006
Insurance financing	1,584	535
Working capital	866	866
	477,704	473,029
Facilities not utilised or established at reporting date:		
Revolving credit facility $35m	35,000	-
Bank guarantee facility $30m	27,271	-
Bank loans	-	63,496
USD notes	-	-
144A notes (1)	-	-
Finance leases	-	-
Insurance financing	-	-
Working capital	-	750
	62,271	64,246

(1) The facility of US$360,818,000/A$469,082,000 was fully drawn at 30 June 2017. The Group holds US$4,890,000/A$5,357,000 face value of bonds which have not been cancelled and are available for re-issue. The notes held by the Group have reduced the total outstanding balance attributed to the notes on issue in the consolidated statement of financial position.

(2) The facility was undrawn at 30 June 2016 however had issued $11,504,000 of guarantees backed by the facility.

26 Provisions

	Consolidated	
	2017	2016
	$'000	$'000
Current		
Employee benefits:		
- annual leave	3,381	2,214
- long service leave	903	480
Provision for restructuring	2,099	775
	6,383	3,469
Non-current		
Employee benefits - long service leave	494	454
Provision for restructuring	410	1,036
	904	1,490

Defined contribution superannuation funds
The Group makes contributions to defined contribution superannuation funds. The expense recognised for the year was $2,128,000 (2016: $2,513,000).

27 Share based payments

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

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

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

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

27 Share based payments (continued)

Long term incentive plan

Grant date / employees entitled	Number of instruments	Vesting conditions	Contractual life of performance shares/rights
Matured in FY17: Performance shares/rights 2014	24,491,074	3 years service TSR ranking to a basket of direct and indirect peers of 99 listed companies. 50% entitlement for a 50.1% ranking within TSR group. Pro rata entitlement up to 100% vesting for a ranking of 75% better to TSR group. No shares/rights vested due to TSR being less than 75%.	3 years
Unvested plans:			
Performance shares/rights 2015	19,681,416	3 years service TSR ranking to a basket of direct and indirect peers of 123 listed companies. 50% entitlement for a 50.1% ranking within TSR group. Pro rata entitlement up to 100% vesting for a ranking of 75% better to TSR group.	3 years
Performance shares/rights 2016	38,612,893	3 years service TSR ranking to a basket of direct and indirect peers of 123 listed companies. 50% entitlement for a 50.1% ranking within TSR group. Pro rata entitlement up to 100% vesting for a ranking of 75% better to TSR group.	3 years

Retention incentive plan

Grant date / employees entitled	Number of instruments	Vesting conditions	Contractual life of performance shares/rights
Performance shares/rights 2017	303,603,596	3 years service	3 years

27 Share based payments (continued)

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

	Number of performance shares/rights 2017	Number of performance shares/rights 2016
Outstanding at 1 July	49,289,980	34,399,732
Forfeited during the period	(19,544,793)	(23,722,645)
Exercised during the period	(121,843,024)	-
Granted during the period	303,602,694	38,612,893
Outstanding at 30 June	211,504,857	49,289,980
Exercisable at 30 June	-	-

Management incentive share plan

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

The number of MISPs are as follows:

	Number of MISP 2017	Number of MISP 2016
Outstanding at 1 July	-	1,060,000
Forfeited during the period	-	(1,060,000)
Exercised during the period	-	-
Granted during the period	-	-
Outstanding at 30 June	-	-
Exercisable at 30 June	-	-

27 Share based payments (continued)

Employee share ownership plan

Grant date / employees entitled	Number of instruments	Vesting conditions	Contractual life of ESOP
Matured in January 2016 ESOP 2015	88,469	Service requirement. Full vesting entitlement after 1 year after the end of the calendar year in which they are acquired.	1 year
	88,469		

The number of ESOPs are as follows:

	Number of ESOP 2017	Number of ESOP 2016
Outstanding at 1 July	49,831	71,260
Forfeited during the period	-	(7,859)
Exercised during the period	(49,831)	(13,570)
Granted during the period	-	-
Outstanding at 30 June	-	49,831
Exercisable at 30 June [1]	-	-

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

27 Share based payments (continued)

The fair value of services received in return for the performance shares and rights granted during the year are based on the fair value of the RI's granted, measured using a Black Scholes pricing model (2016: RI's granted, measured using a Black Scholes pricing model). Expected volatility is estimated by considering the Company's historical daily and monthly share price movement and an analysis of comparable companies. Volatility has not been included in the 2016 and 2017 valuation due to the incentives not containing market vesting conditions. Market conditions are detailed in note 3(j)(v). The inputs used in the measurement of the fair values at grant date are as follows:

	Incentive Plans					
Fair value of performance shares/rights	**Chief executive officer 2017**	**Chief executive officer 2016**	**Key manage-ment personnel 2017**	**Key manage-ment personnel 2016**	**Senior employees 2017**	**Senior employees 2016**
Fair value at grant date	$0.08	$0.03	$0.08	$0.03	$0.08	$0.03
Share price	$0.08	$0.03	$0.08	$0.03	$0.08	$0.03
Exercise price	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil
Expected volatility (weighted average volatility)	n/a	n/a	n/a	n/a	n/a	n/a
Maturity (expected weighted average life)	36 months	31 months	36 months	31 months	36 months	31 months
Expected dividends	n/a	n/a	n/a	n/a	n/a	n/a
Risk-free interest rate (based on government bonds)	n/a	n/a	n/a	n/a	n/a	n/a

The fair value assumptions for MISPs have no further expense to be recognised and have not changed since the fair value was determined at grant date in previous years.

For the Group's CEO and key management personnel the following applies:

Dividends:

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

Absolute change in control:

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

27 Share based payments (continued)

Employee expenses

	Consolidated	
in AUD	**2017**	**2016**
Performance shares/rights	6,401,305	1,707,382
Total expense recognised as employee costs (1)	6,401,305	1,707,382

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

28 Commitments

(a) Operating lease commitments

	Consolidated	
	2017	**2016**
	$'000	**$'000**
Future non-cancellable operating leases not provided for in the finanical statements and payable:		
Less than one year	14,145	12,265
Between one and five years	10,589	17,018
More than five years	-	-
	24,734	29,283

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

During the year ended 30 June 2017 an amount of $17,954,000 was recognised as an expense in profit or loss in respect of operating leases (2016: $14,789,000).

(b) Capital commitments

The Group has not entered into commitments for purchases of fixed assets, primarily rental fleet assets, in the year ended 30 June 2017 (2016: $Nil).

29 Contingent liabilities

Guarantees
The Group has provided bank guarantees in the amount of $4,172,000 (2016: $11,504,000) in relation to obligations under operating leases and rental premises.

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

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

Emeco Holdings Limited and its Controlled Entities

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

30 Notes to the statement of cash flows

(i) Reconciliation of cash

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

		Consolidated	
		2017	**2016**
	Note	**$'000**	**$'000**
Cash assets	17	16,978	24,854

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

		2017	**2016**
	Note	**$'000**	**$'000**
Net loss - continuing operations		(156,147)	(225,389)
Add/(less) items classified as investing/financing activities:			
Net profit on sale of non-current assets	7	(504)	(400)
Acquisition costs	36	14,445	-
Add/(less) non-cash items:			
Amortisation	21	826	148
Depreciation	8	60,721	69,194
Amortisation of borrowing costs using effective interest rate	8	5,078	4,217
Write off previous deferred borrowing costs	8	5,778	1,251
(Gain)/loss on hedge	6	1,349	1,191
Discount on repurchased debt	8	-	(31,663)
Discount on refinanced debt	8	(20,359)	-
Shares issued to BDCM	8	10,253	-
Withholding tax expense	8	767	2,559
Foreign exchange (gain)/loss	8	10,079	42,002
Impairment losses on property, plant and equipment	8	9,766	168,156
Bad debts	8	24	4,924
Provision for doubtful debts/(reversal)	8	(591)	(5,555)
Impairment of goodwill		77,880	-
Other non-cash items and reclassifications		(4,449)	6,740
Equity settled share based payments	8	6,164	1,707
(Decrease)/increase in income taxes payable		-	-
(Decrease)/increase in deferred tax asset		(13,491)	(5,510)
Net cashflow from operating activities of discontinued operations		13,243	-
Net cash from operating activities before change in assets/(liabilities) adjusted for assets and (liabilities) acquired		20,832	33,572
(Increase)/decrease in trade and other receivables		(44,012)	26,463
(Increase)/decrease in inventories		5,475	17,498
Increase/(decrease) in payables		26,990	(6,445)
Increase/(decrease) in provisions		4,939	(444)
Net cash from/(used in) operating activities		14,224	70,644

31 Controlled entities

(a) Particulars in relation to controlled entities

	Country of incorporation	Ownership interest 2017 %	2016 %
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	-
Orionstone Holdings Pty Ltd	Australia	100	-
Orionstone Pty Ltd	Australia	100	-
Ironstone Group Pty Ltd	Australia	100	-
Orion (WA) Pty Ltd	Australia	100	-
RPO Australia Pty Ltd	Australia	100	-
Emeco Equipment (USA) LLC	United States	100	100
Emeco Canada Ltd	Canada	100	100
Emeco (UK) Limited	United Kingdom	100	100
PT Prima Traktor IndoNusa (PTI)	Indonesia	100	100
Emeco International Europe BV	Netherlands	100	100
Emeco Europe BV	Netherlands	100	100
Emeco BV	Netherlands	100	100
Emeco Holdings South America SpA	Chile	100	100
Enduro SpA	Chile	100	100

(b) Acquisition of entities in the current year

The following entities were acquired in the current year:

- Andy's Earthmovers (Asia Pacific) Pty Ltd
- Orionstone Holdings Pty Ltd
- Orionstone Pty Ltd
- Ironstone Group Pty Ltd
- Orion (WA) Pty Ltd
- RPO Australia Pty Ltd

Refer to note 36 for details on the acquisition of these entities.

(c) Acquisition of entities in the prior year

There was no acquisition of entities in the prior year.

32 Key management personnel disclosure

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

Non-executive directors	
Peter Richards	Chair
Peter Frank	(Commenced role on 1 April 2017)
Keith Skinner	(Commenced role on 1 April 2017)
Darren Yeates	(Commenced role on 1 April 2017)
John Cahill	(Ceased role on 1 April 2017)
Erica Smyth	(Ceased role on 1 April 2017)

Executive directors	
Ian Testrow	Managing Director & Chief Executive Officer
Gregory Hawkins	Executive Director, Finance (ceased role on 19 August 2016)

Other executives	Position
Thao Pham	Chief Strategy Officer (commenced role on 17 May 2017), previously Chief Legal, Risk & Business Transformation Officer (ceased role as Company Secretary on 1 April 2017).
Justine Lea	Chief Financial Officer (commenced role 24 October 2016), previously Acting Chief Financial Officer (commenced role on 1 July 2016)

32 Key management personnel disclosure (continued)

Key management personnel compensation

The key management personnel compensation is as follows:

	Consolidated	
In AUD	**2017**	**2016**
Short term employee benefits	6,008,791	2,451,149
Other long term benefits	-	-
Post-employment benefits	210,262	178,974
Termination benefits	-	866,555
Equity compensation benefits	1,137,258	1,062,032
	7,356,311	4,558,710

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 25 to 39.

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

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

Shares and rights over equity instruments granted as compensation under long term incentive plan
The Company has an ongoing long term incentive plan in which shares have been granted to certain employees of the Company. The shares vest after three years depending upon the Company's total shareholder return ranking against a peer group of 99 Companies. The shares have been accounted for as an option in accordance with AASB 2 *Share Based Payments.*

Shares and rights over equity instruments granted as compensation under retention incentive plan
The Company has an ongoing retention incentive plan in which shares have been granted to certain employees of the Company. The shares vest after three years.

32 Key management personnel disclosure (continued)

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

2017 Shares	Held at 1 July 2016	Granted as compensation	Vested during the year	Forfeited/ lapsed	Held at 30 June 2017
Directors & executives					
Ian Testrow	14,571,703	108,674,758	-	-	123,246,461
Gregory Hawkins (1)	7,860,434	-	-	(7,860,434)	n/a
Thao Pham	4,187,320	-	-	(199,456)	3,987,864
Jusitine Lea (4)	459,294	-	-	(215,294)	244,000

2016 Shares	Held at 1 July 2015	Granted as compensation	Vested during the year	Forfeited/ lapsed	Held at 30 June 2016
Directors & executives					
Ian Testrow	1,550,000	13,021,703	-	-	14,571,703
Gregory Hawkins (1)	1,600,000	6,260,434	-	-	7,860,434
Thao Pham	915,489	3,330,756	-	(58,925)	4,187,320
Kenneth Lewsey (2)	8,803,571	-	-	(8,803,571)	n/a
Stuart Jenner (3)	-	-	-	-	n/a
Kalien Selby (3)	260,000	-	-	(260,000)	n/a

Dividends paid under the management incentive share plan are paid against the employee's outstanding loan and is reflected in issued capital.

(1) Mr Hawkins ceased to be a key management personnel on 19 August 2016.
(2) Mr Lewsey ceased to be a key management personnel on 20 October 2015.
(3) Mr Jenner and Ms Selby ceased to be a key management on 1 July 2015 and 28 August 2015 respectively.
(4) Ms Lea became key management personnel 1 July 2016.
n/a Not applicable as not in a position of key management at relevant reporting date.

32 Key management personnel disclosure (continued)

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

2017 Rights	Held at 1 July 2016	Granted as compensation	Vested during the Year	Forfeited/ lapsed	Held at 30 June 2017
Directors & executives					
Ian Testrow	1,633,151	-	-	(1,633,151)	-
Thao Pham	-	24,368,605	-	-	24,368,605
Jusitine Lea [(2)]	-	8,122,868	-	-	8,122,868

2016 Rights	Held at 1 July 2015	Granted as compensation	Vested during the Year	Forfeited/ lapsed	Held at 30 June 2016
Directors & executives					
Ian Testrow	2,084,522	-	-	(451,371)	1,633,151
Christopher Hayman [(1)]	1,831,007	-	-	(1,831,007)	n/a

(1) Mr Hayman became a key management personnel on 8 July 2013 and ceased to be a key management personnel on 6 November 2015.
(2) Ms Lea became a key management personnel on 1 July 2016.
n/a Not applicable as not in a position of key management personnel at relevant reporting date.

32 Key management personnel disclosure (continued)

Equity holdings and transactions

The shares in the Company held, directly, indirectly or beneficially, by each key management person, including their personally related entities at year end, are as follows. The transactions disclosed occurred whilst they were deemed to be a key management person. The disclosure table has been adjusted to include the transfer of vested shares from the employee share plans to the equity holdings of the members of key management personnel. The prior year comparatives have been restated to reflect this change.

2017	Held at 1 July 2016 Ordinary Shares	Transferred from Share Plan	Purchases	Sales	Held at 30 June 2017 Ordinary Shares
Directors					
Ian Testrow	750,817	7,014		-	757,831
Gregory Hawkins (1)	522,238	-	-	-	n/a
John Cahill (2)	120,000	-	-	-	n/a
Peter Richards	40,000	-	12,264	-	52,264
Erica Smyth (2)	71,049	-	-	-	n/a
Peter Frank (3)	-	-	-	-	-
Keith Skinner (3)	-	-	-	-	-
Darren Yeates (3)	-	-	-	-	-
Other executives					
Thao Pham	38,014	40,224	-	-	78,238
Justine Lea (4)	4,000	-	-	-	4,000

(1) Mr Hawkins ceased to be key management personnel on 19 August 2016.
(2) Mr Cahill and Ms Smyth ceased to be key management personnel on 1 April 2017.
(3) Mr Frank, Mr Skinner and Mr Yeates became key management personnel on 1 April 2017.
(4) Ms Lea became a key management personnel on 1 July 2016.

32 Key management personnel disclosure (continued)

2016	Held at 1 July 2015 Ordinary Shares	Transferred from Share Plan	Purchases	Sales	Held at 30 June 2016 Ordinary Shares
Directors					
Alec Brennan	1,581,700	-	-	-	1,581,700
Ian Testrow	750,817	-	-	-	750,817
Gregory Hawkins	522,238		-	-	522,238
John Cahill	120,000	-	-	-	120,000
Peter Richards	40,000	-	-	-	40,000
Erica Smyth	71,049	-	-	-	71,049
Kenneth Lewsey (1)	1,028,690	-	-	-	n/a
Other executives					
Christopher Hayman (1)	9,332	-	-	-	n/a
Stuart Jenner (1)	35,103	-	-	-	n/a
Kalien Selby (1)	35,103	-	-	-	n/a
Thao Pham	38,014	-	-	-	38,014

(1) Mr Jenner, Mr Lewsey, Ms Selby and Mr Hayman ceased to be key management personnel on 1 July 2015, 20 August 2015, 28 August 2015 and 6 November 2015 respectively.

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

Loans

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

32 Key management personnel disclosure (continued)

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

The terms and conditions or the transactions with management persons and their related parties were no more favourable than those available, or which might be reasonably expected to be available, on similar transaction to non-director related entities on an arm's length basis.

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

		Transaction value year ended 30 June		Balance outstanding as at 30 June	
		2017 $'000	2016 $'000	2017 $'000	2016 $'000
Revenue					
Key management person and their related parties	**Transaction**				
Mr P Richards -Sedgman Limited	Rental of heavy earthmoving equipment	n/a	21	n/a	-
Total		n/a	21	n/a	-
Expense					
Key management person and their related parties	**Transaction**				
Mr P Richards -Bradken Limited	Purchase of heavy earthmoving equipment parts	n/a	251	n/a	12
Total		n/a	251	n/a	12

Mr Richards ceased to be a director of Sedgman Limited and Bradken Limited in November 2015.

33 Other related party transactions

Subsidiaries
Loans are made between wholly owned subsidiaries of the Group for capital purchases. Loans outstanding between the different wholly owned entities of the Company have no fixed date of repayment. Loans made between subsidiaries within a common taxable jurisdiction are interest free. Cross border subsidiary loans are charged at an arm's length rate.

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

34 Subsequent events

No significant events have occurred subsequent to the year ended 30 June 2017.

35 Earnings per share

Basic earnings per share
The calculation of basic earnings per share at 30 June 2017 was based on the loss attributable to ordinary shareholders of $180,463,000 (2016: $225,389,000) and a weighted average number of ordinary shares outstanding less any treasury shares for the year ended 30 June 2017 of 967,114,525 (2016: 557,569,229).

Profit attributed to ordinary shareholders

	Consolidated					
	2017			2016		
	Continuing operations $'000	Discontinued operations $'000	Total $'000	Continuing operations $'000	Discontinued operations $'000	Total $'000
Profit/(loss) for the year	(156,147)	(24,316)	(180,463)	(168,454)	(56,935)	(225,389)

35 Earnings per share (continued)

Weighted average number of ordinary shares

	Consolidated 2017 '000	Consolidated 2016 '000
Issued ordinary shares at 1 July	557,569	631,238
Effect of shares issued during the period	457,628	-
Effect of vested employee share plans	3,460	-
Effect of purchased treasury shares	(51,542)	(73,669)
Weighted average number of ordinary shares at 30 June	967,115	557,569

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2017 was based on the loss attributable to ordinary shareholders of $180,463,000 (2016: $225,389,000) and a weighted average number of ordinary shares outstanding less any treasury shares during the financial year ended 30 June 2017 of 967,114,525 (2016: 557,569,229).

Profit attributed to ordinary shareholders (diluted)

	Consolidated 2017 Continuing operations $'000	2017 Discontinued operations $'000	2017 Total $'000	2016 Continuing operations $'000	2016 Discontinued operations $'000	2016 Total $'000
Profit/(loss) attributed to ordinary shareholders (basic)	(156,147)	(24,316)	(180,463)	(168,454)	(56,935)	(225,389)

Weighted average number of ordinary shares (diluted)

	Consolidated 2017 '000	Consolidated 2016 '000
Weighted average number of ordinary shares at 1 July	557,569	631,238
Effect of shares issued during the period	457,628	-
Effect of vested employee share plans	3,460	-
Effect of unvested employee share plans	76,556	-
Effect of purchased treasury shares	(51,542)	(73,669)
Weighted average number of ordinary shares (diluted) at 30 June	1,043,671	557,569

Comparative information

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

36 Business combinations

Andy's Earthmovers (Asia Pacific) Pty Ltd
On 31 March 2017, Emeco Holdings Limited acquired 100% of the shares in Andy's Earthmovers (Asia Pacific) Pty Ltd (**Andy's**) for total consideration transferred of $8,788,666 arising from the issue of 105,887,545 shares. The issue of Emeco shares was at the market price of $0.083.

Goodwill of $4,947,000 represents the residual value of the purchase price of the company over the fair value of identified tangible and intangible assets.

The trade and other receivables acquired in this transaction with a fair value of $15,439,000 had a gross contractual amount of $23,845,517. The best estimate at acquisition date of the contractual cash flows not expected to be collected is $8,407,000.

Orionstone Holdings Pty Ltd
On 31 March 2017, Emeco Holdings Limited acquired 100% of the shares in Orionstone Holdings Pty Ltd (**Orionstone**) for total consideration transferred of $17,793,598 arising from the issue of 214,380,704 shares. The issue of Emeco shares was at the market price of $0.083.

Goodwill of $72,933,000 represents the residual value of the purchase price of the company over the fair value of identified tangible and intangible assets.

The trade and other receivables acquired in this transaction with a fair value of $10,017,000 had gross contractual amounts of $15,349,942. The best estimate at acquisition date of the contractual cash flows not expected to be collected is $5,332,690.

Goodwill
Goodwill of $77,880,000 was recognised on the acquisition of Andy's ($4,947,000) and Orionstone ($72,933,000) and was allocated to the Australia cash generating unit (**CGU**). Goodwill arose in the acquisition of Andy's and Orionstone due to an increase in the Company's share price over the period that completion of transaction was delayed in addition to an increase in short term liabilities acquired from both businesses. The Company did not intend to provide consideration for the transaction in excess of the fair value. Impairment testing indicated the Australia CGU was impaired by $77,880,000. In accordance with AASB 136, the impairment was first allocated against the goodwill recognised in the Australia CGU. The resulting impairment resulted in the goodwill acquired during the period being impaired to zero. An impairment expense of $77,880,000 was recognised in the consolidated statement of profit or loss and other comprehensive income during the period.

36 Business combinations (continued)

The values identified in relation to the acquisition are final as at reporting date 30 June 2017. Details of the acquisition are as follows:

	Andy's Earthmovers (Asia Pacific) Pty Ltd $'000	Orionstone Holdings Pty Ltd $'000	Total $'000
Cash assets	159	783	942
Trade and other receivables	15,439	11,740	27,179
Inventories	156	350	506
Prepayments	12	54	66
Plant and equipment	64,557	91,699	156,256
Tax assets/(liabilites)	2,202	(3,063)	(861)
Investments	799	-	799
Trade and other payables	(9,049)	(14,403)	(23,452)
Provisions	(905)	(343)	(1,248)
Interest bearing liabilities	(69,529)	(141,957)	(211,486)
Net assets /(liaibilities) acquired	3,841	(55,140)	(51,299)
Goodw ill	4,947	72,933	77,880
Acquisition date fair value of consideration transferred	8,788	17,793	26,581
Representing:			
Emeco Holdings Limited shares	8,788	17,793	26,581
Acquisition costs expensed to profit or loss	4,776	9,669	14,445
Cash used to acquire the business, net of cash aquired:			
Acquisition date fair value of consideration transferred	8,788	17,793	26,581
Less: cash and cash equivalents	(159)	(783)	(942)
Less: Emeco Holdings Limited shares	(8,788)	(17,793)	(26,581)
Net Cash received	159	783	942

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

37 Parent entity disclosure

As at and throughout the financial year ending 30 June 2017 the parent entity (the '**Company**') of the Group was Emeco Holdings Limited.

	Company	
	2017	**2016**
	$'000	**$'000**
Result of the parent entity		
Profit/(loss) for the period	(63,730)	(76,560)
Other comprehensive income	-	-
Total comprehensive income for the period	(63,730)	(76,560)
Financial position of parent entity at year end		
Current assets	20	20
Non-current assets	322,589	243,168
Total assets	322,609	243,188
Current liabilities	-	-
Non-current liabilities	-	-
Total liabilities	-	-
Total equity of the parent entity comprising of:		
Share capital	749,117	593,616
Share based payment reserve	23,145	17,055
Reserve for own shares	(39,074)	(20,634)
Retained earnings	(410,579)	(346,849)
Total equity	322,609	243,188

Parent entity guarantees in respect of debts of its subsidiaries
The parent entity has entered into a deed of cross guarantee with the effect that the Company guarantees debts in respect of its subsidiaries.

Further details of the deed of cross guarantee and the subsidiaries subject to the deed, are disclosed in note 38.

38 Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, Emeco International Pty Ltd is relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and directors' reports.

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

The subsidiaries subject to the deed are:

- Emeco Pty Ltd
- Emeco International Pty Limited
- Andy's Earthmovers (Asia Pacific) Pty Ltd
- Orionstone Holdings Pty Ltd
- Orionstone Pty Ltd
- Ironstone Group Pty Ltd
- Orion (WA) Pty Ltd
- RPO Australia Pty Ltd

Emeco Holdings Limited and its Controlled Entities

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

38 Deed of cross guarantee (continued)

A consolidated statement of comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the deed, after eliminating all transactions between parties to the deed of cross guarantee, for the year ended 30 June 2017 is set out as follows:

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

	Consolidated	
	2017	**2016**
	$'000	**$'000**
Revenue	196,043	131,746
Cost of sales	(124,126)	(82,768)
Gross profit	71,917	48,978
Operating expense	(77,002)	(63,387)
Other income	581	667
Impairment of goodwill	77,880	
Finance income	34,454	79,037
Finance costs	(62,902)	(54,683)
Impairment of assets	(157)	(36,435)
Impairment of investment	(31,690)	(210,196)
Profit before tax	13,080	(236,020)
Tax expense	(14,671)	(20,126)
Net profit after tax	(1,591)	(256,146)
Other comprehensive income	(1,003)	8,418
Total comprehensive income for the period	(1,003)	8,418
Retained earnings at beginning of year	(569,535)	(313,389)
Retained earnings at end of year	(571,126)	(569,535)
Attributable to:		
Equity holders of the Company	(571,126)	(569,535)
Profit/(loss) for the period	(1,591)	(256,146)

39 Deed of cross guarantee (continued)

Statement of financial position

	Consolidated 2017 $'000	Consolidated 2016 $'000
Current assets		
Cash assets	12,332	8,886
Trade and other receivables	107,022	32,193
Derivatives	-	6,315
Inventories	3,515	2,429
Assets held for sale	25,833	8,692
Total current assets	148,702	58,515
Non-current assets		
Trade and other receivables	119,524	173,949
Derivatives	4,015	12,629
Intangible assets	2,888	2,344
Investments	157,173	78,391
Property, plant and equipment	348,783	182,034
Deferred tax assets	12,218	14,370
Total non-current assets	644,601	463,717
Total assets	793,303	522,232
Current liabilities		
Trade and other payables	62,189	32,341
Derivatives	9,149	-
Interest bearing liabilities	3,714	2,079
Provisions	5,136	3,882
Total current liabilities	80,188	38,302
Non-current liabilities		
Derivatives	-	-
Interest bearing liabilities	456,122	373,655
Deferred tax liabilities	11,311	21,875
Provisions	-	-
Total non-current liabilities	467,433	395,530
Total liabilities	547,621	433,832
Net assets	245,682	88,400
Equity		
Issued capital	749,117	593,616
Share based payment reserve	22,935	16,744
Reserves	44,586	47,575
Retained earnings/(losses)	(570,956)	(569,535)
Total equity attributable to equity holders of the parent	245,682	88,400

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 41 - 128, and remuneration report in the directors' report, set out on pages 25 to 39 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 2017 and of its performance for the financial year ended on that date; and

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

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

2. There are reasonable grounds to believe that the Company and the group entities identified in note 38 will be able to meet any obligation or liabilities to which they are or may become subject to by virtue of the deed of cross guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.

3. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the financial year ended 30 June 2017.

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, 30th day of August 2017

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 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

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

Basis for Opinion

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

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

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

Key Audit Matters

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

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<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the Key Audit Matter</th></tr>
<tr><td>Acquisition Accounting

On 31 March 2017 Emeco Holdings Limited merged with Orionstone Holdings Pty Ltd and Andy's Earthmovers (Asia Pacific) Pty Ltd as disclosed in note 36.

Accounting for this transaction is complex, requiring management to exercise judgement to determine the fair value of acquired assets and liabilities, including separately identifiable intangible assets such as customer contracts and determining the allocation of purchase consideration to goodwill.</td><td>Our procedures included, but were not limited to:

• Reading the purchase agreements to understand key terms and conditions and confirming our understanding of the transaction with management;
• Assessing the reliability of third party valuations including consideration of their competency and experience which were utilised by management in the determination of fair value of acquired assets; and
• Reviewing the opening balances of Orionstone and Andy's working capital balances and the fair value adjustments.

We also assessed the appropriateness of the disclosures in note 36 to the financial statements.</td></tr>
<tr><td>Carrying value of non-current assets

As disclosed in notes 8b and 22, an impairment of $77.9 million was recorded against the goodwill recognised from the acquisition during the year within the Australian Rental Cash Generating Unit (CGU).

Management prepared a value in use model to assess the recoverable value of the CGU. The preparation of a value in use model requires management to exercise significant judgement, with key assumptions including discount rate, operating margins, and forecast operating utilisation.</td><td>Our procedures included, but were not limited to:

• Understanding the process that management undertakes to develop the model;
• Comparing the forecasts to Board approved business plans;
• Assessing historical forecasting accuracy by comparing actual performance to budgets;
• In conjunction with our valuation specialists we:
    ○ challenged the assumptions and methodologies used by management;
    ○ assessed the discount rate against that of the industry;
    ○ evaluated the operating utilisation forecasts against historic levels; and
    ○ evaluated forecast costs against historic levels;
• Testing on a sample basis management's impairment model for mathematical accuracy;
• Performing sensitivity analysis on forecast cash flows for changes to the operating utilisation and discount rate; and

We also assessed the appropriateness of the disclosures in notes 8b and 22 to the financial statements.</td></tr>
</table>

Other Information

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 25 to 39 of the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Emeco Holdings Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Leanne Karamfiles
Partner
Chartered Accountants
Perth, 30 August 2017

Shareholder Information

Financial calendar

The annual general meeting of Emeco Holdings Limited will be held at Bendat Parent and Community Centre, 36 Dodd Street, Wembley WA on Thursday, 23 November 2017 commencing at 10.30am (Perth time).

Event	Date*
Annual general meeting	23 November 2017
Half year	31 December 2017
Half year profit announcement	February 2018
Year end	30 June 2018

*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 8 August 2017, as disclosed in the substantial holding notices, are as follows:

Name	Shares	% Issued capital
Black Diamond Capital Management LLC Black Diamond CLO 2012-1 Ltd Black Diamond Credit Strategies Master Fund Ltd Black Diamond CLO 2006-1 (Cayman) Ltd BDCM Opportunity Fund IV LP BDCM Opportunity Fund III LP	571,923,330	25.92
Brookfield Credit Opportunities Master Fund L.P; Brookfield Credit Opportunities Holdings, L.P; Brookfield Credit Opportunities Offshore Fund, L.P; BLCF Credit Funding L.P; Brookfield Private Equity Holdings L.L.C; Brookfield Asset Management Private Institutional Capital Adviser (Credit), L.L.C; Brookfield Credit Opportunities Onshore Fund, L.P; Brookfield Private Equity Group Holdings L.P; Brookfield Credit Opportunities Fund GP; Brookfield Private Equity Inc.; Brookfield Asset Management Inc.; 2518154 Ontario Limited; and PF Fund Limited Partnership	316,961,271	13.01
First Samuel Limited	269,141,867	12.20
Black Crane Asia Opportunities Fund	168,474,369	8.38

Emeco Holdings Limited and its Controlled Entities

Shareholder information

Distribution of shareholders

As at 8 August 2017, there were 4,832 holders of the Company's ordinary shares. The distribution as at 8 August 2017 was as follows:

Range	Investors	Securities	% Issued Capital
100,001 and Over	445	2,378,747,168	97.62
10,001 to 100,000	1,439	47,467,253	1.95
5,001 to 10,000	813	6,329,982	0.26
1,001 to 5,000	1,371	3,969,047	0.16
1 to 1,000	764	347,030	0.01
Total	**4,832**	**2,436,860,480**	**100.00**

The number of security investors holding less than a marketable parcel of 3,449 securities ($0.145 on 8 August 2017) is 1,689 and they hold 2,346,220 securities.

20 largest shareholders

The names of the 20 largest holders of the Company's ordinary shares as at 8 August 2017 are:

Rank	Name	Equity securities	% Issued Capital
1	CITICORP NOMINEES PTY LIMITED	443,934,676	18.22
2	BDCM OPPORTUNITY FUND IV LP	422,860,224	17.35
3	J P MORGAN NOMINEES AUSTRALIA LIMITED	340,048,460	13.95
4	PACIFIC CUSTODIANS PTY LIMITED	204,611,825	8.40
5	BDCM OPPORTUNITY FUND III LP	117,051,449	4.80
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	104,002,840	4.27
7	NATIONAL NOMINEES LIMITED	97,712,044	4.01
8	MACQUARIE BANK LIMITED	64,593,216	2.65
9	NATIONAL NOMINEES LIMITED	57,184,635	2.35
10	FGI HOLDINGS PTY LTD	56,232,573	2.31
11	BROOKFIELD CREDIT OPPORTUNITIES MASTER FUND L.P.	48,741,208	2.00
12	CIGNA HEALTH AND LIFE INSURANCE COMPANY	21,532,131	0.88
13	LIFE INSURANCE COMPANY OF NORTH AMERICA	17,225,705	0.71
14	UBS NOMINEES PTY LTD	13,473,827	0.55
15	BLACK DIAMOND CLO 2012-1 LTD	13,386,693	0.55
16	MR RICHARD NORMAN HARDING	13,299,098	0.55
17	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	13,230,115	0.54
18	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD	11,999,329	0.49
19	BLACK DIAMOND CREDIT STRATEGIES MASTER FUND LTD	11,640,603	0.48
20	CS FOURTH NOMINEES PTY LIMITED	10,911,379	0.45

Shareholder information

Voting rights of ordinary shares

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

Closing share price ($)

Emeco Holdings Limited and its Controlled Entities

Company Directory

DIRECTORS

Peter Richards
Ian Testrow
Peter Frank
Keith Skinner
Darren Yeates

SECRETARY

Penelope Young

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Brookfield Place, Tower 2
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Perth WA 6000

SECURITIES EXCHANGE LISTING

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

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