Emeco

Annual Report

2021

Emeco Holdings Limited and its Controlled Entities

ABN 89 112 188 815

Annual Financial Report

30 June 2021

Contents

Chairman's Report

Dear Shareholders,

I am pleased to present the Emeco Holdings Limited Annual Report for the 2021 financial year (**FY21**).

People, safety and sustainability

In FY21 Emeco has continued to maintain its dedication to our workforce of over 1,100 people, the environment and the communities in which we operate.

Over a full year of navigating the evolving challenges of the COVID-19 pandemic, our people continued to operate in a prudent and responsible manner, and we are proud that we had minimal impact to our business and customers, despite numerous lockdowns and state border closures, and no COVID-19 cases in our workforce.

Emeco safety performance saw further improvement as we reduced the total recordable injury frequency rate to 2.1, down from 2.9 last year. We are also pleased that the lost time injury frequency rate remained at zero for the fifth year in a row.

Our continued investment in our people, however, ranges far beyond safety. The Company rolled out Project Align in FY21, which focuses on attracting, retaining and developing our valuable workforce. This has involved national engagement of our people to define and establish our shared vision and values, noting there was exceptional participation from our workforce.

Project Align also guided better definition of our community identity and hence we established a Community Engagement Committee, chaired by John Worsfold, our Manager of People and Culture, to engage with causes close and dear to our people.

Emeco is also undertaking a detailed sustainability assessment in FY22. This will scope the critical ESG matters that are material to our business and stakeholders, and will include establishing ESG targets, including a pathway to decarbonisation.

The Board looks forward to presenting our ESG assessment in FY22.

For more information on our FY21 sustainability performance and policies, please refer to our Sustainability Report available on our website.

Building a sustainable business

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

Falling coal prices in early FY21 provided the Company the opportunity to better balance its commodity exposure, with the decision to move fleet from the Eastern Region to the Western Region to strategically capitalise on strong demand in gold and iron ore.

Combined with the recent Pit N Portal acquisition, Emeco continues to embed itself in customers projects through our expanded value proposition. This was supported by a growing list of longer-tenured projects, augmented by a better-balanced commodity mix and an increasingly diverse customer base.

These strategic decisions have ensured solid operational and financial performance was achieved in challenging circumstances.

Stronger balance sheet

In August 2020, the Board took decisive action to ensure Emeco's balance sheet was strong and able to withstand any further market gyrations. The rights issue and debt repayment significantly reduced our indebtedness and lowered our financing costs, and the Board thanks our supportive shareholders for their contributions.

More recently, with industry conditions stabilising, we were able to fully refinance the remaining US notes with Emeco's inaugural debt issuance in the $A bond market. This transaction materially reduced our cost of capital and further strengthened our balance sheet for the long-term success of the Company.

With our healthy balance sheet and leverage below our target of 1.0x, the Board approved its capital management policy in May 2021, resolving that 25% to 40% of operating net profit after tax will be allocated to shareholder distributions twice each year.

For this year, the Board is pleased to allocate $11 million of funds under its capital management policy, representing a 35% payout ratio of 2H21 operating NPAT. The capital management decision includes a 1.25 cent fully franked dividend, the Company's first since 2013, and an on-market share buyback.

Thank you

In closing, I would like to again thank our investors for their continued support of Emeco. I would also like to thank management for their continued hard work and dedication in building a sustainable business and successfully refinancing our US notes this year.

Finally, I would like to thank all our hardworking employees for their continued dedication in FY21. The commitment of the Emeco Team will ensure the long-term success of our business.

Peter Richards
Chairman

Managing Director’s Report

Dear Shareholders,

FY21 was a year where Emeco faced complex and evolving conditions. However, as we completed the year, the business is in an exceptionally strong position. We were able to navigate uncertainty while further progressing our strategy of being the lowest cost, highest quality provider of mining equipment, continued to widen our customer value proposition, and accelerated the diversification of our commodity mix.

We also strengthened our balance sheet, reduced our cost of capital and placed the business in a sound position to achieve sustainable long-term growth.

This is a testament to the commitment and hard work of our people.

People, safety and sustainability

Emeco’s workforce has now expanded to over 1,100 people nationwide. Pleasingly, however, our lost time injury frequency rate remained at zero for the fifth straight year. Our total recordable injury frequency rate also decreased 28% to 2.1, from 2.9 a year ago. The continued reduction in recordable injuries is a pleasing outcome as our target of a zero-harm workplace remains.

Labour conditions have been tight for much of our industry in FY21, this is especially notable in Western Australian mining regions with state and international border closures limiting the talent pool. However, the impact to our operations has been minimal and we have been able to achieve our operational and financial targets.

Minimising the impact of labour tightness on our business has been supported by the Company’s Project Align, which was established and rolled out in FY21. The project has been spearheaded by our new People and Culture Manager, John Worsfold, and is targeting employee engagement and focussing on long-term employee development to drive shared success.

The project also shaped our organisational values, defined by the whole Emeco Team, and identified opportunities to develop a greater community presence, driven by our people and their community groups. We will have more targeted involvement in our local communities and our recently established Community Engagement Committee will steer the direction of our community involvement.

Emeco places enormous value in its people, and we will continue to invest in our greatest resource.

On sustainability more broadly, we have commenced a detailed sustainability assessment, which will review and establish the Company’s ESG strategy, including long-term goals and targets.

I look forward to presenting our sustainability and ESG targets, with a roadmap to decarbonisation, later in FY22.

Executing our strategy despite a challenging backdrop

FY21 presented Emeco with some unique challenges. Commencing the financial year in the midst of the COVID-19 pandemic, high levels of uncertainty lingered in the business and global markets. The challenges continued with a decline in coal prices and certain customers reducing fleet utilisation.

As the year progressed, a number of regional COVID-19 outbreaks led to lockdowns and state border restrictions, which both requires organisational dynamism for a national business and restricted the free flow of people between states and from overseas, placing pressures on labour availability and costs.

However, we firmly believe Emeco was able to demonstrate its resilience as it navigated the evolving challenges. Our workforce was able to rapidly adjust and ensure its health and safety was maintained through the whole year and, with no COVID-19 cases in our workforce, our operations were uninterrupted in the new landscape of social distancing and enhanced hygiene.

We experienced a decline in utilisation and earnings in our rental business, driven by the reduction in seaborne coal prices and customer cost cutting, however this stabilised in the mid-part of the year. This also presented us with an opportunity to quickly adapt and redeploy a large portion of our idle equipment into new projects in WA, which has experienced strong demand in gold and iron ore.

This was both opportunistic and strategic, and has better balanced our commodity diversification, a core strategic imperative. The rebalancing of the fleet and commodity mix has ensured that earnings momentum built in the second half of the year.

Pit N Portal, acquired in February 2020, saw significant growth, especially in its mining services revenue. Its largest project, at Mincor Resources' nickel operations, aligns to our strategy of securing long tenured projects where we can embed ourselves on our customers' projects and increasing our capital-lite services revenue.

Whilst labour tightness is more pronounced in our services-based operations, we have experienced minimal impact to our operations. We see further strong growth in Pit N Portal ahead, and the team has secured additional mining services projects, commencing in 1H22.

I am proud of the achievements of our team in increasing our commodity diversification and services revenue despite challenging external factors. This achievement sets Emeco up to rebound its earnings in FY22.

Strong earnings and returns in FY21

I am pleased to report another year of strong profitability in FY21, with operating EBITDA of $238 million, down only 7% on FY20, notwithstanding the abovementioned challenges. We also achieved a return on capital of 17%, which remains high and well above our cost of capital.

The rental business, initially affected by lower utilisation, stabilised mid-year and is building momentum to grow earnings again in FY22. I mentioned Pit N Portal's strong growth, and it has recently won a new base metals project on the east coast, highlighting the potential of this business as it further expands in markets outside of WA-based gold mining.

The Force workshops segment had another strong year as it expanded its margins, and with recently agreeing to acquire a line boring business, will increase its capability and depth for continued growth and value-add to our rental and mining services segments, a key competitive advantage.

Long term capital structure and discipline

FY21 also saw a significant improvement in the Company's capital structure. Our balance sheet has strengthened significantly in the year, in no small part due to our supportive shareholders. I would like to again thank our shareholders for their support in reducing our debt levels, a transaction which has reshaped our business.

The refinancing completed in July 2021 built upon this and materially lowered our cost of capital. Our ongoing interest costs will be 64% lower than in FY20, a reduction $28 million per year. We now have a simpler capital structure, more representative of the health of the business, and with leverage below 1.0x, we can consistently allocate capital, generated from our strong returns, to our shareholders.

The Board announced its capital management policy in May 2021 and has now commenced allocating funds to shareholders. Following our results, $11m of funds have been allocated for capital management, representing a 35% payout ratio of 2H21 operating NPAT. The capital management decision includes a 1.25 cent fully franked dividend and an on-market share buyback.

Building a strong and healthy balance sheet, and recommencing dividends for the first time since 2013, has been a key strategic objective in my time as Managing Director and CEO, and this is another milestone the Board, the Emeco Team, and myself, are all proud to realise.

Our leverage target, capital management policy and strict return hurdles will guide prudent capital allocation moving forward.

Outlook for FY22

The Company is expecting a strong improvement in performance in FY22, with growth in earnings expected in all operating divisions. We have a focus on redeploying idle rental equipment and see a continuing growth trajectory in our services-based operations.

Our Rental business is supported by strong momentum in earnings in 4Q21, as assets moved from coal into iron ore and gold projects are now fully deployed. This is combined with new project wins and a solid tender pipeline.

Growth is also expected for Pit N Portal, as its Mincor nickel project continues to ramp up to production, and newly awarded projects in gold and base metals commence in 1H22.

The Force Workshops activity levels are expected to increase in line with the rental utilisation, together with a strong pipeline of retail work and the uplift from its recently agreed acquisition.

I firmly believe the execution of our strategy of building a sustainable and resilient business has ensured the numerous challenges of FY21 are well behind Emeco, as we build into FY22.

Thank you

I would like to take this opportunity to again thank our shareholders and investors for their continued support. I also thank the growing Emeco Team and acknowledge another year of their hard work and dedication.

Ian Testrow
Managing Director & Chief Executive Officer

Operating and Financial Review

The Emeco Group is a provider of open cut and underground mining equipment, maintenance and project support solutions and services.

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

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

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

Table 1: Group financial results

	Operating results[1,2,3,4]		Reported results	
A$ millions	**2021**	**2020**	**2021**	**2020**
Revenue	620.5	540.4	620.5	540.4
EBITDA[3,5]	237.7	254.4	226.9	234.1
EBIT[3,5]	119.1	139.4	107.2	105.3
NPAT[5]	56.8	61.0	20.7	66.1
ROC[5] %	16.8%	21.0%	14.1%	14.9%
EBIT margin	19.2%	25.8%	17.3%	19.5%
EBITDA margin	38.3%	47.1%	36.6%	43.3%

Note:
1. Significant items have been excluded from the reported result to aid the comparability and usefulness of the financial information. This adjusted information (operating results) enables users to better understand the underlying financial performance of the business in the current period. Refer to Table 2.
2. Operating results in FY20 are continuing operations only and therefore exclude the Chile discontinued operations.
3. Non IFRS measures.
4. FY20 operating results have been restated for the impact of AASB 16 to aid the comparability of current year results. FY20 operating NPAT includes a notional tax expense for comparative purposes.
5. EBITDA: Earnings before interest, tax, depreciation and amortisation. Excludes tangible asset impairment, net finance costs and net foreign exchange gain; EBIT: Earnings before interest and tax. Excludes net finance costs and net foreign exchange gain; NPAT: Net profit after tax; ROC: Return on capital (EBIT / Average capital employed).

Table 2: 2021 operating results to reported results reconciliation

A$ millions	EBITDA	EBIT	NPAT
Reported	**226.9**	**107.2**	**20.7**
Tangible asset impairment	-	1.1	1.1
Long-term incentive expense	6.0	6.0	6.0
Refinancing adviser fees	2.0	2.0	2.0
Loss on lease modification	2.7	2.7	2.7
Finance, hedging & FX costs	-	-	39.7
Tax effect of adjustments	-	-	(15.4)
Operating	**237.7**	**119.1**	**56.8**

Reconciliation of differences between operating and reported results:

1. FY21 operating results are non IFRS measures and exclude the following:
   - **Tangible asset impairments:** Net impairments totalling $1.1 million were recognised across the business on assets held for sale and subsequently disposed during the period (June 2020: $13.8 million).
   - **Long-term incentive program:** During FY21, Emeco recognised $6.0 million (June 2020: $14.3 million) of non-cash expenses relating to the employee incentive plan.
   - **Refinancing adviser fees:** One-off costs of $2.0 million for professional adviser fees relating to refinancing transactions (June 2020: nil).
   - **Loss on lease modification:** A net loss of $2.7 million (June 2020: nil) was recognised during the period to de-recognise equipment leases.
   - **Finance, hedging and FX costs:** One-off costs of $39.7 million (June 2020: nil) relating to the repayment of US$142.1 million March 2022 Notes (2022 Notes) and US$180.0 million March 2024 Notes (2024 Notes), including:
     - A$9.0 million call premium related to Notes maturing March 2022 which were repaid during the period
     - A$11.4 million call premium related to Notes maturing March 2024 which were repaid subsequent to 30 June 2021
     - A$5.6 million accelerated amortisation of borrowing costs related to repayment of the US$142.1 million 2022 and US$180.0 million 2024 Notes
     - A$3.3 million refinancing fees were incurred in relation to the refinancing transaction
     - Net A$10.3 million relating to the hedge closeout, including expenses incurred of A$20.3 million, offset by A$4.0 million realised and A$6.0 million unrealised exchange gain on repayment of the Notes
   - **Tax effect of adjustments:** notional tax on above adjustments at 30%.

2. Refer to the 2020 Annual Report for a reconciliation of differences between FY20 operating and reported results.

CONTINUED STRONG RETURNS

Operating EBITDA decreased to $237.7 million (down $16.7 million or 7% on FY20) as a result of the impact on commodity demand and costs associated with the COVID-19 pandemic on the Rental segment partially offset by the full year contribution from Pit N Portal ($30.2 million in FY21 compared to $9.3 million in FY20).

Group operating revenue from continuing operations increased to $620.5 million in FY21 (FY20: $540.4 million). Rental revenue decreased to $402.3 million (FY20: $425.1 million) as a result of reduced operating utilisation of the rental fleet impacted by COVID-19 impact on commodity prices, offset by increased maintenance revenue as the business increased the number of fully maintained rental project sites. Pit N Portal revenue of $141.0 million was attributable to a full year contribution in addition to new project wins. External revenue from the Workshops decreased marginally from $80.0 million in FY20 to $77.3 million in FY21. Internal Workshop revenue decreased from $83.8 million in FY20 to $77.1 million in FY21 in line with the reduction in utilisation of the Rental fleet.

Operating EBITDA margins decreased to 38.3% (FY20: 47.1%) as a result of the full year contribution of lower margin earnings with a greater services content from Pit N Portal and the Rental segment in addition to some minor additional costs incurred in response to COVID-19. Operating EBIT decreased 14.6% attributable to lower EBITDA however operating return on capital (**ROC**) remained high at 16.8% (FY20: 21.0%).

Table 3: Operating cost summary (operating results)

A$ millions	2021	2020
Revenue	**620.5**	**540.4**
Operating expenses		
Repairs and maintenance	(128.2)	(94.1)
External maintenance services	(92.1)	(84.8)
Employee expenses	(92.4)	(48.6)
Cartage and fuel	(15.7)	(18.2)
Net other expenses	(54.4)	(40.3)
Operating EBITDA	**237.7**	**254.4**
Depreciation and amortisation expense	(118.6)	(115.0)
Operating EBIT	**119.1**	**139.4**

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

Repairs and maintenance expense increased to $128.2 million (FY20: $94.1 million) driven by the full year contribution of Pit N Portal in FY21 and an increase in fully maintained project sites in the Rental segment. External maintenance services expense increased materially attributable to the full year contribution from Pit N Portal and the increase in fully maintained rental projects in the Rental segment.

Cartage and fuel decreased to $15.7 million (FY20: $18.2 million) in line with the lower utilisation levels in the Rental segment.

Due to the full year contribution of Pit N Portal (FY20: four months) and increased number of maintained rental sites, employee expenses increased 90.1% in FY21 to $92.4 million (FY19: $48.6 million). Total headcount has increased from approximately 900 to approximately 1,100 over FY21.

Net other expenses increased to $54.4 million (FY20: $40.3 million) primarily as a result of the full year contribution from Pit N Portal.

Depreciation and amortisation expense increased to $118.6 million in FY21 (FY20: $115.0 million) driven by the full year contribution form Pit N Portal partially offset by the reduction in utilisation in the Rental segment. Depreciation expense increased 3.1% compared to a 14.8% increase in revenue attributable to the significant increase in services related revenue in FY21.

REINVESTMENT IN RENTAL FLEET AND EXPANSION OF PNP

The written down value (**WDV**) of the equipment fleet including capital WIP and inventory increased by $37.6 million to $662.5 million in FY21 primarily due to the acquisition of $40.1 million in growth capital expenditure in FY21 to satisfy the expansion of Pit N Portal and contract wins in the Rental segment in hard rock. The strength of the Groups cash flow and strong balance sheet allows for a staged and consistent asset replacement program to be undertaken over the coming years which commenced in FY21. This replacement strategy is key to the continued growth and success of the business and will be funded by the free cash flow of the Group.

Table 4: Equipment fleet

A$ millions	2021	2020
Equipment fleet	662.5	624.9
Non-current assets held for sale	2.8	3.2

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

CONTINUED STRONG FREE CASH FLOW

Table 5: Free cash flow summary

A$ millions	2021	2020
Operating EBITDA	237.7	254.4
Working capital	6.4	(19.8)
Net sustaining capital expenditure[4]	(115.9)	(110.3)
Component inventory	(2.3)	1.4
Finance costs	(38.5)	(47.6)
Net free cash flow (pre-growth capex)	**87.4**	**78.1**
Growth capex	(40.1)	**-**
Net free cash flow	**47.3**	**78.1**

Note:
1. FY20 results exclude Chile discontinued operations.
2. Free cash flow excludes any non-recurring items (FY21: Refinancing and adviser fees $2.0 million, finance and hedging costs $15.5 million) (FY20: Redundancy and restructure expense $2.0 million, non-recurring project costs $3.5 million, impairment of investments and hedge ineffectiveness ($1.6) million).
3. For comparability purposes, FY20 financing costs cash outflow has been adjusted ($1.5m) and EBITDA by $8.3m for the impact of AASB 16 Leases to the numbers presented in the FY20 annual report.
4. Capital expenditure includes assets acquired under leasing arrangements.

Operating EBITDA decreased from $254.4 million in FY20 to $237.7 million in FY21 with the Rental segment impacted by lower commodity prices attributable to COVID-19 partially offset by the expansion and full year contribution of Pit N Portal. The working capital inflow in the current economic climate is particularly pleasing resulting from a continued strong focus on working capital controls within the business. No debtor recoverability issues have arisen as a result of COVID-19.

Net sustaining capital expenditure increased from $110.3 million in FY20 to $115.9 million in FY21 in line with a larger fleet as a result of the acquisition of Pit N Portal, in addition to the recommencement of the fleet replacement strategy in FY21. $40.1 million of growth capex was incurred in FY21 including a package of underground equipment $14.0 million of which half was an acceleration of future planned expenditure. The remainder of the expenditure related to equipment to satisfy new base metal open cut and underground project wins during FY21.

Finance costs were lower in FY21 due to the repayment of US$142.1 million in September 2020 which was financed with the proceeds of a capital raising. The refinancing of the remaining US$180.1 million of notes in July 2021 will significantly reduce the finance cash costs of the Group going forward with a full year benefit to be realised in FY22.

CONTINUED LEVERAGE REDUCTION IN LINE WITH TARGET

Table 6: Net debt and gearing summary

A$ millions	2021	2020
Interest bearing liabilities (current and non-current)[1]		
Secured Notes (USD denominated)[4]	246.8	441.7
Revolving credit facility[5]	-	97.0
Lease liabilities and other financing[5]	48.8	62.6
Total debt[1]	**295.6**	**601.3**
Cash	(74.7)	(198.2)
Net debt[1]	**220.9**	**403.1**
Leverage ratio[2]	0.93x	1.58x
Interest cover ratio[3]	7.0	5.4

Note: 1. Figures based on facilities drawn. Debt in the table above is a non-IFRS measure. Excludes debt raising costs included in interest bearing liabilities in note 24.
2. Leverage ratio - Net debt / Operating EBITDA.
3. Interest cover ratio - Operating EBITDA / Net Interest expense.
4. US$180.0 million converted at the effective hedge rate of 0.7293 and excluding liabilities in relation to the premium payable on early repayment or maturity (US$8.3m / A$11.1m) as disclosed in note 24 of the financial report.
5. Refer to note 24 in the financial report.

Total outstanding debt decreased by $305.7 million due to the repayment of A$97.0 million drawn under the revolving credit facility (**RCF**) as a liquidity safeguard during the early stages of the COVID-19 pandemic. Additionally, the Group repaid US$142.1 million of notes (A$194.8 million) during the year with the net proceeds of A$146.1 million capital raising.

The A$100.0 million RCF matures in September 2021, however the Group exercised its option in July 2021 to extend the maturity of the facility to September 2023. Other than the maturity date, there were no changes to the terms of the facility. The facility was undrawn at 30 June 2021 other than A$1.6 million of the facility utilised for bank guarantees.

Emeco's cash balance decreased to $74.7 million at 30 June 2021, largely due to the A$97.0 million repayment of the RCF facility offset by the conversion of EBITDA to net operating free cash flow. Cash was also impacted by the repayment of US$142.1 million (A$194.8 million) of notes with the A$146.1 million net proceeds of a capital raising.

Subsequent to 30 June 2021, the Group refinanced the outstanding US$180.1 million notes with the issuance of A$250.0 million notes. The notes mature in July 2026 and have a semi-annual coupon of 6.25% p.a. This refinancing event marks a significant turning point in the Group with a significant reduction in the annual interest expense of the group. Refer to note 24 in the accompanying financial statements for additional information on Emeco's financing facilities.

Emeco's leverage ratio has improved from 1.58x at 30 June 2020 to 0.93x at 30 June 2021 ahead of previously disclosed timelines. The reduction in leverage was achieved though the strong free cash flow generation of the Group in addition to the reduction in gross debt via the repayment of the US notes partially funded by A$146.1m net capital raising.

No dividends were declared or paid during FY21. On 17 August 2021, the board resolved to pay a final dividend for the six months ended 30 June 2021 of 1.25 cents per share. The dividend will be fully franked and will be paid on 30 September 2021.

Segment Business Overview

Main markets

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

Rental

Revenue in the Rental segment was impacted by COVID-19 and the resulting impact on commodity prices which resulted in a decrease of 5.4% to $402.3 million with operating EBITDA margins decreasing from 62.6% in FY20 to 57.0% in FY21 as the segment expanded its number of fully maintained project sites and services offering at lower margins.

Group operating utilisation[1] decreased over FY21 averaging 59%, down from 64% in FY20, however finished FY21 with an operating utilisation rate of 60%. Operating utilisation is a measure of how hard the equipment is working. Gross utilisation averaged 87% in FY21 (FY20: 91%). Management is focussed on increasing the operating utilisation of machines currently on rent and continues to pursue opportunities to dispose of underutilised fleet to generate greater returns as part of the Groups fleet strategy.

Workshops

Total Workshops activity (as measured by retail and internal revenue pre-intercompany eliminations) decreased from $163.8 million in FY20 to $154.3 million in FY21. The Operating EBITDA contribution from the retail earnings increased 2% to $8.1 million (FY20: $7.9 million). All overheads are allocated to the external retail earnings. Operating EBITDA margin for the period increased to 10.5% (FY20: 9.9%). The internal portion of Workshops activity decreased marginally to 50.4% (FY20: 51.1%) attributable to the lower utilisation of the Rental fleet.

Pit N Portal

This segment was established via the acquisition of Pit N Portal on 28 February 2020 and provides a range of mining services solutions and associated services to customers in Australia. For the four months of ownership under Emeco in FY20, Pit N Portal earned revenue of $35.3 million and Operating EBITDA of $9.3 million at a margin of 26.3%. The segment experience significant revenue growth in FY21 with revenue of $141.0 million and EBITDA of $30.2 million at a margin of 21.4%. The margin was impacted by the start-up phase of the 5-year contract with Mincor, however returns on this project are forecast to improve over the next financial year.

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

Table 7: Five-year financial summary

		2021[4]	2020[4]	2019	2018	2017
REVENUE						
Total revenue from continuing operations	$'000	620,528	540,429	464,486	380,992	233,014
PROFIT						
Operating EBITDA[2]	$'000	237,687	254,366	213,966	153,004	83,504
Operating EBIT[2]	$'000	119,110	139,410	125,352	83,193	11,674
Operating NPAT[2]	$'000	56,791	61,037	63,126	20,068	(90,891)
Reported profit/(loss) for the year	$'000	20,695	66,129	33,961	11,376	(180,463)
Basic EPS[3]	cents	4.0	19.8	11.2	0.4	(3.7)
BALANCE SHEET						
Total assets	$'000	965,544	1,088,591	768,669	716,052	520,679
Total liabilities	$'000	434,138	731,346	570,591	562,570	552,686
Shareholders' equity	**$'000**	**531,406**	**357,245**	**198,078**	**153,482**	**(32,007)**
Total debt	$'000	299,304	628,932	481,243	484,581	474,109
CASH FLOWS						
Net cash flows from operating activities	$'000	205,616	181,973	169,464	125,533	14,223
Net cash flows from investing activities	$'000	(149,558)	(169,852)	(251,024)	(127,087)	486
Net cash flows from financing activities	$'000	(179,472)	149,825	(53,718)	156,730	(21,318)
Free cash flow after repayment/(drawdown) of net debt	**$'000**	**(123,414)**	**161,946**	**(135,278)**	**155,174**	**(6,609)**
Free cash flow before repayment/(drawdown) of net debt[1]	**$'000**	**54,859**	**75,308**	**(130,373)**	**162,856**	**(334)**
DIVIDENDS						
Number of ordinary shares at year end[3]	'000	544,055	368,551	323,212	3,178,859	2,436,860
Total dividends declared in respect to financial year	$'000	6,801	0	0	0	0
Ordinary dividends per share declared	**cents**	**1.25**	**0.0**	**0.0**	**0.0**	**0.0**
Special dividends per share declared	**cents**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
KEY RATIO'S						
Average fleet utilisation	%	86.7	90.5	90.1	89.6	87.3
Average fleet operating utilisation	%	59.4	64.4	63.9	57.4	52.9
Operating EBIT ROC[2]	%	16.8	21.0	21.0	19.6	3.3
Leverage ratio[2]	x	0.93	1.58	2.00	2.62	5.47

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

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

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

3 Weighted average number of shares restated at 30 June 2020 due to FY2021 bonus rights issue. 30 June 2019 includes the impact of a 10:1 share consolidation that occurred on 27 November 2018.

4 FY21 and FY20 are both reported post AASB 16 Leases.

Financial Report

Directors' Report

For the year ended 30 June 2021

The board of directors (**Board**) of Emeco Holdings Limited (**Emeco** or **Company**) present its report together with the financial reports of the consolidated entity, being Emeco and its controlled entities (**Group**) and the auditor's report for the financial year ended 30 June 2021 (**FY21**).

Directors

The directors of the Company during FY21 were:

PETER RICHARDS BCom

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

Board committee membership:

- Chairman of the Remuneration and Nomination Committee (Chairman since 12 November 2020, previously a member).
- Member of the Audit and Risk Management Committee.

Skills and experience: Peter has over 40 years of international business experience with global and regional companies including British Petroleum (including its mining arm Seltrust Holdings), Wesfarmers Limited, Dyno Nobel Limited and Norfolk Holdings Limited. During his time at Dyno Nobel, he held a number of senior positions with the North American and Asia Pacific business, before being appointed as Chief Executive Officer in Australia (2005 to 2008).

Current appointments:

- Chairman of Elmore Limited (previously IndiOre Limited and NSL Consolidated Limited) since 2018 (Non-Executive Director 2009 to 2014; previously Chairman 2014 to 2017).
- Chairman of Graincorp Limited since March 2020 (Non-Executive Director since 2015).
- Non-Executive Chairman of Cirralto Limited since December 2017.

IAN TESTROW BEng (Civil), MBA

Appointment: Managing Director since 20 August 2015.

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

PETER FRANK BSEE, MBA

Appointment: Non-Executive Director since April 2017.

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

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

KEITH SKINNER B.Comm, FCA, FAICD

Appointment: Independent Non-Executive Director since April 2017.

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

Skills and experience: Keith was the Chief Operating Officer of Deloitte Touche Tohmatsu for 13 years until his retirement from the firm in May 2015. Previously Keith was one of the leading Restructuring and Insolvency practitioners in Australia, leading many corporate turnarounds. Keith was on the Board of Deloitte Touche Tohmatsu (1995 to 1997) and on the Board of the Global Deloitte Organisation (2013 to 2015), and a member of the Deloitte Global Governance (2013 to 2015) and Deloitte Global Risk Committees (2013 to 2015). Keith has also been the Chairman of Emue Technologies Limited (2013 to 2015). Keith was the Independent Chairman of the Audit and Risk Committee for the Australian Digital Health Agency (2016 to 2019) and was a director of the Lysicrates Foundation Limited (2015 to 2020).

Current appointments:
- Director of Invocare Limited since September 2018. Chair of the Audit and Risk Committee.
- Director of the North Sydney Local Health District since 2017. Chair of the Finance, Risk and Performance Committee.

PETER KANE BEng (Mining)

Appointment: Independent Non-Executive Director since December 2020.

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

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

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

Current appointments:
- Chief Operating Officer at QCoal Group (since 2016).
- Board member of Australian Coal Research Limited (since 2017).

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

Appointment: Independent Non-Executive Director (resigned as director effective 11 November 2020).

Board committee membership:
- Chairman of the Remuneration and Nomination Committee from 1 April 2020 until 11 November 2020. (previously member from April 2017 to March 2020).
- Member of the Audit and Risk Management Committee until 11 November 2020.

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

Current appointments:
- Director since January 2018 of WorkPac Pty Ltd.
- Director of Peabody Energy, Inc since February 2020.

Company secretary

The company secretary of the Company during FY21 was:

PENELOPE YOUNG LLB, LLM, BBus

Appointment: Company Secretary since April 2017.

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

Directors' meetings

The number of board and committee meetings held and attended by each director in FY21 is outlined in the following table below:

Table 8: Board and committee meetings held and director attendance

Director	Board meetings		Audit & risk management committee meetings		Remuneration & nomination committee meetings	
	A	B	A	B	A	B
Peter Richards	12	12	4	4	3	3
Ian Testrow	12	12	4 *	4	3 *	3
Peter Frank	12	12	0 *	4	0 *	3
Keith Skinner	11	12	4	4	3	3
Peter Kane	5	5	2	2	1	1
Darren Yeates	4	6	1	1	2	2

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

Corporate governance statement

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

Principal activities

The principal activity of the Group during FY21 was the provision of mining equipment rental to both open-cut and underground miners and also providing complementary equipment and mining services, including market- maintenance, equipment and component rebuilds, fleet optimisation technology, and technical and engineering services.

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

Operating and financial review

A review of Group operations, and the results of those operations for FY21, is set out in the operating and financial review section at pages 8 to 14 and in the accompanying financial statements.

Dividends

On 17 August 2021, the board resolved to pay a final dividend for the six months ended 30 June 2021 of 1.25 cents per share, representing a total cash payment of $6,801,000. The dividend will be fully franked and will be paid on 30 September 2021.

Significant changes in state of affairs

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

Events subsequent to report date

On 2 July 2021, the Company successfully completed the issuance of A$250,000,000 notes in the A$ MTN market (**AUD Notes**). The notes have a fixed coupon of 6.25%, payable semi-annually, and have a maturity date of 10 July 2026. The funds received from this debt raising were used to repay the outstanding US$180,006,000 March 2024 notes, call premium and close out all hedging associated with these notes. AUD$269,450,000 was paid to derivative counterparties on 16 July 2021 with the hedge counterparty payment of US$197,750,000 made to noteholders on 2 August 2021 to repurchase and cancel the notes and associated premium and final coupon. The 16 July 2021 payment of AUD$269,450,000 included the principal amount at the hedged rate of $246,828,000, accrued interest of $6,084,000, a premium for early repayment of the Note of $11,223,000 and a mark-to-market payment on hedge close-out of $5,314,000.

On 13 July 2021, the Group exercised its option to extend the maturity of the A$100,000,000 Revolving Credit Facility for an additional two years to September 2023. Other than the extension of the maturity date, there was no change to the terms of the facility.

On 17 August 2021, the board resolved to pay a final dividend for the six months ended 30 June 2021 of 1.25 cents per share, representing a total cash payment of $6,801,000. The dividend will be fully franked and will be paid on 30 September 2021.

On 18 August 2021, the Company announced its intention to undertake an on-market buyback of up to $3,800,000 of shares. The Company reserves the right to vary, suspend or terminate the buyback at any time.

Other than the above, there have been no other significant events subsequent to the year ended 30 June 2021.

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 8 to 14. This report omits information on likely developments in the Group in future financial years and the expected results of those operations the disclosure of which, in the opinion of the directors, would be likely to result in unreasonable prejudice to the Group.

Directors' interest

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

Table 9: Directors' interests

Director	Ordinary shares [A]	Rights	
Peter Richards	11,044	-	
Ian Testrow	11,722,107	3,157,836	[B]
Peter Frank	-	-	
Keith Skinner	22,300	-	
Peter Kane	10,288	-	
Darren Yeates [C]	-	-	

[A] This comprises ordinary shares in which the Director has a relevant interest.
[B] This comprises unvested rights issued under the Company's incentive plans.
[C] Ceased as a director 11 November 2020.

Indemnification and insurance of officers and auditors

The Company has entered into a deed of access, indemnity and insurance with each of its current and former directors, the chief strategy officer, the chief financial officer and the company secretary. Under the terms of the deed, the Company indemnifies the officer or former officer, to the extent permitted by law, for liabilities incurred as an officer of the Company. The deed provides that the Company must advance the officer reasonable costs incurred by the officer in defending certain proceedings or appearing before an inquiry or hearing of a government agency.

Since the end of the previous financial year, the Company has paid premiums in respect of contracts insuring current and former officers of the Emeco Group, including executives, against liabilities incurred by such an officer to the extent permitted by the *Corporations Act 2001*. The contracts of insurance prohibit disclosure of the nature of the liability cover and the amount of the premium.

The Group has not indemnified its auditor, Deloitte Touche Tohmatsu.

Non-audit services

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

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

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

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

Lead auditor's independence declaration

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

Rounding off

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

Remuneration report (audited)

Contents

This Remuneration Report for the year ended 30 June 2021 outlines the remuneration arrangements of the Company and is in accordance with the requirements of the *Corporations Act 2001* (**Act**) and its regulations. This information has been audited as required by section 308(3C) of the Act. This report covers the following matters:

1. Introduction

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

The following persons were directors of the Company during FY21:

Non-executive directors		
Peter Richards	Chair, Independent Non-Executive Director	
Peter Frank	Non-Executive Director	
Keith Skinner	Independent Non-Executive Director	
Peter Kane	Independent Non-Executive Director	(Commenced role 7 December 2020)
Darren Yeates	Independent Non-Executive Director	(Resigned 11 November 2020)

Executive directors	
Ian Testrow	Managing Director & Chief Executive Officer

The following persons were also employed as executives of the Company during FY21:

Other executives	Position
Thao Pham	Chief Strategy Officer
Neil Siford [1]	Chief Financial Officer

[1] Mr Siford provided notice of his resignation in March 2021. He will remain as CFO until after the Company's financial year end process (including the 2021 AGM) is completed.

2. Remuneration governance

Remuneration and Nomination Committee

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

The members of the remuneration and nomination committee in FY21 were Mr Peter Richards, Mr Keith Skinner, Mr Peter Kane and Mr Darren Yeates. Mr Yeates was Chair until close of business 11 November 2020 when he resigned as a director. Mr Richards took over as Chair on 12 November 2020. Mr Kane commenced as a member on 7 December 2020, following his appointment as a director.

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

Use of remuneration consultants

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

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

Prohibition of hedging securities

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

3. Executive remuneration arrangements

3.1 Remuneration principles and strategy

Emeco's executive remuneration strategy is designed to attract, motivate and retain talented individuals and align the interests of executives and shareholders. The following diagram illustrates how the Company's remuneration strategy aligns with its strategic direction and links remuneration outcomes to performance.

Business objective

Build a sustainable and resilient business through scale, customer and commodity diversification and creating value through providing the lowest cost, highest quality earthmoving equipment solutions and offering related services that improve customer project economics to an extent that Emeco is embedded in its customers' operations

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

Remuneration component	Vehicle	Purpose	Link to performance
Fixed Remuneration	Comprises base salary, employer superannuation contributions and other non-cash benefits.	To provide competitive base salary set with reference to Company size, achievements, role, market and experience.	Changes to an executive's scope of responsibilities are considered during the annual remuneration review and, along with performance, drive remuneration changes.
Variable short term incentive plan (**STI**)	Paid in cash.	Rewards executives for their contribution to achievement of Company key performance indicators (**KPIs**) during the financial year.	Emeco health and safety (total recordable injury frequency rate (**TRIFR**)), operating earnings before interest, tax, depreciation and amortisation (**Operating EBITDA**) and employee-specific operational targets are the key performance measures in FY21 which determine if any short-term component is payable. Targets are discussed in section 5.
Variable long term incentive plan (**LTI**)	Awards are made in the form of rights to ordinary Emeco shares (**Rights**).	Rewards executives for their contribution to progressive achievement of Company KPIs over the three-year performance period. Awards of Rights dependent on achievement of the LTI KPIs. Performance Rights may convert into shares after vesting at the end of the three-year performance period (subject to any earlier vesting as set out below) directly aligning executive interests with shareholder value over the three-year period.	Vesting of awards is dependent on creation of growth avenues for the business and a more sustainable and resilient business. Further, the incentive's value is ultimately dependent on the Company's share price after the three-year performance period, so drives executives to maximise shareholder return. Targets are discussed in section 5.

3.2 Approach to setting remuneration and details of incentive plans

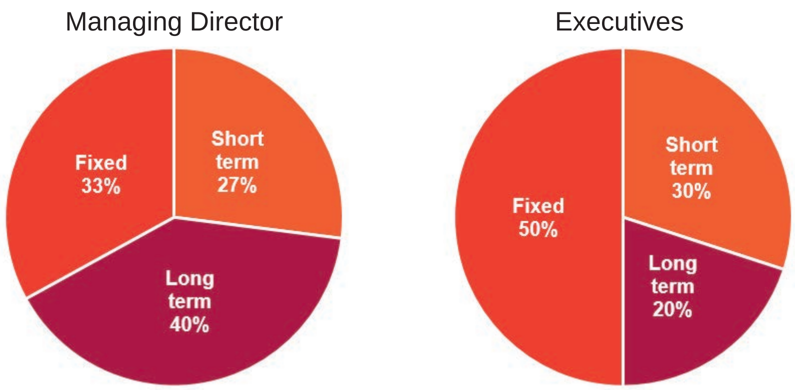
In FY21, the executive remuneration framework consisted of fixed remuneration and short-term and long-term incentives as outlined below.

Overall remuneration level and mix

How is overall remuneration and mix determined?

The Company aims to reward executives with a level and mix (proportion of fixed remuneration, short term incentives and long-term incentives) of remuneration appropriate to their position, responsibilities and performance within the Company and that which is aligned with targeted market comparators.

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



How much variable remuneration can executives earn?

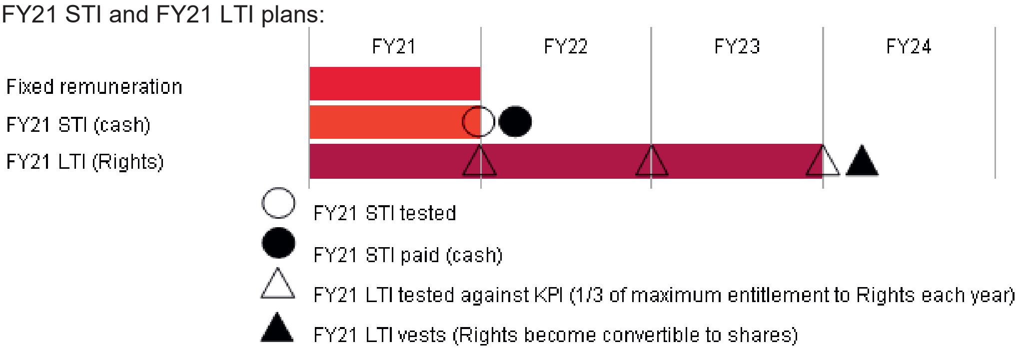
The below table sets out the maximum incentive opportunity for each executive under the FY21 STI and FY21 LTI plans, expressed as a percentage of total fixed remuneration (**TFR**).

Table 10: Components of variable remuneration

Executive	Position	Maximum STI % of TFR	Maximum LTI % of TFR	Maximum Total % of TFR
Ian Testrow	Managing Director & Chief Executive Officer	80%	120%	200%
Thao Pham	Chief Strategy Officer	60%	40%	100%
Neil Siford	Chief Financial Officer	60%	40%	100%

How is variable remuneration delivered?

The STI is assessed over a single year and the LTI is assessed progressively over three years. The chart below sets out the time periods for assessing and awarding remuneration under the FY21 STI and FY21 LTI plans:



Fixed remuneration	
How is fixed remuneration reviewed and approved?	Fixed remuneration is reviewed periodically from benchmarked remuneration data. Any fixed remuneration changes for executives take into account changes in responsibilities and performance within the Company and are aligned with targeted market comparators. Changes to an executive's fixed remuneration is subject to approval from the Board considering recommendations from the Remuneration and Nomination Committee.
Variable remuneration - FY21 Short term incentive plan (FY21 STI)	
What is the purpose of the plan?	The FY21 STI plan is a cash incentive that rewards executives for their contribution to achievement of certain KPIs in the current financial year.
What are the KPIs and how do they align with business performance?	The KPIs for the FY21 STI plan are based on a balance of financial and non-financial measures which provide the platform for the long-term performance and sustainability of the Company, assessed at either a Company or individual level. See section 5 for more information on the FY21 KPIs.
When is performance measured?	Achievement against the STI KPIs is measured once the Company's full year results have been approved by the Board.
How are awards determined?	Awards are determined by the Board, on recommendation of the Remuneration and Nomination Committee, after consideration of performance against the applicable KPIs.
How is it paid?	FY21 STI awards are paid in cash.
What happens if an executive leaves?	The STI award is only paid to executives employed by the Group after performance is assessed against the STI KPIs.
Variable remuneration - FY21 Long term incentive plan (FY21 LTI)	
What is the purpose of the plan?	The FY21 LTI plan is an equity incentive that rewards executives for their contribution to achievement of certain KPIs over a three-year period. One-third of a participant's maximum entitlement is tested each year against the KPI set for that year. Assessing achievement annually ensures that executives are rewarded for their performance in each year over the three-year period and, to achieve maximum award, consistent high performance in each year over the three-year period is required. Awards under the FY21 LTI plan are made in the form of Rights.
What are the KPIs and how do they align with business performance ?	The KPI for year 1 of the FY21 LTI was to create additional growth avenues for the business and to create a more sustainable and resilient business through the cycle, reflecting a focus on achieving the Company's broader strategic objectives and ensuring a strong foundation for the Company's growth. As noted in the FY20 Annual Report, the same KPI applies for year 2 of the FY20 LTI plan. Having targeted increasing the Company's resilience through commodity diversification, expansion of service offering across the Group and the refinancing of the Group's debt in the Australian market, the board has determined that in FY22 a quantitative KPI is suitable and will apply for each of the current LTI plans in FY22 (i.e. year 3 of the FY20 LTI plan, year 2 & 3 of the FY21 LTI plan and year 1, 2 & 3 of the FY22 LTI plan). The FY22 KPI is earnings per share growth, which further aligns management with shareholder value and recognises the evolving focus on seeing the strong foundation developed for the Company being reflected in its financial outcomes. See **section 5** for more information on the FY21 KPI.

When is performance measured?	Achievement against the LTI KPIs are measured by the Board, with the assistance of the Remuneration and Nomination Committee, at the time of the Company's full year results. The FY21 LTI plan spans a three-year performance period. Performance is assessed annually by the Board across the three-year period in conjunction with approval of the full year results (see "How is variable remuneration delivered" on page 26).
How are awards determined?	Awards are determined by the Board, on recommendation of the Remuneration and Nomination Committee, after consideration of performance against the applicable KPIs.
How is it paid?	FY21 LTI awards are paid by issuing rights (**Rights**) to fully paid ordinary Emeco shares (**Shares**). Rights issued under the FY21 LTI plan are scheduled to vest after announcement of Emeco's annual results in 2023. Executives have the option to convert the Rights into Shares at any time within 2 years from the vesting date, unless the executive leaves Emeco earlier (see "What happens if an executive leaves?" below). The maximum possible award of Rights under the FY21 LTI plan was calculated by reference volume-weighted average price of Emeco shares for the 20 business days following the release of Emeco's FY20 results, being $1.02. Rights will be issued at no cost to the executive. The ultimate value of the FY21 LTI award is determined by the Emeco share price once the Rights have vested and are converted into Shares, providing further alignment with the long-term interests of shareholders.
What happens if an executive leaves?	Under the FY21 LTI plan, if Emeco has terminated the executive's employment for misconduct or other breach of employment contract, the Board may, in its absolute discretion, determine that all or part of the Rights issued to them under the FY21 LTI plan will lapse. If the executive leaves the Emeco Group for any other reason, Rights that have been tested and issued under the FY21 LTI plan will immediately vest and must be exercised into Shares within 2 weeks from vesting. The executive will have no entitlement to untested awards.
What happens if there is a change in control?	In the event of absolute change in control (i.e. the acquisition by a third party and its associates of more than 50% of Emeco's shares) or an effective change of control (i.e. a third party acquiring the capacity to determine Emeco's financial and operating policies): • rights which have been tested and issued under the FY21 LTI plan; and • awards in respect of any component of the FY21 LTI that has not been tested, will vest on the change date.
What other terms apply to the Rights?	Dividends are not payable, and there are no voting entitlements, on Rights issued under the LTI plan (whether vested or unvested). Rights cannot be disposed of, other than by conversion of vested Rights into Shares (which, can then be transferred or sold subject to Emeco's share trading policy).

4. Relationship between executive remuneration and company performance

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

In FY21, the variable components of executive remuneration, comprised the STI plan and LTI plan, maintaining the balance between short-term reward and long-term value creation. The KPIs for the STI and LTI plans focus on driving and rewarding leadership performance and behaviours consistent with the Company's strategy and objectives.

The STI KPIs (detailed in section 5) focussed on safety, earnings and employee-specific operation targets. The LTI KPI focussed on strengthening the fundamentals of the business to create a more sustainable and resilient business, providing a platform for continued growth. Strong performance against each of those measures in FY21 is reflected in the partial awards of LTIs and STIs to executives.

The Board also recognises that retaining senior management, and acknowledging their hard work and success in positioning the business for sustainability and resilience, is key in driving Company performance and therefore value for shareholders.

Company performance

Emeco's focus on building a resilient and sustainable business that can consistently achieve a return on capital above its cost of capital has resulted in maintaining strong financial performance. This was achieved despite facing significant challenges in the FY21 year, including the COVID-19 pandemic and the flow on impacts to certain commodity markets, and trade tensions between Australia and China impacting Australian exports. Details of the Group's performance (as measured by a range of financial and other indicators, including disclosure required by the Act) and movements in shareholder wealth are set out in the following table:

	FY21[3]	**FY20**[3]	**FY19**	**FY18**	**FY17**
Operating EBITDA ($m) [1]	237.7	254.4	214.0	153.0	83.5
Operating EBIT ($m) [1]	119.1	139.4	125.4	83.2	12.0
Operating NPAT ($m) [1]	56.8	61.0[4]	63.1	20.1	(90.9)
Net leverage	0.93x	1.58x	2.00x	2.60x	5.50x
Return on capital [1]	17%	21%	21%	20%	3%
Total dividends declared ($m)	$6.8	-	-	-	-
Closing share price as at 30 June [2]	$1.05	$0.99	$2.10	$0.38	$0.11
TRIFR	2.1	2.9	4.6	1.2	2.2

[1] Non IFRS measures. Refer to Table 2 of the Operating and Financial Review for further detail regarding operating adjustments.
[2] A 10 to 1 share consolidation was approved by the Company's shareholders at the 2018 AGM and effected on 27 November 2018. The share price for FY17 and FY18 is pre-consolidation.
[3] FY21 and FY20 are both reported post AASB 16 Leases.
[4] FY20 Operating NPAT tax effected for comparative purposes.

5. Executive remuneration outcomes for FY21

5.1 Fixed remuneration outcomes

There was no change to fixed remuneration for existing key management personnel in FY21.

5.2 Variable remuneration outcomes

In FY21 the executives had both common and individual KPIs in order to align the performance of each participant with the overall success of the Company. Set out below is information regarding satisfaction of the applicable KPIs for the FY21 STI and FY21 LTI plans.

The Board remains mindful of the ongoing impact of the COVID-19 pandemic both in Australia and internationally. The Emeco Group has seen minimal impact to its employees, operations and financial performance and the Board remains confident that the outcomes against the LTI and STI frameworks are consistent with the Company's performance and that it was not necessary to modify those outcomes based on any external factors.

5.2.1 FY21 STI plan

Table 11 below sets out the KPIs under the FY21 STI plan and the respective weightings. In the Board's view, these KPIs align the reward of executives with the interests of shareholders. The FY21 STI plan provided for pro-rata entitlements where achievement was between the thresholds and targets.

Table 11: FY21 STI KPI weightings, payment schedule and achievement

KPI	Weight	Payment schedule	Rationale	Achievement
Safety	20%	0% if the FY21 TRIFR[1] ≥ FY20 TRIFR. 20% if the FY21 TRIFR[1] ≤ 80% of the FY20 TRIFR. Pro-rata payments between these levels. No entitlement if there is a serious, permanently disabling injury or a fatality.	The board regularly reviews the Company's safety performance in detail and is striving to achieve a 'zero-harm' workplace at Emeco. TRIFR measures progress towards this goal.	Exceeded target
Operating EBITDA	60%	0% if actual FY21 Operating EBITDA ≤ 85% of budget FY21 Operating EBITDA. 100% if actual FY21 Operating EBITDA ≥ budget FY21 Operating EBITDA. Pro-rata payments between these levels.	Reflects the Company's financial performance and ability to pay STI awards.	Between target and threshold
Personal KPIs	20%	Satisfaction of key initiatives set by the Board for each executive.	Reflects key focus areas for each executive.	Between threshold and target

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

5.2.2 FY21 LTI plan

The FY21 LTI KPIs are set annually for each financial year during the three-year performance period.

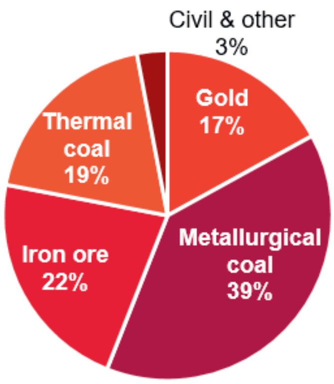
The KPI for year 1 of the FY21 LTI was 100% strategy based, assessing performance against the Company's broader strategic objectives of creating additional growth avenues and a more sustainable and resilient business. The same KPI applied for year 2 of the FY20 LTI.

In assessing performance against this KPI, the Board's key guidelines (set in 2020) were as follows:

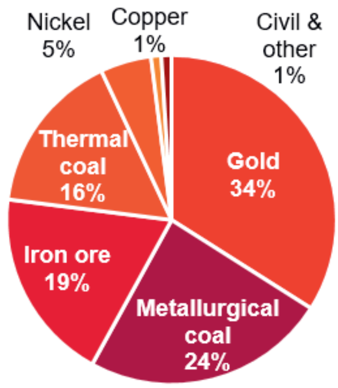
Guideline	Rationale
Diversifying the Group's commodity mix	Increasing diversification decreases the volatility of earnings and cash flows and reduces the risk of exposure to isolated commodity price movements
Improving average project tenure	Longer contracts provide future cashflows over a longer period, increasing the stability and predictability of earnings
Building out contracted pipeline	Developing the contracted pipeline provides increased certainty around future cashflows and reduced volatility of earnings
Providing customers with a wider suite of services	Providing a broad scope of services (within our core areas of expertise) differentiates the Group from competitors, increasing the Group's value proposition to customers and decreasing the Group's exposure to cycles within individual business units

Management has worked hard to continue to evolve the Company's business model over the year, building on the achievements of FY20. In assessing the Company's performance against the KPI, the Board had regard to strong performance of the business against the above guidelines, including:

1. A continued rebalancing of the Group's commodity mix. As a result of the significant changes in commodity mix over FY21, the Group's reliance on the coal sector has markedly decreased and the business is well positioned to capitalise on the strong gold and base metals sectors, particularly in Western Australia. The chart below sets out the change in the Group's commodity mix from FY20 to FY21:



FY20



FY21

2. Average contract tenure increasing from approximately 28 months to approximately 30 months, building on the increase from 22 months for FY20.

3. Contracted pipeline growing from 65% of budgeted revenue to 70% of budgeted revenue.

The continuing expansion of the Pit N Portal mining services division providing an enhanced service offering to complement the Groups' existing rental and workshops business units. This expansion saw the Group awarded its first open-cut mining contract at Red 5's Great Western operations. The Group was also awarded a number of fully maintained projects, increased deployment of its EOS technology and significantly expanded Force's fabrication and field service services, which has resulted in the Group's "services-related" revenue growing to make up 72% of FY21 revenue.

Having regard to the above, the Board resolved that achievement against the strategy KPI be set at 95%. In making its decision, the Board was also mindful that the ongoing impact of the COVID-19 pandemic continues to present unique challenges for both the Australian and global environment. The Board continues to monitor that situation, but recognises that despite tough market conditions, the impact to Emeco's employees, operations and financial performance remains limited. Accordingly, the Board considered it was not necessary to adjust the LTI outcome, as the strategy KPI remained an appropriate basis for assessing long term performance.

5.2.3 Incentive outcomes

The following table outlines the proportion of maximum incentive opportunity that was earned (i.e awarded following testing) or forfeited (i.e not awarded following testing) in relation to the FY21 STI plan.

Table 12: FY21 STI

Executive	Maximum STI (% of TFR)	STI awarded (% of Maximum STI available)	STI forfeited (% of Maximum STI available)
Ian Testrow	80%	77%	23%
Thao Pham	60%	82%	18%
Neil Siford	60%	72%	28%

As noted above, the FY21 LTI Plan is assessed progressively over a three-year period with one-third of the maximum incentive being tested each year. Accordingly, a maximum of one-third of each executive's FY21 award was available to be earned after FY21, with 1/3 deferred to after FY22 and 1/3 deferred to after FY23.

The following table outlines the proportion of maximum incentive opportunity that was earned (i.e awarded following testing), forfeited (i.e not awarded following testing) and deferred (to be tested in FY22 or FY23) in relation to the FY21 LTI Plan.

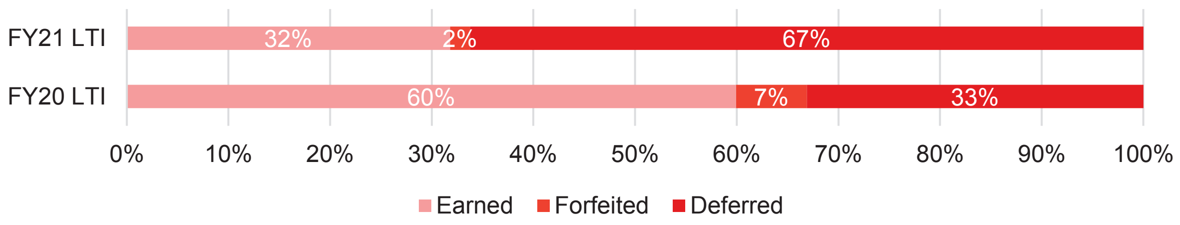
Table 13: FY21 LTI outcomes

Executive	Maximum LTI (% of TFR)	LTI tested and earned in FY21 (% of Maximum LTI available over 3 year period)	LTI tested and forfeited in FY21 (% of Maximum LTI available over 3 year period)	LTI to be tested across FY22 & FY23 (% of Maximum LTI available over 3 year period)
Ian Testrow [1]	120%	31%	2%	67%
Thao Pham	40%	31%	2%	67%
Neil Siford	40%	31%	2%	67%

[1] Mr Testrow's entitlement to Rights under the FY21 LTI plan is subject to shareholder approval.

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

Cumulative LTI Outcomes



[1] Expressed as a percentage of maximum LTI available over 3 year period.
[2] As detailed above, the year 2 KPI for the FY20 LTI plan is the same as the year 1 KPI for the FY21 LTI plan and the outcomes are therefore the same. Outcomes for the year 1 KPI for the FY20 LTI plan are detailed in the FY20 annual report and in summary were 28% tested & earned, 5% tested & forfeited and 67% deferred (each as a percentage of maximum LTI available over 3 year period).

Statutory Executive KMP remuneration

The following table sets out total remuneration for executive KMP in FY21 and FY20, calculated in accordance with statutory accounting requirements.

Table 13 – Statutory executive KMP remuneration

KMP		Short term employee benefits			Post-employment benefits			Share based payments		
Executive director		Salary & fees	Short term bonus payments [1]	Non-monetary	Superannuation	Other long term benefits	Termination benefits	Long term equity incentives [2]	Total statutory remuneration	% of remuneration performance related
Ian Testrow	FY21	1,017,933	623,399	-	25,000	22,167	-	3,659,157	5,347,656	80%
	FY20	1,060,684	706,943	-	16,792	17,731	-	8,155,793	9,957,943	89%
Other executives										
Thao Pham	FY21	468,156	240,661	-	25,000	9,963	-	586,377	1,330,157	62%
	FY20	490,844	256,272	-	22,026	8,566	-	1,237,562	2,015,270	74%
Neil Siford [3]	FY21	395,938	183,602	-	25,000	7,590	-	52,636	664,766	36%
	FY20	119,671	63,879	-	9,439	2,119	-	12,632	207,740	37%
Justine Lea[4]	FY21	-	-	-	-	-	-	-	-	-
	FY20	294,014	151,459	-	20,957	5,325	-	518,410	990,165	67%
TOTAL KMP remuneration	**FY21**	**1,882,027**	**1,047,662**	**-**	**75,000**	**39,720**	**-**	**4,298,170**	**7,342,579**	**73%**
	FY20	1,965,213	1,178,553	-	69,214	33,741	-	9,924,397	13,171,118	84%

[1] The FY21 figure includes cash awards under the FY21 STI as approved by the Board after review of performance against applicable key performance indicators (see table 11).
[2] The FY21 figure includes Rights granted (for accounting purposes) by the Company in FY19, FY20 and FY21 however no Rights under the FY21 LTI plan were issued in FY21.
[3] Mr Siford commenced as Chief Financial Officer on 18 March 2020, and therefore FY20 figures reflect the period 18 March 2020 – 30 June 2020, compared to a full year of remuneration in FY21.
[4] Ms Lea ceased her role as Chief Financial Officer (and thus acting as a KMP) on 18 March 2020.

6. Executive contracts

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

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

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

7. Non-executive director remuneration

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

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

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

The Board will not seek any increase for the non-executive directors' pool at the 2021 AGM.

Structure

The allocation of fees to non-executive directors within this cap has been determined after consideration of a number of factors including the time commitment of directors, the size and scale of the Company's operations, the skill sets of board members, the quantum of fees paid to non-executive directors of comparable companies and participation in board committee work. Due to the small number of Australian based non-executive directors in FY21, all Australian non-executive directors sit on more than one committee. However, non-executive directors only get paid for sitting on one committee.

The table below summarises the non-executive directors fee policy for FY21 (inclusive of superannuation):

Board fees	FY21
Chairman	$158,238
Directors	$100,000

Committee fees	FY21
Committee Chair	$13,333
Committee Member	$10,000

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

The remuneration of non-executive directors for the year ended 30 June 2021 and 30 June 2020 is detailed in table 14 below.

Table 14 – Statutory non-executive director remuneration

Non-executive director		Short-term employee benefits	Post-employment benefits	Long-term benefits	
		Salary and fees	Superannuation benefits	Long term equity incentives	Total
Peter Richards	FY21	153,642	14,596	-	168,238
	FY20	155,691	14,791	-	170,481
Peter Frank	FY21	91,324	8,676	-	100,000
	FY20	91,324	8,676	-	100,000
Keith Skinner	FY21	103,501	9,833	-	113,333
	FY20	105,658	10,086	-	115,743
Peter Kane [1]	FY21	56,024	5,322	-	61,346
	FY20	-	-	-	-
Darren Yeates [2]	FY21	39,012	3,706	-	42,718
	FY20	101,452	9,638	-	111,090
TOTAL	**FY21**	**443,503**	**42,133**	**-**	**485,635**
	FY20	454,125	43,190	-	497,314

[1] Mr Kane commenced on 7 December 2020.
[2] Mr Yeates ceased on 11 November 2020.

8. Additional disclosures relating to share-based payments

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

All grants are rights (or an entitlement to receive rights) to receive one fully paid ordinary Emeco share. The vesting of rights is subject to satisfaction of vesting conditions.

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

Executive	Grant date [1]	Number granted [2]	% vested in FY21	% forfeited in FY21	Vesting date [3] [4]	Fair value per share/right at grant date [5]
Ian Testrow [A]						
2019 MIP (Year 2)	15/11/2018	1,000,000	-	-	Aug-2021	$3.30
(Year 3)	15/11/2018	1,000,000	-	-	Aug-2022	$3.30
(Year 4)	15/11/2018	1,000,000	-	-	Aug-2023	$3.30
2019 EHIP	14/11/2019	13,646	100%	-	28/07/2020	$2.03
2020 LTI (Year 1)	12/11/2020	157,836	-	-	Aug-2022	$0.94
Thao Pham						
2019 MIP	26/07/2018	553,557	-	-	30/06/2023	$3.60
2019 EHIP	09/09/2019	23,490	100%	-	30/06/2021	$2.06
2020 LTI (Year 1)	14/11/2019	29,918 [B]	-	15%	Aug-2022	$1.91
(Year 2)	14/11/2019	29,917 [B]	-	-	Aug-2022	$1.91
(Year 3)	14/11/2019	29,917 [B]	-	-	Aug-2022	$1.91
2021 LTI (Year 1)	26/07/2021	63,941 [B]	-	-	Aug-2023	$0.93
(Year 2)	26/07/2021	63,940 [B]	-	-	Aug-2023	$0.93
(Year 3)	26/07/2021	63,940 [B]	-	-	Aug-2023	$0.93
Neil Siford						
2020 LTI (Year 1)	18/03/2020	7,458 [B]	-	15%	Aug-2022	$0.82
(Year 2)	18/03/2020	7,458 [B]	-	-	Aug-2022	$0.82
(Year 3)	18/03/2020	7,458 [B]	-	-	Aug-2022	$0.82
2021 LTI (Year 1)	26/07/2021	55,556 [B]	-	-	Aug-2023	$0.93
(Year 2)	26/07/2021	55,556 [B]	-	-	Aug-2023	$0.93
(Year 3)	26/07/2021	55,555 [B]	-	-	Aug-2023	$0.93

[A] Mr Ian Testrow's grant of awards under the: (i) FY19 MIP were approved by shareholders on 15 November 2018; (ii) FY19 EHIP was approved by shareholders on 14 November 2019; (iii) FY20 LTI (Year 1) was approved by shareholders on 12 November 2020; and (iv) FY20 LTI (Year 2) and FY21 LTI (Year 1) are subject to shareholder approval at the 2021 annual general meeting. Mr Testrow may, subject to shareholder approval, also be granted up to 185,688 Rights in respect of each of Year 2 and Year 3 of the FY20 LTI and up to 396,863 Rights in respect of each of Year 1, Year 2 and Year 3 of the FY21 LTI.
[B] This figure represents maximum entitlement under the FY20 and FY21 LTI plans across each year in the three-year performance period and does not reflect the number of Rights that may be issued in each year across the performance period after testing of the relevant KPIs. Refer to table 16 for more information regarding Rights held by the KMPs.
[1] Grant date in this table relates to the grant of the long term incentive for accounting purposes only and, in respect of the FY20 and FY21 incentive plans, differs from the date Rights may be issued over the course of the life of the plan.
[2] All figures are post-consolidation (where applicable).

[3] Vesting of Rights is subject to satisfaction of vesting and performance conditions and, in some circumstances, may be earlier than the date stated above (see section 3.2, 'What happens if an executive leaves?' in respect of the FY21 LTI plan). The minimum total value of the grants for future financial years is zero if the service condition is not satisfied. An estimate of the maximum possible total value in future financial years is the fair value at grant date multiplied by the number of equity instruments awarded. See section 5 for details of the year 1 KPI applicable to awards under the FY21 LTI. Full details of the vesting conditions for all prior year equity settled grants to executives are included in the remuneration report for the relevant year.
[4] Where exact vesting dates are not noted, the vesting date will follow release of the Company's full year results.
[5] The fair value of awards granted was determined using the 30-day volume weighted average price on the grant date (under the MIP in FY19 (figure shown post-consolidation) and the EHIP in FY19), the 30-day volume weighted average price on 31 July 2019 (for the FY20 LTI) and the 20-day volume-weighted average price following release of the Company's FY20 full year results (for the FY21 LTI). For all securities, the fair value is allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed in the KMP remuneration table (table 13) is the portion of the fair value of the securities recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the relevant period. The fair value of all securities is not related to or indicative of the benefit (if any) that an executive may ultimately realise if the equity instruments vest.

Table 16: KMP Rights

Details of Rights held by KMP, including their personally related entities, for FY21 are as follows:

KMP	Rights [1]	Holding at 1 July 2020	Rights issued in FY21 [2]	Rights vested in FY21	Holding at 30 June 2021	Potential future Rights [3]
Executive Director						
Ian Testrow	Rights / performance shares	3,000,000	-	-	3,000,000	-
	Rights / performance rights	13,646	157,836	(13,646)	157,836	1,561,965
Other executives						
Thao Pham	Rights / performance rights	577,047	25,431	(23,490)	578,988	251,655
Neil Siford	Rights / performance rights	-	6,340	-	6,340	181,581

[1] A 'performance share' is a right to one fully paid ordinary Emeco share currently on issue. A 'performance right' is a right to receive one fully paid ordinary Emeco share. The vesting of performance shares and performance rights is subject to satisfaction of vesting conditions.
[2] Rights issued to executives in FY21 under the FY20 incentive plans.
[3] Maximum remaining possible entitlement to Rights under the FY20 and FY21 LTI plans across the three year performance period. On 17 August 2021, the Board approved, on recommendation of the Remuneration and Numeration Committee, awards in respect of performance against the year 1 KPI for the FY21 LTI and the year 2 KPI for the FY20 LTI. The approved Rights are set out below. Those Rights are included within each individual's "Potential future Rights" figure in Table 16 as they will be issued in FY22.

KMP	Year 2 FY20 LTI	Year 1 FY21 LTI	Total
Ian Testrow (subject to shareholder approval)	176,404	377,020	553,424
Thao Pham	28,421	60,744	89,165
Neil Siford	7,084	52,778	59,862

Table 17: KMP Shareholding

Details of Shares held by KMP, including their personally related entities, for FY21 are as follows:

	Holding at 1 July 2020	Shares received as a result of rights vesting in FY21	Shares otherwise issued in FY21	Net changes other	Holding at 30 June 2021
Non-executive directors					
Peter Richards	7,481	-	-	3,563	11,044
Keith Skinner	-	-	-	22,300	22,300
Peter Kane	-	-	-	10,288	10,288
Executives					
Ian Testrow	11,708,461	13,646	-	-	11,722,107
Thao Pham	2,546,361	23,490	-	-	2,569,851

9. Loans to key management personnel and their related parties

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

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

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

Signed in accordance with a resolution of the directors.

Ian Testrow
Managing Director

Dated at Perth, 17th day of August 2021

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

17 August 2021

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 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

DELOITTE TOUCHE TOHMATSU

David Newman
Partner
Chartered Accountants

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Continuing operations			
Revenue	15	620,528	540,429
Other income	7	1,084	3,592
Repairs and maintenance		(128,230)	(94,129)
Employee expenses	8	(98,424)	(62,859)
External maintenance services		(92,098)	(84,766)
Cartage and fuel		(15,723)	(18,172)
Depreciation and amortisation expense	8	(118,576)	(114,988)
Impairment of tangible assets	8	(1,146)	(13,750)
Business acquisition expenses	8	-	(1,500)
Other expense	8	(60,212)	(48,523)
Finance income	8	362	2,307
Finance costs	8	(88,275)	(52,821)
Net foreign exchange gain	8	10,302	366
Profit before tax expense		29,592	55,187
Tax (expense)/benefit	10	(8,897)	10,945
Profit from continuing operations		20,695	66,132
Discontinued operations			
Loss from discontinued operations (net of tax)	15	-	(3)
Loss from discontinued operations		-	(3)
Profit for the year		20,695	66,129
Other comprehensive (loss)/income			
Items that are or may be reclassified to profit and loss:			
Foreign currency translation differences (net of tax)		21,267	(10,373)
Changes in fair value of cash flow hedges (net of tax)		(19,624)	16,251
Total other comprehensive income for the year		1,643	5,877
Total comprehensive income for the year		22,338	72,007

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 45 to 118.

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

For the year ended 30 June 2021

	2021 $'000	2020 $'000
Profit attributable to:		
Owners of the Company	20,695	66,129
Profit for the year	20,695	66,129
Total comprehensive profit attributable to:		
Owners of the Company	22,338	72,007
Total comprehensive profit for the year	22,338	72,007

	Note	2021 Cents	Restated[1] 2020 cents
Profit per share:			
Basic profit per share	35	4.02	19.81
Diluted profit per share	35	3.96	19.43
Profit per share from continuing operations			
Basic profit per share	35	4.02	19.81
Diluted profit per share	35	3.96	19.43

(1) 2020 earnings per share has been restated to take into consideration the effect of the rights issue that occurred in September 2020, in accordance with AASB 133. Refer to note 2(b) for further details.

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 45 to 118.

Emeco Holdings Limited and its Controlled Entities

Consolidated Statement of Financial Position

as at 30 June 2021

	Note	2021 $'000	2020 $'000
Current assets			
Cash and cash equivalents	16	74,725	198,169
Trade and other receivables	17	124,695	113,788
Inventories and work in progress	19	19,202	14,767
Prepayments		7,227	3,279
Assets held for sale	14	2,794	3,192
Total current assets		228,643	333,195
Non-current assets			
Derivative financial instruments	18	-	38,918
Intangible assets	20	10,329	10,252
Property, plant and equipment	21	669,233	629,170
Right of use asset	22	32,850	44,132
Deferred tax assets	12	24,489	32,555
Investments designated at fair value through profit or loss		-	369
Total non-current assets		736,901	755,396
Total assets		965,544	1,088,591
Current liabilities			
Trade and other payables	23	110,012	89,236
Derivative financial instruments	18	12,389	10,884
Interest bearing liabilities	24	13,399	122,986
Provisions	26	11,872	10,629
Total current liabilities		147,672	233,735
Non-current liabilities			
Interest bearing liabilities	24	285,811	497,030
Provisions	26	655	581
Total non-current liabilities		286,466	497,611
Total liabilities		434,138	731,346
Net assets		531,406	357,245
Equity			
Share capital	13	1,171,457	1,024,442
Reserves		7,632	1,181
Retained losses		(647,683)	(668,378)
Total equity attributable to equity holders of the Company		531,406	357,245

The consolidated statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 45 to 118.

Emeco Holdings Limited and its Controlled Entities

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

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

	Share capital $'000	Share based payment reserve $'000	Hedging reserve $'000	Foreign currency translation reserve $'000	Treasury shares $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2020	1,024,442	27,387	(1,233)	14,615	(39,589)	(668,378)	357,245
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	20,695	20,695
Other comprehensive income							
Foreign currency translation differences	-	-	20,857	410	-	-	21,267
Change in fair value of cash flow hedge / recycling of hedge reserve on cessation of hedge accounting, net of tax	-	-	(19,624)	-	-	-	(19,624)
Total comprehensive income for the period	-	-	1,233	410	-	20,695	22,338
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Shares issued during the period, net of issue costs	147,015	-	-	-	-	-	147,015
Shares vested during the period	-	(2,495)	-	-	2,495	-	-
Shares purchased by the trust	-	-	-	-	(1,200)	-	(1,200)
Share-based payment transactions	-	6,009	-	-	-	-	6,009
Total contributions by and distributions to owners	147,015	3,514	-	-	1,295	-	151,824
Balance at 30 June 2021	1,171,457	30,901	-	15,025	(38,294)	(647,683)	531,406

The consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 45 to 118.

Emeco Holdings Limited and its Controlled Entities

Consolidated Statement of Cash Flows

For the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Cash flows from operating activities			
Cash receipts from customers		613,109	538,846
Cash paid to suppliers and employees		(368,964)	(309,262)
Cash generated from operations		244,145	229,584
Finance income received		362	216
Finance costs paid		(38,890)	(47,797)
Net cash outflow from operating activities of discontinued operations		-	(29)
Net cash from operating activities	30	205,616	181,973
Cash flows from investing activities			
Proceeds on disposal of non-current assets		4,268	9,909
Payment for property, plant and equipment		(153,554)	(118,831)
Payment for intangible assets		(600)	-
Proceeds on sale of investments		328	-
Payment for acquired entities	36	-	(57,421)
Acquisition and corporate development costs		-	(3,509)
Net cash used in investing activities		(149,558)	(169,852)
Cash flows from financing activities			
Net proceeds from issue of shares		146,100	63,186
Proceeds from borrowings		2,465	99,708
Purchase of own shares		(1,200)	-
Repayment of borrowings		(291,883)	(2,708)
Premium paid on US notes repurchased		(9,013)	-
Payment for debt financing costs		(5,793)	-
Payments for hedge derivatives closed		(3,200)	-
Repayment of lease liabilities		(16,948)	(10,361)
Net cash used in financing activities		(179,472)	149,825
Net (decrease)/increase in cash and cash equivalents		(123,414)	161,946
Cash and cash equivalents at beginning of the period		198,169	36,189
Effects of exchange rate fluctuations on cash held		(31)	34
Cash and cash equivalents at the end of the financial period		74,724	198,169

The consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 45 to 118.

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 2021 comprises the Company and its subsidiaries (together referred to as the '**Group**'). The Group is a for profit entity and primarily involved in the provision of safe, reliable and maintained earthmoving equipment solutions and mining services solutions to its customers as well as the maintenance and remanufacturing of major components of heavy earthmoving equipment.

2 Basis of preparation

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (**AAS**) adopted by the Australian Accounting Standards Board (**AASB**) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (**IFRSs**) adopted by the International Accounting Standards Board (**IASB**). The Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2020.

The consolidated financial statements were authorised for issue by the board of directors on 17 August 2021.

(b) Comparative financial information

The presentation of certain items in the consolidated statement of profit or loss and other comprehensive income has been amended during the period to simplify the presentation and aide understanding. Where applicable, comparative amounts have been reclassified to ensure comparability. The Group has aggregated revenue activities by nature, and has combined certain expenses on the face of the consolidated statement of profit or loss and other comprehensive income which are analysed in further detail in the notes to the financial statements. Earnings per share for the comparative period has been restated to account for the effect of the rights issue undertaken by Emeco in September 2020, in accordance with AASB 133 Earnings per share. The table below shows the previously disclosed and the restated amounts.

	Previously disclosed cents	Restated cents
Profit per share:		
Basic profit per share	20.21	19.81
Diluted profit per share	19.83	19.43
Profit per share from continuing operations		
Basic profit per share	20.21	19.81
Diluted profit per share	19.83	19.43

(c) Basis of measurement

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

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

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

2 Basis of preparation (continued)

(d) Functional and presentation currency

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

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

(e) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis and for FY21 this review has considered any relevant implications of the global COVID-19 pandemic. The impact of revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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

Recognition of tax losses

In accordance with the Company's accounting policies for deferred taxes (refer note 3(q)), a deferred tax asset is recognised for unused tax losses only if it is probable that future taxable profits will be available to utilise these losses. This includes estimates and judgements about future profitability, capital structure and tax rates. Changes in these estimates and assumptions could impact on the amount and probability of unused tax losses and accordingly the recoverability of deferred tax assets. Due to the recent history of operating profits, the company brought to account all previously unrecognised Australian tax losses as a deferred tax asset in the year ended 30 June 2020 totalling $86,638,000. Operating profits have continued to be generated in the current period, with additional tax losses of $7,760,000 recognised in the current year, taking the recognised losses to $94,398,000 at 30 June 2021. The Company expects to fully utilise these losses as the Group is expected to continue to trade profitably.

Impairment of assets

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

Annual impairment testing was conducted at 30 June 2021, with no impairment identified. An impairment assessment was performed for the Group's key cash generating units (**CGUs**), being Rental, Workshops and Pit N Portal. The Group has prepared value-in-use models for the purpose of impairment testing as at 30 June 2021, using five-year discounted cash flow models. Cash flows beyond the five-year period are extrapolated using a terminal value growth rate. The accounting policies and key assumptions applied by the Group in relation to the preparation of the impairment models are the same as those applied in its Annual Financial Report for the year ended 30 June 2021. Key areas of judgement relate to the forecast utilisation rates and pricing for the fleet as well as forecasts of repairs and maintenance expenditure and other operating costs and capital expenditure.

2 Basis of preparation (continued)

(e) Use of estimates and judgements (continued)

Impairment of assets (continued)
In performing its detailed impairment assessment, the Group has considered:
- long term commodity prices and therefore the demand for earthmoving equipment and associated services;
- supply chain risks and therefore the impact on the ability of the Group to deliver its products and services; and
- the likelihood of any continued disruption to the operations of the Group's customers, as a result of the global COVID-19 pandemic.

The post-tax discount rate used in the calculations is 7.2% (2020: 9.0%). The rate reflects the underlying cost of capital adjusted for market and asset specific risks. For the future cashflows of the CGU's, the revenue growth in the first year of the business reflects the best estimate for the coming year taking account of macroeconomic, business model, strategic and market factors. Growth rates depend on the level of tendering activity and the Group's conversion rate and for subsequent years were based on Emeco's five-year outlook taking into account all available information at this current time and are subject to change over time. A compound annual growth rate (CAGR) of 2.0% was used over the five years of the forecast. The terminal value growth rate represents the long term forecast consumer price index (CPI) of 2.0% (2020: 2.0%) for all CGUs. The recoverable amounts of all of the Group's CGUs continued to exceed their carrying amounts at 30 June 2021, with no reasonably possible changes to key assumptions giving rise to an impairment.

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

Business combinations
In accordance with the Company's accounting policies for business combinations (refer note 3(t)), assets and liabilities acquired under business combinations are recognised at their fair value at the date of acquisition. Estimates and assumptions have been made about the collectability of trade and other receivables, intangibles and fair value of inventory and items of property, plant and equipment and provisions. The acquisition of Pit N Portal was completed on 28 February 2020, where the fair value is assessed at acquisition date and does consider subsequent events related to COVID-19. The assessment of fair value is based on facts and circumstances as at the acquisition date. A provisional customer intangible asset was recognised at 30 June 2020, being the excess of consideration over the net of the fair value of the asset and liabilities at acquisition. A full assessment of this asset was conducted by management and was finalised during the year ended 30 June 2021 with no changes to the provisional values previously disclosed. Refer to note 36 for further information on business combinations and note 5(h) for details on determination of fair value.

(f) Covid-19 Assistance
The Company did not qualify for nor receive any financial assistance through the Federal Government funded Job Keeper package or any other Federal or State Government program.

3 Significant accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2021, except for the adoption of new standards effective as of 1 July 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(a) Basis of consolidation

(i) Subsidiaries

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

(ii) Transactions eliminated on consolidation

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

(b) Foreign currency

(i) Foreign currency transactions

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

(ii) Foreign operations

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

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (**FCTR**) in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

(c) AASB 16 Leases

The Group as lessee

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

3 Significant accounting policies (continued)

(c) AASB 16 Leases (continued)

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

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

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

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

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

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

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

3 Significant accounting policies (continued)

(c) AASB 16 Leases (continued)

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

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

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

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

(d) Financial instruments

AASB 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

(i) Classification

The Group classifies its financial assets and liabilities in the following measurement categories:

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

The classification depends on the Group's business model for managing financial assets and liabilities, and the contractual terms of the cash flows. Derivatives are presented as current assets or liabilities to the extent of the cashflows occurring within 12 months after the end of the reporting period. For assets and liabilities measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Measurement

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

3 Significant accounting policies (continued)

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

Non-derivative financial liabilities

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

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

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

Derivative financial instruments

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

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:
- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance cost'.

3 Significant accounting policies (continued)

(d) Financial instruments (continued)

(iii) Measurement (continued)

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

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

(iv) Impairment

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

(iv) Share capital

Ordinary shares

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

Purchase of share capital (treasury shares)

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

Dividends

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

(e) Property, plant and equipment

(i) Recognition and measurement

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

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

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

3 Significant accounting policies (continued)

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

The estimated useful lives are as follows:

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

3 Significant accounting policies (continued)

(f) Intangible assets

(i) Research and development

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

(ii) Goodwill

Goodwill arises on the acquisition of subsidiaries. Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable tangible and intangible assets, liabilities and contingent liabilities of the acquiree.

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

(iii) Other intangible assets

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

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

(iv) Amortisation

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

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

- Software 0 – 4 years
- Customer contracts 0 – 3 years

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

(g) Inventories

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

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

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

3 Significant accounting policies (continued)

(h) Work in progress

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

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

(i) Impairment

(i) Non-derivative financial assets

The expected credit loss model under AASB 9 is used to measure the fair value of financial assets not classified as at fair value through profit or loss. To assist in this process, the Group segregates trade receivables into various customer segments where they may have similar loss patterns.

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

Grouping of receivables

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

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

These categories are defined as:

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

Historical loss rates and forward looking information

The Group uses a combination of historical losses recognised for receivables in the above categories and takes a view on the future economic conditions that are representative of those expected to exist; this includes an assessment of the potential impacts of COVID-19 on the business. Specifically, the Group has considered the macro-economic impacts of the likelihood of any potential and significant decreases to commodity prices on its customers operations and therefore their potential capacity to repay amounts owing to the Group.

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

3 Significant accounting policies (continued)

(i) Impairment (continued)

(i) Non-derivative financial assets (continued)

Bad debt policy

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

Definition of default

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

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

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

(ii) Non-financial assets

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (**CGUs**).

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

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

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

3 Significant accounting policies (continued)

(j) Assets held for sale

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

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs of disposal. Any impairment loss on a disposal group is allocated to the assets and liabilities on a pro rata basis, except for inventories, financial assets, deferred tax assets, employee benefit assets which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on re-measurement are recognised in profit or loss.

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

(k) Employee benefits

(i) Defined contribution plans

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

(ii) Other long term employee benefits

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

(iii) Termination benefits

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

(iv) Short term benefits

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

3 Significant accounting policies (continued)

(k) Employee benefits (continued)

(v) Share based payment transactions

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

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

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

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

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

(l) Provisions

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

(m) Restructure provision

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

3 Significant accounting policies (continued)

(n) Revenue

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

(i) Rental revenue

Revenue from the rental of both open cut and underground equipment is recognised in profit and loss based on the number of hours the machines operate each month. The rental of each machine is considered to be a separate performance obligation with the transaction price generally set at a rate per hour. Customers are billed monthly.

(ii) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Sales are recognised when control of the products has transferred, being when the products are delivered and accepted by the customer. The Group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision.

(iii) Maintenance services

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

(iv) Mining services

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

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

(o) Contract costs

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

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

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

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

3 Significant accounting policies (continued)

(o) Contract costs (continued)

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

- direct labour;
- direct materials;
- allocations of costs that relate directly to the contract or to contract activities;
- costs that are explicitly chargeable to the customer under the contract; and
- other costs that are incurred only because an entity entered into the contract.

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

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

(p) Finance income and finance costs

The Group's finance income and finance costs include:

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

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

(q) Income tax

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

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

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

3 Significant accounting policies (continued)

(q) Income tax (continued)

Deferred tax is not recognised for:

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

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

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

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

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

(iii) Tax exposures

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

(r) Discontinued operations

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

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

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

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

3 Significant accounting policies (continued)

(s) Segment reporting

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

(t) Business combinations

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

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

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

4 New standards and interpretations

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

(i) AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business

Amends AASB 3 Business Combinations to clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments:

- Clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs
- Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs
- Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired
- Narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs
- Add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

(ii) AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material

These amendments are intended to address concerns that the wording in the definition of 'material' was different in the Conceptual Framework for Financial Reporting, AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments address these concerns by:

- Replacing the term 'could influence' with 'could reasonably be expected to influence'
- Including the concept of 'obscuring information' alongside the concepts of 'omitting' and 'misstating' information in the definition of material
- Clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework
- Aligning the definition of material across Standards and other publications.

(iii) AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework

Makes amendments to various Australian Accounting Standards and other pronouncements to support the issue of the revised Conceptual Framework for Financial Reporting. Some Australian Accounting Standards and other pronouncements contain references to, or quotations from, the previous versions of the Conceptual Framework. This Standard updates some of these references and quotations so they refer to the Conceptual Framework issued by the AASB In June 2019, and also makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

4 New standards and interpretations (continued)

(iv) AASB 2019-3 Amendments to Australian Accounting Standards – Interest rate benchmark reform

The amendments affect entities that apply the hedge accounting requirements of AASB 9 Financial Instruments or AASB 139 Financial Instruments: Recognition and Measurement to hedging relationships directly affected by the interest rate benchmark reform. The amendments would mandatorily apply to all hedging relationships that are directly affected by the interest rate benchmark reform and modify specific hedge accounting requirements, so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark is not altered as a result of the interest rate benchmark reform.

(v) AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia

Amends AASB 1054 Australian Additional Disclosures to add a requirement for entities that intend to be compliant with IFRS standards to disclose the information required by AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors (specifically paragraphs 30 and 31) for the potential effect of each IFRS pronouncement that has not yet been issued by the AASB.

(vi) AASB 2020-4 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions

Amends AASB 16 Leases to:

- Provide lessees with a practical expedient that relieves a lessee from assessing whether a COVID-19-related rent concession is a lease modification
- Require lessees that apply the practical expedient to account for COVID-19-related rent concessions as if they were not lease modifications
- Require lessees that apply the practical expedient to disclose whether the practical expedient has been applied to all eligible contracts, or, if not, information about the nature of the contracts to which the practical expedient has been applied
- Require lessees to apply the practical expedient retrospectively, recognising the cumulative effect of applying the amendment as an adjustment to the opening retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment.

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

5 Determination of fair values

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

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

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

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

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

5 Determination of fair values (continued)

(e) Share based payment transactions

The fair value of the Rights awarded under the LTI plan, MIP and EHIP are measured using the volume weighted average price of Shares as at the grant date. The volume weighted average price inputs include the weighted average of the closing share price and volume traded over a specified period of time.

(f) Equity and debt securities

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

(g) Assets held for sale

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

(h) Business combinations

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

6 Financial instruments

Overview

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

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

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

The consolidated entity holds the following financial instruments:

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

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

Risk management framework

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

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

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

Credit risk

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

6 Financial instruments (continued)

Credit risk (continued)

Exposure to credit risk

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

		Consolidated	
		Carrying amount	
		2021	**2020**
	Note	**$'000**	**$'000**
Trade receivables	17	96,454	93,516
Other receivables (including VAT/GST)	17	28,446	20,808
Cash and cash equivalents	16	74,725	198,169
Derivatives	18	-	38,918
		199,625	351,411

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. The Group sets individual counter party limits and where possible insures its income within Australia and generally operates on a 'cash for keys' policy for the sale of equipment and parts. In response to the COVID-19 pandemic the Group has also increased its internal review and authorisation procedures that are applied to new clients and in the ongoing strengthening of appropriate credit limits for existing customers.

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

Where commercially available the Group aims to insure the majority of rental customers that are not considered either blue chip customers, subsidiaries of blue chip companies or Government. Blue chip customers are determined as those customers who have a market capitalisation of greater than $750,000,000 (2020: $750,000,000). The Group held insurance for the entire financial year ended 30 June 2021.

6 Financial instruments (continued)

Credit risk (continued)

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

	Consolidated		Consolidated	
	Gross 2021 $'000	Impairment 2021 $'000	Gross 2020 $'000	Impairment 2020 $'000
Not past due	89,446	-	74,109	-
Past due 0-30 days	5,234	-	9,348	-
Past due 31-60 days	1,722	(153)	9,804	(282)
Past due 61 days	52	(52)	254	(254)
	96,454	(205)	93,516	(536)

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

- Blue chip customers: defined as having a market capitalisation of greater than $750,000,000;
- Insured customers: those that are trading within terms and their trade receivable exposure under the insured limit;
- Underinsured: those that have not been granted sufficient credit limits by the insurer to cover sales within credit terms;
- Uninsured customers: all other customers that are not recognised in the above category.

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

	Consolidated Carrying amount	
	2021 $'000	2020 $'000
Blue chip (including subsidiaries)	33,064	33,982
Insured	37,812	38,222
Underinsured	3,569	11,701
Uninsured	22,009	9,612
	96,454	93,516

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

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

6 Financial instruments (continued)
Credit risk (continued)

Economic data
It is anticipated that a movement in key economic data i.e. commodity prices, impacts the expected credit loss as it may drive the way our customers' run their operations, achieve profitability and cash flows to pay their receivables. As part of this assessment, the Group has considered the potential impact of COVID-19 on commodity demand and prices.

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

Loss history
Given the significant change in operations and customer mix due to the acquisition of Orionstone and Andy's in March 2017, Force in November 2018, Matilda in July 2018, and Pit N Portal in February 2020, the Group have determined it is not appropriate to include a rental customer history earlier than FY18. Therefore, only loss history from FY18 is used for this assessment. Going forward, management plan on using an average loss history over 3-5 years depending on what is appropriate for the business at that point in time and in line with expected future operations.

Based on the factors outlined above, the Group has calculated an expected credit loss of $205,000 based on historical loss trends and economic factors (2020: $130,000). No specific customers have been identified as doubtful, and provided for by the Group (2020: $406,000).

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

	Consolidated	
	Impairment 2021 $'000	Impairment 2020 $'000
Opening loss allowance as at 1 July	536	516
Net remeasurement of loss allowance	(331)	1,029
Write-offs	-	(1,009)
Loss allowance as at 30 June	205	536

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

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

Cash
The Group held cash and cash equivalents of $74,725,000 at 30 June 2021 (2020: $198,169,000), 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 2021 the Group held $Nil of bank guarantees (2020: $Nil) and $Nil of prepayments (2020: $Nil).

6 Financial instruments (continued)

Credit risk (continued)

Guarantees
Financial guarantees are generally only provided to wholly owned subsidiaries or when entering into a premise rental agreement or asset lease liability. Details of outstanding guarantees are provided in note 29. At 30 June 2021 $1,646,000 guarantees were outstanding (2020: $1,654,900).

Liquidity risk

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

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

Notes
At 30 June 2021, the Group has issued secured fixed interest notes to the value of US$180,007,000 which mature on 30 March 2022. The nominal fixed interest rate is 9.25%. Subsequent to 30 June 2021, these notes were repaid and cancelled with the proceeds of a new A$250,000,000 note maturing in July 2026. Refer to note 24 for further details.

Revolving Credit Facility
The Group has a Revolving Credit Facility (**RCF**) facility of $100,000,000, which matures in September 2021 with a two year option to extend (refer below for further information), which has two sub facilities consisting of a Loan Note Agreement Facility (**LNA**) of A$97,000,000 (30 June 2020: $97,000,000) and a Bank Guarantee Facility of A$3,000,000. The bank guarantee facility attracts a fee of up to 1.57% on the unutilised portion of the facility, and a fee of 3.5% on the outstanding balance of guarantees on issue. The nominal interest rate on the LNA is equal to the aggregate of the bank bill swap rate (**BBSY**) plus a margin of between 3.25% and 3.5% dependant on the portion of the facility utilised (3.25% if less than 25% drawn and 3.5% if greater than 25% drawn).

The facilities require the Group to maintain a collateral coverage ratio greater than 2.0x and a fixed charge coverage ratio greater than 1.5x. At 30 June 2021, the Group had drawn $nil of the LNA and had utilised A$1,646,000 of the bank guarantee facility.

On 13 July 2021, the Group exercised its option to extend the maturity of the A$100,000,000 Revolving Credit Facility for an additional two years to September 2023. Other than the extension of the maturity date, there was no change to the terms of the facility.

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

The Group has lease facilities totalling A$48,300,000 (2020: A$62,559,000) which have various maturities up to July 2024.

6 Financial instruments (continued)

Liquidity risk (continued)

The following are the contractual maturities of non-derivative financial liabilities and net derivative financial assets/liabilities, including estimated interest payments and excluding the impact of netting agreements.

Consolidated 30 June 2021	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	250,508	330,202	11,416	11,416	22,832	284,539	-
Lease liabilities	48,300	53,709	7,498	7,463	12,263	21,964	4,521
Trade and other payables	45,805	45,805	45,805	-	-	-	-
	344,613	429,716	64,719	18,879	35,095	306,503	4,521
Derivative financial asset/(liability)							
Net cross currency interest rate swaps used for hedging liability	12,389	12,389	12,389	-	-	-	-
	12,389	12,389	12,389	-	-	-	-

Consolidated 30 June 2020	Carrying amount $'000	Contractual cash flows $'000	6 mths or less $'000	6-12 mths $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Non-derivative financial liabilities							
Secured notes issue	461,138	563,444	21,709	21,709	520,026	-	-
Secured credit facility	97,000	97,000	-	-	97,000	-	-
Lease liabilities	62,559	69,509	8,078	20,429	11,765	22,333	6,904
Trade and other payables	46,751	46,751	46,751	-	-	-	-
	667,448	776,705	76,538	42,138	628,791	22,333	6,904
Derivative financial asset/(liability)							
Net cross currency interest rate swaps used for hedging asset	28,034	39,931	1,621	1,595	36,715	-	-
	28,034	39,931	1,621	1,595	36,715	-	-

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

6 Financial instruments (continued)
Liquidity risk (continued)

Subsequent to 30 June 2021 the secured notes were repaid and the cross-currency interest rate swaps were closed out and cancelled. This transaction settled on 2 August 2021 via the proceeds of A$250,000,000 of new AUD notes issued on 2 July 2021. Refer to note 24 for further detail. The net payment to repay the Notes and the cross-currency interest rates swap was A$269,450,000 including the principal amount at the hedged rate of $246,828,000, accrued interest of $6,084,000, a premium for early repayment of the Note of $11,223,000 and a mark-to-market payment on hedge close-out of $5,314,000. The restructure triggered a discontinuation of existing hedge relationships resulting in a net hedge accounting impact to profit and loss of $1,347,000 for the year ended 30 June 2021. Accordingly, the derivatives were classified as a current liability at 30 June 2021.

Other than the repayment of the US notes and close out of the associated derivatives, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts other than the transaction noted above.

The table above has been restated below to demonstrate the contractual maturities of financial liabilities and net derivative financial assets, including estimated interest payments, after the issuance of the AUD notes, repayment of US notes and closure of hedge derivatives subsequent to the year ended 30 June 2021, to demonstrate the future cash flow profile of the Group's financial liabilities.

Consolidated 30 June 2021	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	328,126	7,813	7,813	15,625	46,875	250,000
Lease liabilities	53,709	7,498	7,463	12,263	21,964	4,521
Trade and other payables	45,805	45,805	-	-	-	-
	427,640	61,116	15,276	27,888	68,839	254,521
Derivative financial asset/(liability)						
Net cross currency interest rate swaps used for hedging liability	-	-	-	-	-	-
	-	-	-	-	-	-

6 Financial instruments (continued)
Liquidity risk (continued)

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

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

Currency risk
The functional currency of the Group is the Australian dollar (**AUD).** The Group holds borrowings in United States Dollars (**USD**) for which currency risk exists. In order to manage this risk, the Group has entered into cross currency interest rate swaps. Each of the USD interest and principle repayments due in the future have been hedged, the average USD/AUD rate across these future payments is 0.7293 at year end (2020: 0.7293).

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

At 30 June 2021, the Group had issued secured fixed interest notes to the value of US$180,007,000 notes on issue. The full face value of the principal and interest of the notes have been hedged to Australian dollars until maturity. At 30 June 2021, hedge accounting was discontinued for the derivatives and USD notes due to the expected repayment and cancellation of these notes in July 2021, with the proceeds of the raising of A$250,000,000 notes which settled in July 2021. Following the settlement of the USD notes and replacement with AUD notes, the Group will no longer be exposed to any material currency risk. Refer to note 24 for further details of this transaction.

6 Financial instruments (continued)

Market risk (continued)

The Group is holding the following cash flow hedges:

	Notional amount US$'000	Notional amount AU$'000	Carrying amount AU$'000	Line item in the statement of financial position	Average fixed interest rate	Change in fair value used for measuring ineffectiveness for the period $'000
As at 30 June 2021						
Cross currency interest rate swaps	180,007	246,828	(12,389)	Derivative financial instruments	9.86%	1,233
As at 30 June 2020						
Cross currency interest rate swaps	322,131	441,668	28,034	Derivative financial instruments	9.87%	6,211

The hedges expire in March 2022. Subsequent to 30 June 2021, the derivatives were closed out on repayment of the hedged liability (the US Notes). Hedge accounting has been discontinued as at 30 June 2021. Refer to note 24 for further details.

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

	2021		2020	
	Change in fair value used for measuring ineffectiveness $'000	Hedge reserve $'000	Change in fair value used for measuring ineffectiveness $'000	Hedge reserve $'000
Foreign exchange	1,233	-	6,211	(1,233)

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

	Total hedging gain/(loss) recognised in OCI $'000	Ineffectiveness recognised in profit or loss $'000	Line item in the statement of profit or loss	Amount reclassified from OCI to profit or loss $'000	Line item in the statement of profit or loss
As at 30 June 2021					
Foreign exchange	1,233	-	-	20,857	Net foreign exchange gain
As at 30 June 2020					
Foreign exchange	6,211	(2,091)	-	(10,039)	Net foreign exchange loss

6 Financial instruments (continued)

Market risk (continued)

Exposure to currency risk

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

	USD 2021 $'000	USD 2020 $'000
Cash	11	113
Secured notes issued	(180,007)	(322,131)
Gross balance sheet exposure	(179,996)	(322,018)
Cross currency interest rate swap to hedge the secured notes issued	180,007	322,131
	180,007	322,131
Net exposure	11	113

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2021	2020	2021	2020
US Dollars	0.7468	0.6714	0.7518	0.6863

6 Financial instruments (continued)

Market risk (continued)

Sensitivity analysis

A weakening of the Australian dollar, as indicated below, against the US dollar, would have affected the measurement of financial instruments denominated in US dollars and increased/(decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2020, as indicated below:

	Consolidated			
	Strengthening		Weakening	
	Equity $’000	Profit or loss $’000	Equity $’000	Profit or loss $’000
30 June 2021				
USD (10 percent movement)	(3,642)	(1)	4,451	2
30 June 2020				
USD (10 percent movement)	(4,694)	(10)	5,737	13

Interest rate risk

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

Profile

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

		Consolidated	
	Note	2021 $'000	2020 $'000
Variable rate instruments:			
Cash at bank	16	74,725	198,169
		74,725	198,169
Fixed rate instruments:			
Effective interest rate swaps to hedge interest rate risk		(12,389)	28,034
Interest bearing liabilities (notes)	24	(250,508)	(469,373)
Interest bearing liabilities (loan note agreement)	24	-	(97,000)
Interest bearing finance leases	24	(48,300)	(62,559)
		(311,197)	(600,898)

6 Financial instruments (continued)

Market risk (continued)

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

Cash flow sensitivity analysis for fixed rate instruments
A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2020.

	Equity		Equity	
Cash flow hedges	**100bp increase BBSW $'000**	**100bp decrease BBSW $'000**	**100bp increase Libor $'000**	**100bp decrease Libor $'000**
30 June 2021				
Cross currency interest rate swaps	7,584	(7,804)	(7,339)	7,572
Cash flow sensitivity (pre-tax)	7,584	(7,804)	(7,339)	7,572
30 June 2020				
Cross currency interest rate swaps	8,340	(8,505)	(8,913)	9,225
Cash flow sensitivity (pre-tax)	8,340	(8,505)	(8,913)	9,225

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

	Profit or loss	
Financial instrument	**2021 $'000**	**2020 $'000**
Cross currency interest rate swap		
- Close out of hedges	20,339	-
- Hedge ineffectiveness [(1)]	-	(2,091)
Net profit and loss impact before tax	20,339	(2,091)

[(1)] Hedge accounting ceased at 30 June 2021 due to repayment of the secured notes and closure of cross-currency interest rate swaps subsequent to 30 June 2021, and all movements in the hedge reserve have been recycled through the Statement of Profit or Loss and Other Comprehensive Income. Refer to note 24 for further information.

6 Financial instruments (continued)
Market risk (continued)

Fair values versus carrying amounts
The fair values of financial assets and liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

		2021		2020	
		Carrying amount	Fair value	Carrying amount	Fair value
	Note	$'000	$'000	$'000	$'000
Assets carried at fair value					
Cross currency interest rate swaps	18	-	-	38,918	38,918
		-	-	38,918	38,918
Assets carried at amortised cost					
Receivables	17	124,695	124,695	113,788	113,788
Cash and cash equivalents	16	74,725	74,725	198,169	198,169
		199,420	199,420	311,957	311,957
Liabilities carried at fair value					
Cross currency interest rate swaps	18	(12,389)	(12,389)	(10,884)	(10,884)
		(12,389)	(12,389)	(10,884)	(10,884)
Liabilities carried at amortised cost					
Secured notes issue (1)	24	(250,508)	(250,508)	(461,138)	(469,373)
Lease liabilities	24	(48,300)	(53,709)	(62,559)	(69,509)
Loan note agreement	24	94	94	(96,473)	(97,000)
Trade and other payables	23	(110,012)	(110,012)	(89,237)	(89,237)
		(408,726)	(414,229)	(709,407)	(725,119)

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

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

Fair value hierarchy
The Group's financial instruments carried at fair value would be categorised at level 2 in the fair value hierarchy as their value is based on inputs other than the quoted prices that are observable for these assets/(liabilities), either directly or indirectly with the exception of certain investments in shares that are categorised at level 1.

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

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

6 Financial instruments (continued)
Market risk (continued)

Capital management
Underpinning Emeco's strategic framework is consistent value creation for shareholders. Central to this is the continual evaluation of the Company's capital structure to ensure it is optimised to deliver value to shareholders. The board's policy is to maintain diversified, long term sources of funding to maintain investor, creditor and market confidence and to support the future growth of the business.

Historically, the board maintained a balance between higher returns possible with higher levels of borrowings and the security afforded by a sound capital position. However, given current market condition, the board seeks to increase levels of cash held to maintain a strong capital position.

The Company's primary return metric is return on capital (**ROC**), which the Group defines as earnings before interest and tax (**EBIT**) divided by invested capital defined as the average over the period of equity, plus interest bearing liabilities, less cash and cash equivalents. The Group's ROC for the year was 14.1% (2020: 14.9%).

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

	Consolidated	
	2021 $'000	2020 $'000
EBIT (continuing and discontinued operations)	107,203	105,335
Average invested capital (1)	761,707	705,907
EBIT return on capital at 30 June	14.1%	14.9%

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

7 Other income

	Consolidated	
	2021 $'000	2020 $'000
Net profit/(loss) on sale of non current assets (1)	318	945
Sundry income (2)	766	2,647
	1,084	3,592

(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 2021 was $4,268,000 (2020: $9,909,000).
(2) Included in sundry income are fees charged on overdue accounts and bad debts recovered.

8 Profit before income tax expense for continuing operations

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Profit before income tax expense has been arrived at after charging/(crediting) the following items:			
Impairment of tangible assets:			
- Inventory	19	382	4,915
- property, plant and equipment		764	8,835
		1,146	13,750
Employee expenses:			
- salaries, wages and superannuation		92,415	48,570
- employee share plan expenses		6,009	14,289
		98,424	62,859
Other expenses:			
- motor vehicles		2,850	2,914
- safety, staff training and amenities		3,946	2,905
- travel and subsistence expense		4,336	3,948
- workshop consumables, tooling and labour		10,983	7,787
- bad debts		-	1,009
- doubtful debts/(reversal)		(170)	(57)
- insurance		3,492	2,442
- property and office expenses		7,129	5,544
- telecommunications and IT		3,302	3,054
- restructuring and redundancies		-	2,054
- corporate, accounting and legal		3,464	5,481
- corporate development expenses		2,013	2,009
- impairment of investments		10	461
- net loss on AASB 16 lease modification		2,737	-
- hired in equipment and services		11,801	7,108
- other expenses		4,319	1,864
		60,212	48,523
Depreciation of:			
- buildings		169	120
- plant and equipment – owned		103,128	102,100
- plant and equipment – leased		2,510	3,163
- office equipment		288	134
- motor vehicles		949	501
- leasehold improvements		200	192
- sundry plant		963	795
	21	108,207	107,004
Depreciation of right of use asset	22	9,230	7,010
Total depreciation		117,437	114,014
Amortisation of intangible assets:			
- contract intangible		246	77
- software		892	897
	20	1,138	974
Total depreciation and amortisation		118,576	114,988

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

	Consolidated 2021 $'000	Consolidated 2020 $'000
Finance costs:		
- interest expense	33,768	47,474
- writeoff previous facility costs[1]	5,633	-
- amortisation of debt establishment costs using effective interest rate	3,621	4,594
- hedge loss[1]	20,339	-
- net loss on modification of US Notes' contractual terms	3,348	-
- other facility costs	1,192	753
- premium on buyback of issued debt[1]	20,374	-
Net finance costs	88,275	52,821
Finance income:		
- interest income	(362)	(216)
- hedge gains	-	(2,091)
Net finance income	(362)	(2,307)
Foreign exchange (gain)/loss:		
Net realised foreign exchange (gain)/loss	(4,018)	-
Net unrealised foreign exchange (gain)/loss	(6,284)	(366)
Net foreign exchange (gain)/loss	(10,302)	(366)
Business acquisition expenses		
- acquisition expenses[2]	-	1,500
Total business acquisition expenses	-	1,500

(1) Refer to note 24 for further details on the long-term debt refinancing transactions associated with these finance costs.

(2) Business acquisition expenses for the period ended 30 June 2020 related to professional fees incurred associated with the acquisition of Pit n Portal. Refer to note 36 for further details.

9 Auditor's remuneration

	Consolidated 2021 $	Consolidated 2020 $
Audit services		
Auditors of the Company		
Deloitte Touche Tohmatsu Australia:		
- audit and review of financial reports	698,112	538,602
Overseas Deloitte Firms:		
- other assurance services	36,086	19,322
	734,198	557,924
Other assurance and agreed upon procedures		
Auditors of the Company		
Deloitte Touche Tohmatsu Australia:		
- *other assurance services*	240,013	223,142
	240,013	223,142
Other services		
Auditors of the Company		
Deloitte Touche Tohmatsu Australia:		
- taxation services	45,768	141,846
Overseas Deloitte Firms:		
- taxation services	35,291	28,688
	81,059	170,534
	1,055,270	951,600

The Company has engaged with Deloitte for the provision of audit and tax services as well as other specific assurance including provision of a comfort letter and investigating accountants reports in relation to a rights issue and refinancing transactions. No other advisory or consulting services were provided by Deloitte during the year.

10 Taxes

a. Recognition in the income statement

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Deferred tax benefit			
Origination and reversal of temporary differences and tax losses in the current year		8,897	(10,945)
Tax expense/(benefit)	12	8,897	(10,945)

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

		Consolidated 2021 $'000	Consolidated 2020 $'000
Share issue costs		(915)	(507)
Foreign exchange		(445)	-
Cashflow hedges		529	2,662
	12	(831)	2,155

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

	Consolidated 2021 $'000	Consolidated 2020 $'000
Prima facie tax expense calculated at 30% on net profit	8,877	16,555
Increase/(decrease) in income tax expense due to:		
Australian tax losses not previously recognised	-	(28,579)
Derecognition/(recoupment) of foreign tax losses	50	56
Non-deductible acquisition costs	-	1,053
Other non-deductible expenses	30	166
Under/(over) provided in prior years	(60)	(196)
Tax expense/(benefit)	8,897	(10,945)

11 Current tax assets and liabilities

The current tax asset for the Group of $Nil (2020: $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	
Consolidated	**2021 $'000**	**2020 $'000**	**2021 $'000**	**2020 $'000**	**2021 $'000**	**2020 $'000**
Property, plant and equipment	-	-	(92,626)	(62,567)	(92,626)	(62,567)
Intangibles	-	-	(4)	(4)	(4)	(4)
Receivables	-	-	(575)	(491)	(575)	(491)
Derivative contracts	3,717	-	-	(8,410)	3,717	(8,410)
Right of use contracts	12,807	33	-	-	12,807	33
Other financial assets	-	-	(116)	(31)	(116)	(31)
Inventories	-	-	(230)	(105)	(230)	(105)
Payables	1,470	1,257	-	-	1,470	1.257
Interest bearing loans and borrowings	1,732	14,387	-	-	1,732	14,387
Unearned revenue	-	-	(25)	(25)	(25)	(25)
Business costs	1,534	1,176	-	-	1,534	1,176
Provisions	3,646	3,354	-	-	3,646	3,354
Borrowing costs	6	31	-	-	6	31
Employee share costs	-	-	(1,246)	(2,688)	(1,246)	(2,688)
Tax losses carried forward	94,398	86,638	-	-	94,398	86,638
Tax assets/(liabilities)	119,310	106,876	(94,822)	(74,321)	24,488	32,555
Set off of tax	(94,822)	(74,321)	94,822	74,321	-	-
Net tax assets	24,488	32,555	-	-	24,488	32,555

Movement in deferred tax balances

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

12 Deferred tax assets and liabilities (continued)

Movement in deferred tax balances

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

Unrecognised deferred tax assets

	Consolidated	
	2021 $'000	2020 $'000
The following deferred tax assets have not been brought to account as assets:		
Tax losses	82,340	82,289

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

13 Capital and reserves

	Consolidated	
	2021 $'000	2020 $'000
Share capital		
544,055,134 (2020: 368,551,024) ordinary shares, fully paid	1,247,344	1,100,329
Acquisition reserve	(75,887)	(75,887)
	1,171,457	1,024,442

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 2020	368,551,024		1,100,329
Issue of shares for rights issue – institutional entitlement [(1)]	2 September 2020	131,114,790	0.85	111,448
Issue of shares for rights issue – retail entitlement [(1)]	22 September 2020	44,389,320	0.85	37,731
Less: share issue costs, net of deferred tax				(2,163)
Balance	**30 June 2021**	**544,055,134**		**1,247,344**
Less: treasury shares		4,232,129		
Issued capital		**539,823,005**		

(1) On 24 August 2020, Emeco announced a fully underwritten pro-rata accelerated non-renounceable entitlement offer. New shares under the institutional offering were issued on 2 September 2020, and the retail offering on 22 September 2020, both with an issue price of $0.85.

13 Capital and reserves (continued)

Treasury shares [(1)]
The treasury shares comprise of shares purchased on market to satisfy the vesting of shares and rights under the employee share plans. Rights that are forfeited under the Company's employee share plans due to employees not meeting the service vesting requirement will remain in the reserve. As at 30 June 2021 the Company held 4,232,129 treasury shares (2020: 6,940,854), in satisfaction of the employee share plans.

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

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

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

Dividends [(1)]
No dividends were paid or declared during the year (2020: $Nil) or prior to the release of this report.

On 17 August 2021, the board resolved to pay a final dividend for the six months ended 30 June 2021 of 1.25 cents per share and a total cash payment of $6,801,000. The dividend will be fully franked and will be paid on 30 September 2021.

Franking account

	The Company	
	2021 $'000	**2020 $'000**
Dividend franking account		
30% franking credits available to shareholders of Emeco Holdings Limited for subsequent financial years	85,394	85,394

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

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

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability is to reduce it by $2,914,000 (2020: $Nil). In accordance with the tax consolidation legislation, the Company as the head entity in the Australian tax consolidated group has also assumed the benefit of $85,394,000 (2020: $85,394,000) franking credits.

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

14 Disposal groups and non-current assets held for sale

During the year $4,276,000 (FY20: $18,195,000) of non-current assets were transferred from property, plant and equipment into non-current assets held for sale. Assets previously classified and classified during the period as held for sale were further impaired by $764,000 to their fair value less cost to sell based on market prices of similar equipment.

As at 30 June 2021, the non-current assets held for sale comprised assets of $2,794,000 (2020: $3,192,000). Level 2 fair value hierarchy has been used in determining the fair value with reference to an independent valuation utilising observable market valuations. The Group is actively marketing these assets and they are expected to be disposed of within 12 months.

	2021 $'000	**2020 $'000**
Assets classified as held for sale		
Property, plant and equipment – continuing operations	2,794	3,192
Net assets classified as held for sale	2,794	3,192

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

15 Segment reporting

The Group has three (2020: four) reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different operational strategies for each geographic region. For each of the strategic business units, the managing director and board of directors review internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

Rental	Provides a wide range of earthmoving equipment solutions to customers in Australia. Additional technology platforms have been developed to enable customers to improve earthmoving efficiencies of their rental machines.
Workshops	Provides maintenance and component rebuild services to customers in Australia.
Pit N Portal	Provides a range of mining services solutions and associated services to customers in Australia.

In June 2017 the board resolved to exit the Chilean business after a strategic review of the operations. The business has been wound down and will not materially contribute to the future earnings of the Group. The loss from discontinued operations of $nil (2020: loss of $3,000) is attributable entirely to the owners of the Company. Any legacy costs related to the Chilean operations in the current financial year has been included in corporate overheads, and consequently the Chilean operations have not been presented as an operating segment in the current period.

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.

15 Segment reporting (continued)

Information about reportable segments

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

	Continuing			Discontinued	
	Rental $'000	Workshops $'000	Pit n Portal $'000	Chile $'000	Total $'000
Period ended 30 June 2020					
Segment revenue	425,122	163,804	39,752	1,171	629,849
Intersegment revenue	-	(83,789)	(4,460)	-	(88,249)
Revenue from external customers	**425,122**	**80,015**	**35,292**	**1,171**	**541,600**
Other income	3,242	210	28	-	3,480
Segment earnings before interest, tax, depn & amortisation	**264,915**	**7,911**	**9,260**	**74**	**282,160**
Impairment of tangible assets	(13,633)	-	(118)	(77)	(13,828)
Depreciation and amortisation	(107,295)	(2,438)	(3,770)	-	(113,503)
Segment result (EBIT)	**143,987**	**5,473**	**5,372**	**(3)**	**154,830**
Corporate overheads					(49,498)
EBIT					**105,332**
Finance income/(expense) (net)					(50,514)
Foreign exchange movements					366
Net profit before tax					**55,184**
Tax benefit/(expense)					10,945
Net profit after tax					**66,129**
Total assets for reportable segments	**676,347**	**44,010**	**100,190**	**140**	**820,686**
Unallocated assets					267,905
Total Group assets					**1,088,591**
Net capital expenditure	**100,600**	**1,613**	**6,710**	**-**	**108,922**
Total liabilities for reportable segments	**77,365**	**32,374**	**21,672**	**43**	**131,454**
Unallocated liabilities					599,893
Total Group liabilities					**731,346**

16 Cash and cash equivalents

	Consolidated	
	2021 **$'000**	**2020** **$'000**
Cash at bank	74,725	198,169

17 Trade and other receivables

	Consolidated	
	2021 **$'000**	**2020** **$'000**
Current		
Trade receivables	96,454	93,516
Less: Expected credit losses	(205)	(536)
	96,249	92,980
VAT/GST receivable	4,452	1,798
Accrued revenue	14,334	15,019
Other receivables	9,660	3,991
	124,695	113,788

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

18 Derivatives

	Consolidated	
	2021 **$'000**	**2020** **$'000**
Non-current assets		
Cross currency interest rate swaps	-	38,918
	-	38,918
Current liabilities		
Cross currency interest rate swaps	(12,389)	(10,884)
	(12,389)	(10,884)

The cross currency interest rate swaps have been classified as current at 30 June 2021 due to the issuance of A$250,000,000 notes in the A$ MTN market (**AUD Notes**) subsequent to 30 June 21. Refer to note 34 for further detail.

19 Inventories

	Consolidated	
	2021 **$'000**	**2020** **$'000**
Work in progress – at cost (1)	5,215	3,106
Consumables, equipment & spare parts – at cost	10,019	9,075
Total at cost	15,234	12,181
Equipment and parts – at NRV	3,968	2,586
Total inventory	19,202	14,767

(1) During the year ended 30 June 2021 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 $382,000 (2020: $4,915,000).

20 Intangible assets

	Consolidated	
	2021 $'000	**2020 $'000**
Goodwill	8,005	8,005
	8,005	8,005
Contract intangible	1,715	1,115
Less: Accumulated amortisation	(1,048)	(802)
	667	313
Software – at cost	7,857	7,240
Less: Accumulated amortisation	(6,199)	(5,306)
	1,658	1,934
Total intangible assets	10,329	10,252

Contract intangible and goodwill

On the acquisition of Pit N Portal, a provisional customer intangible was recognised. This represented the fair value of the residual value of the purchase price of the company over the fair value of the identifiable assets and liabilities acquired. Provisional values were disclosed in June 2020, however the values identified in relation to the acquisition are final as at 30 June 2021, and have been recognised in the Pit N Portal operating segment. Details of the acquisition are disclosed in note 36. The customer intangible is being amortised over the determined life of the intangible. The increase in contract intangible from the prior period relates to acquired software intangibles not related to Pit N Portal.

Goodwill was recognised on the acquisition of Matilda Equipment Holdings Pty Ltd (**Matilda**) in FY19 and represents the residual value of the purchase price of the company over the fair value of the identifiable assets and liabilities acquired. On acquisition of Matilda an intangible asset was identified for $802,000, being the value of existing customer contracts. The goodwill is recognised in the Australian Rental operating segment.

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

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

	Consolidated	
	2021 $'000	**2020 $'000**
Amortisation expense	1,138	974
Total expense for the year for continuing operations	1,138	974

21 Property, plant and equipment

	Consolidated $'000							
	Land & buildings	**Leasehold improvements**	**Plant & equipment**	**Leased plant & equipment**	**Office equipment**	**Motor vehicles**	**Sundry plant**	**Total**
At-cost at 30 June 2021	2,191	5,611	1,244,795	21,836	4,448	9,783	11,961	1,300,625
Accumulated depreciation and impairment at 30 June 2021	(1,332)	(4,679)	(600,708)	(6,650)	(3,335)	(5,941)	(8,747)	(631,392)
	859	932	644,088	15,186	1,113	3,841	3,214	669,233
At-cost at 30 June 2020	1,907	5,290	1,113,216	21,567	3,584	7,654	10,703	1,163,922
Accumulated depreciation and impairments at 30 June 2020	(1,161)	(4,479)	(508,718)	(4,139)	(3,047)	(5,494)	(7,715)	(534,752)
	746	811	604,498	17,428	537	2,160	2,988	629,169

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

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

21 Property, plant and equipment (continued)

Depreciation

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

Security

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

Impairment tests for cash generating units

The Group conducts impairment testing annually at 30 June each year and when impairment indicators exist. At 30 June 2021, a detailed impairment testing was undertaken for both the Australian rental CGU and the Pit N Portal CGU and testing carried out for the Workshops CGU, with no impairment being identified. Refer to note 2(e) "Estimates and judgments" for detailed consideration of this matter.

22 Right of use assets

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

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

The Group's right of use assets relate to property, motor vehicles and heavy earth moving equipment. The average lease term is 4.53 years (2020: 4.97 years).

The corresponding lease liability analysis is presented in note 24.

	Consolidated	
	2021 $'000	**2020 $'000**
Amount recognised in profit and loss		
Depreciation expense on right-of-use assets	9,230	7,010
Interest expense in lease liabilities	2,684	1,524
Expense relating to short term leases	2,725	156
Expense relating to leases of low value assets	156	-
	14,795	8,689

23 Trade and other payables

	Consolidated	
	2021 $'000	**2020 $'000**
Current		
Trade payables		
Trade payables	45,805	46,751
Interest accrual	4,022	7,987
Other payables and accruals	60,185	34,499
	110,012	89,237

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.

24 Interest bearing liabilities

	Consolidated	
	2021 $'000	**2020 $'000**
Current		
Amortised cost		
Lease liabilities	12,902	25,986
Loan note agreement	-	97,000
Other financing	497	-
	13,399	122,986
Non-current		
Amortised cost		
USD notes – secured	250,508	469,373
Debt raising costs (1)	(94)	(8,917)
Lease liabilities	35,397	36,573
	285,811	497,030

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

24 Interest bearing liabilities (continued)

Revolving Credit Facility

The Group has a Revolving Credit Facility (RCF) of $100,000,000 which matures in September 2021 with a two year option to extend and has two sub facilities consisting of a Loan Note Agreement Facility (**LNA**) of A$97,000,000 (30 June 2020: $97,000,000) and a Bank Guarantee Facility of A$3,000,000. The bank guarantee facility attracts a fee of up to 1.57% on the unutilised portion of the facility, and a fee of 3.5% on the outstanding balance of guarantees on issue. The nominal interest rate on the LNA is equal to the aggregate of the bank bill swap rate (**BBSY**) plus a margin of between 3.25% and 3.5% dependant on the portion of the facility utilised (3.25% if less than 25% drawn and 3.5% if greater than 25% drawn).

The facilities require the Group to maintain a collateral coverage ratio greater than 2.0x and a fixed charge coverage ratio greater than 1.5x. The collateral coverage ratio is based on an independent valuation of the rental fleet in ratio to the drawn LNA. At 30 June 2021 the LNA was undrawn and the Group had utilised A$1,646,00 of the bank guarantee facility. The LNA was drawn at 30 June 2020 due to global bank liquidity concerns at the start of COVID-19 however was repaid during the year ended 30 June 2021 as the funds were not required by the Group.

On 13 July 2021, the Group exercised its option to extend the maturity of the A$100,000,000 Revolving Credit Facility for an additional two years to September 2023. Other than the extension of the maturity date, there was no change to the terms of the facility.

Secured notes issue

As at 30 June 2020, the Group had issued secured fixed interest notes to the value of US$322,131,000 which matured on 31 March 2022. The nominal fixed interest rate was 9.25%. Under the terms of the note agreement, the noteholders held a joint fixed and floating charge with the revolving credit facility bank over the assets and undertakings of the Group. The notes were measured at amortised cost.

On 15 September 2020, US$142,124,000 of the notes were repaid to noteholders with the proceeds of a capital raising and subsequently cancelled. The early repayment incurred a call premium of 4.625% which resulted in a finance cost of A$9,013,000 which was paid to noteholders on repayment. A finance cost of $3,225,000 was recognised in relation to accelerated amortisation of borrowing costs associated with the Notes retired. US$142,124,000 of cross currency interest rate swaps used to hedge this debt were closed out on repayment of the notes. Expenses of $10,138,000 were incurred in relation to the hedge closeout, offset by a $4,017,000 realised exchange gain on repayment of the notes. Refer to note 8 for details on the costs associated with this transaction.

The residual US$180,007,000 of outstanding notes were refinanced with two noteholders extending the maturity date to 31 March 2024. The nominal fixed interest rate remained unchanged with a semi-annual coupon of 9.25% payable in January and July each year. The refinanced notes could be repaid at any time prior to, or on, the March 2024 maturity. A premium of 4.625% is payable on repayment of these notes. Whilst the Group’s net leverage remains below 1.5x, the cash sweep does not apply and restrictions on shareholder distributions are relaxed. Otherwise the 2024 notes had materially the same terms as the cancelled notes. An expense of $3,348,000 was incurred on this transaction in relation to fees incurred on the refinancing.

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

24 Interest bearing liabilities (continued)

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

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

Notwithstanding the fact that as at 30 June 2021 the Group was not obligated to issue the new AUD Note, or repurchase and cancel the outstanding US Notes, as at 30 June 2021, it was deemed highly probable that the Group's issuance of the AUD Note would settle as expected on 2 July 2021 and the proceeds from this issuance would be used to repurchase and cancel the outstanding US Notes in August 2021. Due the estimated change in the forecast cash flows related to the US Notes, the Group has derecognised the capitalised borrowing costs associated with these notes at 30 June 2021 incurring a finance cost of $2,408,000. A call premium expense of $11,361,000 (June 2020: $nil) was recognised as a liability of the same value at 30 June 2021, given estimated contractual life of the US Notes was aligned to the expected settlement date. All amounts were paid to noteholders in August 2021 on repurchase of the outstanding notes.

Hedge accounting has been discontinued at 30 June 2021 due to the expected repurchase of the US Notes and close out of associated derivatives. A $7,354,000 hedge loss expense partially offset by a $6,007,000 unrealised foreign exchange gain on the notes has been recognised in the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2021 in relation to the derecognition of hedge accounting.

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

	FY21		FY20	
	USD $'000	**AUD $'000**	**USD $'000**	**AUD $'000**
USD notes	180,007	250,508	322,131	469,373
Hedged liability/(asset)	-	12,389	-	(28,034)
Net exposure	180,007	262,897	322,131	441,339

24 Interest bearing liabilities (continued)

Lease liabilities

At 30 June 2021, the Group held lease facilities totalling A$48,300,000 (2020: A$62,560,000) which have various maturities up to July 2024. Lease terms are negotiated on an individual basis and obtains a wide range of different terms and conditions. The lease agreements do not impose any covenants.

Lease liabilities of the Group are payable as follows:

	Consolidated	
	2021 $'000	2020 $'000
Opening balance as at 1 July	62,560	59,165
New leases	13,785	24,451
Interest expense	2,684	2,697
Principal repayments	(17,359)	(13,535)
Remeasurements	(803)	(10,170)
Termination of lease	(12,567)	(48)
Balance at 30 June	48,300	62,560
Current	12,902	25,986
Non-current	35,398	36,574
	48,300	62,560

The Group's lease liabilities are secured by the leased assets of $50,278,000 (2020: $35,365,000). In the event of default, the leased assets revert to the lessor.

The weighted average incremental borrowing rate applied to the lease liabilities at the date of initial application was 4.32%.

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

Reconciliation of liabilities arising from financing activities

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

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

* inclusive of amortisation expense

24 Interest bearing liabilities (continued)

Reconciliation of liabilities arising from financing activities (continued)

	1 July 2019 $'000	Financing cash flows $'000	Financial expense* $'000	Net debt acquired/(retired)** $'000	Realised FX $'000	Unrealised FX $'000	30 June 2020 $'000
USD notes	459,334	-	-	-	-	10,039	469,373
Lease liabilities	21,909	(13,535)	2,697	51,489	-	-	62,560
Loan note agreement	-	-	-	97,000	-	-	97,000
Debt raising costs (144A notes)	(12,350)	-	4,115	-	-	-	(8,235)
Debt raising costs (loan note agreement)	(959)	(154)	432	-	-	-	(682)
Other financing	-	(2,708)	-	2,708	-	-	-
	467,933	(16,397)	7,244	151,196	-	10,039	620,016

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

25 Financing arrangements

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

2021	Consolidated $'000		
	Available facility	Facility utilised at reporting date	Facility not utilised at reporting date
USD notes (1)	250,508	250,508	-
Loan note agreement (2)	97,000	-	97,000
Bank guarantee facility (2)	3,000	1,646	1,354
Lease liabilities	48,300	48,300	-
	398,808	300,454	98,354

2020	Consolidated $'000		
	Available facility	Facility utilised at reporting date	Facility not utilised at reporting date
USD notes (1)	469,373	469,373	-
Loan note agreement (2)	97,000	97,000	-
Bank guarantee facility (2)	3,000	1,655	1,345
Lease liabilities	62,559	62,559	-
	631,932	630,587	1,345

(1) The facility of US$180,007,000/A$250,508,000 was fully drawn at 30 June 2021. A liability of $11,361,000 has been recognised at 30 June 2021 attributable to the expected call premium payable on the notes. Refer to note 24 for further details.

(2) The Revolving Credit Facility has a limit of $100,000,000. The Revolving Credit Facility consists of the Loan Note Agreement of A$97,000,000 and bank guarantee of $3,000,000. The Loan Note Agreement was undrawn at 30 June 2021. $1,646,000 of bank guarantees were issued at 30 June 2021.

26 Provisions

	Consolidated 2021 $'000	Consolidated 2020 $'000
Current		
Employee benefits:		
- annual leave	9,839	8,476
- long service leave	2,033	2,096
Provision for restructuring	-	57
	11,872	10,629
Non-current		
Employee benefits – long service leave	655	581
	655	581

	Consolidated		
	Employee benefits	**Provision for restructuring**	**Total**
Balance at 1 July 2020	11,153	57	11,210
Arising during the year	10,158	-	10,158
Utilised	(8,784)	(57)	(8,841)
Balance at 30 June 2021	12,527	-	12,527

Defined contribution superannuation funds
The Group makes contributions to defined contribution superannuation funds. The expense recognised for the year was $12,492,000 (2020: $7,862,000).

27 Share based payments

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

Vested plans

Grant date/employee entitled	Number of instruments	Vesting conditions	Contractual life of rights/ performance share rights
MIP			
Rights/performance share rights 2019	608,913	3 years service	3 years
EHIP			
Rights/performance share rights 2018	46,996	2 years service	2 years
Rights/performance share rights 2019	111,449	2 years service	2 years
	767,358		

Unvested plans

Grant date/employee entitled	Number of instruments	Vesting conditions	Contractual life of rights/ performance share rights
MIP			
Rights/performance share rights 2019	1,000,000	3 years service	3 years
Rights/performance share rights 2019	1,332,136	4 years service	4 years
Rights/performance share rights 2019	1,885,689	5 years service	5 years
LTIP			
Rights/performance share rights 2020	900,901	2 years service	2 years
Rights/performance share rights 2020	976,497	3 years service	3 years
LTIP			
Rights/performance share rights 2021	2,528,519	3 years service	3 years
	8,623,742		

27 Share based payments (continued)

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

	Number of rights/ performance share rights 2021	Number of rights/ performance share rights 2020
Outstanding at 1 July	6,378,316	26,347,281
Granted during the period	3,104,813	1,422,064
Exercised during the period	(767,358)	(21,273,643)
Forfeited during the period	(92,030)	(117,385)
Outstanding at 30 June	8,623,741	6,378,316

The fair value of Rights granted during the year are measured using a volume weighted average price of $1.02 (FY20: $1.83). Please refer to note 3(k)(v)).

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

Employee expenses

	Consolidated	
in AUD	2021	2020
Performance shares/rights	6,009,476	14,288,750
Total expense recognised as employee costs (1)	6,009,476	14,288,750

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

28 Commitments

(a) Short term and low value leases

	Consolidated	
	2021 $'000	**2020 $'000**
Future non-cancellable operating leases not provided for in the financial statements and payable:		
Less than one year	1,720	156
Between one and five years	108	250
More than five years	-	-
	1,828	406

See Note 22 for further information. Operating lease expenditure for FY21 and FY20 is disclosed in Note 24.

(b) Capital commitments

The Group has $2,000,000 committed for purchases of fixed assets (2020: $Nil).

29 Contingent liabilities

Guarantees
The Group has provided bank guarantees in the amount of $1,646,000 (2020: $1,654,900) in relation to obligations under operating leases and rental premises.

30 Notes to the statement of cash flows

(i) Reconciliation of cash

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

		Consolidated	
	Note	2021 $'000	2020 $'000
Cash assets	16	74,725	198,169

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

		Consolidated	
	Note	2021 $'000	2020 $'000
Net profit from continuing operations		20,695	66,132
Add/(less) items classified as investing/financing activities:			
Net profit on sale of non-current assets	7	(318)	(945)
Acquisition and corporate development costs	8	-	3,509
Payment for debt financing costs	7	5,793	-
Premium paid on buyback of issued debt	8	9,013	-
Add/(less) non-cash items:			
Depreciation and amortisation	20	118,576	114,988
Amortisation of borrowing costs using effective interest rate	8	3,621	4,594
Foreign exchange gain	8	(10,302)	(366)
Hedge loss/(gain)	8	20,339	(2,090)
Net loss on AASB 16 lease modification	8	2,737	-
Impairment losses on tangible assets	8	1,146	13,750
Impairment of investments	8	10	461
Bad debts	8	-	1,009
Provision for doubtful debts reversal	8	(170)	(57)
Other non-cash items and reclassifications		-	(1,967)
Equity settled share based payments	8	6,009	14,289
Income tax expense/(benefit)	10	8,897	(10,945)
Net cash flow from operating activities of discontinued operations		-	(29)
Net cash from operating activities before change in assets/(liabilities) adjusted for assets and (liabilities) acquired		186,045	202,333
Change in operating assets and liabilities, net of effects from purchase of controlled entity:			
Increase in trade and other receivables		(10,426)	(5,399)
Increase in inventories		(4,434)	(8,422)
Increase/(decrease) in payables		33,114	(7,769)
Increase in provisions		1,316	1,230
Net cash from operating activities		205,616	181,973

31 Controlled entities

(a) Particulars in relation to controlled entities

	Country of incorporation	Ownership interest 2021 %	Ownership interest 2020 %
Parent entity			
Emeco Holdings Limited			
Controlled entities			
Pacific Custodians Pty Ltd as trustee for Emeco Employee Share Ownership Plan Trust	Australia	100	100
Emeco Pty Limited	Australia	100	100
Emeco International Pty Limited	Australia	100	100
EHL Corporate Pty Ltd	Australia	100	100
Emeco Parts Pty Ltd	Australia	100	100
Emeco Finance Pty Ltd	Australia	100	100
Andy's Earthmovers (Asia Pacific) Pty Ltd	Australia	100	100
Orionstone Holdings Pty Ltd	Australia	100	100
Orionstone Pty Ltd	Australia	100	100
Ironstone Group Pty Ltd	Australia	100	100
Orion (WA) Pty Ltd	Australia	100	100
RPO Australia Pty Ltd	Australia	100	100
Force Equipment Pty Ltd	Australia	100	100
Matilda Equipment Holdings Pty Ltd	Australia	100	100
Matilda Equipment Pty Ltd	Australia	100	100
Pit N Portal Mining Services Pty Ltd	Australia	100	100
Pit N Portal Equipment Hire Pty Ltd	Australia	100	100
Emeco Equipment (USA) LLC	United States	100	100
Emeco (UK) Limited	United Kingdom	100	100
Emeco International Europe BV	Netherlands	100	100
Emeco Europe BV	Netherlands	100	100
Emeco BV	Netherlands	100	100
PT Prima Traktor IndoNusa	Indonesia	100	100
Emeco Holdings South America SpA	Chile	100	100
Enduro SpA	Chile	100	100

(b) Acquisition of entities in the current year

There were no entities was acquired in the current year.

(c) Acquisition of entities in the prior year

The following entities were acquired in the prior year:

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

Refer to note 36 for details on the acquisition of Pit n Portal in the prior period.

32 Key management personnel disclosure

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

Non-executive directors	
Peter Richards	Chair
Peter Frank	
Keith Skinner	
Peter Kane	Commenced role 7 December 2020
Darren Yeates	Resigned 11 November 2020

Executive directors	
Ian Testrow	Managing Director & Chief Executive Officer

Other executives	**Position**
Thao Pham	Chief Strategy Officer
Neil Siford [1]	Chief Financial Officer

[1] Mr Siford provided notice of his resignation in March 2021. He will remain as CFO until after the Company's financial year end process (including the 2021 AGM) is completed.

32 Key management personnel disclosure (continued)

Key management personnel compensation

The key management personnel compensation is as follows:

	Consolidated	
in AUD	**2021**	**2020**
Short term employee benefits	3,373,191	3,597,890
Other long term benefits	39,720	33,741
Post-employment benefits	117,133	112,405
Equity compensation benefits	4,298,170	9,924,397
	7,828,214	13,668,433

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 23 to 38.

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

Equity Instruments

Rights over equity instruments granted as compensation under employee hybrid incentive plan (EHIP)

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

Rights over equity instruments granted as compensation under management incentive plan (MIP)

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

Rights over equity instruments granted as compensation under long term incentive plan (LTI) (long term incentive plan)

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

Other key management personnel transactions

Key management persons, or their related parties, hold positions in other entities that may result in them having control or significant influence over the financial or operating policies of those entities. There were no transactions between the Group and these related entities during the period (FY20 $Nil).

33 Other related party transactions

Subsidiaries
Loans are made between wholly owned subsidiaries of the Group for corporate purposes. Loans outstanding between the different wholly owned entities of the Company have no fixed date of repayment. Loans made between subsidiaries within a common taxable jurisdiction are interest free.

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

34 Subsequent events

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

The AUD Notes have fewer restrictions on the Group than the 2024 USD notes with restrictions on issuing additional debt if leverage (net debt divided by operating EBITDA) is greater than 1.75x and shareholder distributions if leverage is greater than 2.0x. The notes cannot be called before 10 July 2022 and a call premium of 3.125% is payable if redeemed prior to 10 July 2024 and 1.5625% is payable on the notes if the notes are redeemed prior to 10 July 2025. No call premium is payable after this date. There are no restrictions on capital expenditure in the AUD notes.

On 13 July 2021, the Group exercised its option to extend the maturity of the A$100,000,000 Revolving Credit Facility for an additional two years to September 2023. Other than the extension of the maturity date, there was no change to the terms of the facility.

On 17 August 2021, the board resolved to pay a final dividend for the six months ended 30 June 2021 of 1.25 cents per share and a total cash payment of $6,801,000. The dividend will be fully franked and will be paid on 30 September 2021.

On 18 August 2021, the Company announced its intention to undertake an on-market buyback of up to $3,800,000 of shares. The Company reserves the right to vary, suspend or terminate the buyback at any time.

Other than the above, there have been no other significant events subsequent to the year ended 30 June 2021.

35 Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2021 was based on the profit attributable to ordinary shareholders of $20,695,000 (2020: $66,129,000) and a weighted average number of ordinary shares outstanding less any treasury shares for the year ended 30 June 2021 of 514,526 (2020: 327,161).

Earnings per share for the comparative period has been restated to account for the effect of the rights issue undertaken by Emeco in September 2020, in accordance with AASB 133 Earnings per share.

Profit attributed to ordinary shareholders

	Consolidated					
	2021			2020		
	Continuing operations $'000	Discontinued operations $'000	Total $'000	Continuing operations $'000	Discontinued operations $'000	Total $'000
Profit for the year	20,695	-	20,695	66,132	(3)	66,129

	Consolidated	
	2021 ‘000	2020 ‘000
Issued ordinary shares at 1 July	371,353	308,635
Effect of shares issued during the period	142,298	13,801
Effect of vested employee share plans	874	4,725
Weighted average number of ordinary shares at 30 June	514,526	327,161

35 Earnings per share (continued)

Weighted average number of ordinary shares

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2021 was based on the profit/(loss) attributable to ordinary shareholders of $20,695,000 (2020: $66,129,000) and a weighted average number of ordinary shares outstanding less any treasury shares during the financial year ended 30 June 2021 of 523,150 (2020: 333,539).

Profit attributed to ordinary shareholders (diluted)

	Consolidated					
	2021			2020		
	Continuing operations $'000	Discontinued operations $'000	Total $'000	Continuing operations $'000	Discontinued operations $'000	Total $'000
Profit attributed to ordinary shareholders (basic)	20,695	-	20,695	66,132	(3)	66,129

Weighted average number of ordinary shares (diluted)

	Consolidated	
	2021 '000	2020 '000
Issued ordinary shares at 1 July	371,353	308,635
Effect of shares issued during the period	142,298	13,801
Effect of vested employee share plans	874	4,725
Effect of unvested employee share plans	8,624	6,378
Weighted average number of ordinary shares (diluted) at 30 June	523,150	333,539

36 Business combination

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

The values identified in relation to the acquisition are final as at reporting date 30 June 2021. A provisional customer intangible was recognised at 30 June 2020, however has since been finalised for the year ended 30 June 2021 with no changes on finalisation. Details of the acquisition are as follows:

Impact of acquisitions on the results of the Group

	Pit N Portal Mining Services Pty Ltd Final 2020 $'000	Pit N Portal Equipment Hire Pty Ltd Final 2020 $'000	Pit N Portal Group Final 2020 $'000
Cash assets	4,107	96	4,204
Trade debtors	13,056	2,665	15,721
Inventories	6,343	-	6,343
Accrued income	4,105	49	4,154
Other receivables	-	697	697
Prepayments	493	-	493
Plant and equipment	1,259	53,129	54,387
Right of use assets	2,425	-	2,425
Deferred tax asset	68	485	553
Other assets	94	30	124
Trade and other payables	(10,401)	(2,831)	(13,232)
Provisions	(2,877)	-	(2,877)
Lease liabilities	(2,503)	-	(2,503)
Net assets acquired	16,169	54,320	70,490
Contract intangible recognised			313
Acquisition date fair value of consideration transferred			70,803
Representing:			
Cash			62,000
Shares issued on acquisition			9,179
Cash consideration paid in respect of working capital adjustment			(376)
Total			70,803
Acquisition costs expensed to profit or loss			1,500
Cash used to acquire the business, net cash acquired:			
Acquisition date fair value of consideration transferred			70,803
Share issued on acquisition			(9,179)
Less: cash and cash equivalents			(4,204)
Net cash paid	-	-	57,421

36 Business combination (continued)

Pit N Portal Mining Services Pty Ltd and Pit N Portal Equipment Hire Pty Ltd (continued)
Pit N Portal has been treated as a reportable segment of the Group with effect from the date of acquisition. The revenue and earnings contributed to the Group in the period from 28 February 2020 are set out in Note 15.

37 Parent entity disclosure

As at and throughout the financial year ending 30 June 2021 the parent entity (the '**Company**') of the Group was Emeco Holdings Limited.

	Company	
	2021 $'000	**2020 $'000**
Results of the parent entity		
Profit for the period [(1)]	30,133	18,598
Other comprehensive income	-	-
Total comprehensive income/(loss) for the period	30,133	18,598
Financial position of parent entity at year end		
Current assets	73	73
Non-current assets	441,997	260,041
Total assets	442,070	260,114
Current liabilities	-	-
Non-current liabilities	-	-
Total liabilities	-	-
Total equity of the parent entity comprising of:		
Share capital	1,171,457	1,024,442
Share based payment reserve	30,901	27,387
Profit reserve	30,376	-
Reserve of own shares	(38,294)	(39,589)
Retained losses	(752,370)	(752,127)
Total equity	442,071	260,114

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

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

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

38 Deed of cross guarantee

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

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

The subsidiaries subject to the deed are:

- Emeco Pty Ltd
- Emeco International Pty Limited
- Andy's Earthmovers (Asia Pacific) Pty Ltd
- Orionstone Holdings Pty Ltd
- Orionstone Pty Ltd
- Force Equipment Pty Ltd
- Matilda Equipment Pty Ltd
- Matilda Equipment Holdings Pty Ltd
- Pit N Portal Mining Services Pty Ltd
- Pit N Portal Equipment Hire Pty Ltd

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 2021 is set out as follows:

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

	Consolidated	
	2021 $'000	**2020 $'000**
Revenue	620,528	540,428
Cost of sales	(370,575)	(313,301)
Gross profit	249,953	227,127
Operating expense	(142,200)	(105,887)
Other income	764	2,647
Finance income	362	2,307
Finance costs	(88,275)	(52,821)
Unrealised FX	10,301	367
Impairment of assets	(1,136)	(13,750)
Profit before tax	29,770	59,990
Tax benefit	(8,897)	10,945
Net profit after tax	20,872	70,935
Other comprehensive income	1,643	5,877
Total comprehensive income for the period	1,643	5,877
Retained losses at beginning of year	(658,170)	(734,982)
Retained losses at end of year	(635,654)	(658,169)
Attributed to:		
Equity holders of the Company	(635,654)	(658,169)
Profit for the period	20,872	70,935

38 Deed of cross guarantee (continued)

Statement of financial position

	Consolidated	
	2021 $'000	**2020 $'000**
Current assets		
Cash and cash equivalents	74,725	198,033
Trade and other receivables	124,695	111,674
Prepayments	7,227	3,279
Inventories	19,202	14,768
Assets held for sale	2,794	3,192
Total current assets	228,643	330,946
Non-current assets		
Trade and other receivables	17,799	19,298
Derivatives	-	38,918
Intangible assets	10,329	10,252
Investments	-	367
Property, plant and equipment	669,233	629,170
Right of use asset	32,850	44,132
Deferred tax assets	24,489	32,555
Total non-current assets	754,700	774,692
Total assets	983,343	1,105,638
Current liabilities		
Trade and other payables	110,012	89,218
Derivatives	12,389	10,884
Interest bearing liabilities	13,399	122,986
Provisions	11,872	10,573
Total current liabilities	147,672	233,661
Non-current liabilities		
Interest bearing liabilities	285,811	499,059
Provisions	655	581
Total non-current liabilities	286,466	499,640
Total liabilities	434,138	733,301
Net assets	549,205	372,338
Equity		
Issued capital	1,171,457	1,024,442
Share based payment reserve	30,901	27,387
Reserves	(17,500)	(21,322)
Retained losses	(635,654)	(658,169)
Total equity attributable to equity holders of the parent	549,205	372,338

Directors' Declaration

1. In the opinion of the directors of Emeco Holdings Limited (the '**Company**'):

   (a) the consolidated financial statements and notes as set out on pages 40 to 118, and remuneration report in the directors' report, set out on pages 23 to 38 are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the Group's financial position as at 30 June 2021 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 2021.

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, 17th day of August 2021

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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123 St Georges Terrace
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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 2021, 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 2021 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 & Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

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.

<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the Key Audit Matter</th></tr>
<tr><td>Recoverability of available Australian tax losses as a deferred tax asset

The Group has recognised $24.5 million of net deferred tax assets as at 30 June 2021 which includes the recognition of all available tax losses in Australia as disclosed in note 12.

The recognition of deferred tax assets relating to historic tax losses involves significant judgement associated with:
the availability of these historic losses to the Group; and
the likelihood of the utilisation of such tax losses, which amongst other things requires the generation of sufficient future taxable profit by the Group to be probable.</td><td>We assessed the Group's ability to utilise the deferred tax assets recognised as at 30 June 2021, based on the extent to which they can be utilised by future taxable profits. Our procedures included, but were not limited to:
understanding the process that management undertakes to develop the model to forecast future taxable profits and challenging the reasonableness of the assumptions;
comparing the profit forecast for FY22 to the Board approved FY22 budget;
assessing historical forecasting accuracy by comparing actual performance to budgets;
testing management's budget model for mathematical accuracy;
considering the likely benefit to taxable profit of the debt refinancing completed post year-end, and the related positive impact on the Group's future profitability;
in conjunction with our tax experts
evaluating whether the unused Australian tax losses are available to the Group and whether the profit forecasts had been appropriately adjusted for the differences between accounting profits and taxable profits; and
testing managements tax effect accounting calculations and assessing the amount of reversing temporary differences, including the reasonableness of the tax treatment associated with plant and equipment component expenditure.
We also assessed the appropriateness of the disclosures in note 2(e) and 12 to the financial statements.</td></tr>
<tr><td>Refinancing of interest bearing liabilities subsequent to 30 June 2021

On 2 July 2021 the Group completed the issuance of $250 million of AUD secured notes, and subsequently used the funds to settle the USD secured notes which were on hand as at 30 June 2021. Refer note 24 for further information.

The accounting for the refinancing includes a number of estimates and judgements, including:
determination of the classification of the existing USD secured notes at period end;
consideration of the expected remaining life of the USD secured notes as at 30 June 2021, and consequent impact on its amortised cost; and
determining the impact of refinancing on the hedge accounting related to the USD secured notes.</td><td>Our procedures included, but were not limited to:
reviewing the terms of the USD and AUD secured note agreements and any waivers and notices;
assessing the classification of the USD secured notes as at 30 June 2021, including considering whether the Group had the irrevocable right to defer settlement of the secured notes for a period of at least one year from the balance date;
assessing the reasonableness of the expected timing of repayment of the USD secured notes as at 30 June 2021, considering the status of potential AUD secured note issuance at that date;
assessing that the carrying value of the USD secured notes as at 30 June 2021 appropriately reflects the liability's amortised cost, taking into account amongst other things the acceleration of previously deferred borrowing costs and the call premium; and
assessing the impact of the refinancing on the Group's hedge accounting associated with the USD secured notes, including ensuring that any amounts previously deferred into equity as part of hedge accounting are recognised in profit or loss on the cessation of hedge accounting.
We also assessed the appropriateness of the disclosures in note 24 and 34 to the financial statements.</td></tr>
</table>

Revenue recognition of Pit N Portal mining services contracts	
For the year ended 30 June 2021 Pit n Portal generated mining services revenue totalling $141.0 million as disclosed in note 15. Mining services revenue is recognised at a point in time as the services are completed. Management judgement is required in determination of contractual entitlement and assessment of the probability of customer approval of variations and acceptance of claims.	Our procedures included, but were not limited to: • understanding management's process for recognising revenue including variations and claims; • evaluating the design and implementation of key controls management has in place in relation mining services revenue recognition; • evaluating Emeco's revenue recognition policies against accounting standard requirements; • reading relevant contracts to understand the key terms and conditions, and confirming our understanding with management; • substantively testing on a sample basis, mining services revenue to address accuracy, occurrence and completeness of revenue; • performing procedures in relation to cut-off, ensuring revenue is recorded in the correct period; and • assessing variations and claims including review of correspondence with customers concerning the merits and status of those variations and claims. We also assessed the appropriateness of the disclosures in note 3(iv) and 15 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, 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.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 23 to 38 of the Directors' Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Emeco Holdings Limited, for the year ended 30 June 2021, 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

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David Newman
Partner
Chartered Accountants
Perth, 17 August 2021

Shareholder Information

Financial calendar

The annual general meeting of Emeco Holdings Limited will be held on Thursday, 18 November 2021.

Event	Date*
Annual general meeting	18 November 2021
Half year	31 December 2021
Half year profit announcement	February 2022
Year end	30 June 2022

*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 4 August 2021, as disclosed in the substantial holding notices given to the Company, are as follows:

Name	Shares	% Issued capital
Black Diamond Capital Management LLC Black Diamond Credit Strategies Master Fund Ltd BDCM Opportunity Fund IV LP BDCM Opportunity Fund III LP BDCM Strategic Capital Fund I, L.P.	160,110,568	29.429
Perennial Value Management Limited	35,448,035	6.52
Paradice Investment Management Pty Ltd	52,602,397	9.669

Distribution of shareholders

As at 4 August 2021, there were 6,939 holders of the Company's ordinary shares. The distribution as at 4 August 2021 was as follows:

Range	Investors	Securities	% Issued capital
100,001 and Over	140	496,933,348	91.34
10,001 to 100,000	1,131	34,746,970	6.39
5,001 to 10,000	743	5,773,890	1.06
1,001 to 5,000	2,034	5,416,549	1.00
1 to 1,000	2,891	1,184,377	0.22
Total	**6,939**	**544,055,134**	**100.00**

There were no security investors holding less than a marketable parcel of 410 securities ($1.22 on 4 August 2021).

Shareholder Information

20 largest shareholders

The names of the 20 largest holders of the Company's ordinary shares as at 4 August 2021 are:

Rank	Name	Equity securities	% Issued capital
1	J P Morgan Nominees Australia Pty Limited	173,595,493	31.91
2	Citicorp Nominees Pty Limited	86,642,831	15.93
3	HSBC Custody Nominees (Australia) Limited	86,335,246	15.87
4	National Nominees Limited	28,739,711	5.28
5	Zero Nominees Pty Ltd	19,110,714	3.51
6	Pacific Custodians Pty Limited	17,030,276	3.13
7	HSBC Custody Nominees (Australia) Limited	11,458,195	2.11
8	First Samuel Ltd	9,610,055	1.77
9	BNP Paribas Noms Pty Ltd	9,383,807	1.72
10	BNP Paribas Nominees Pty Ltd	8,607,417	1.58
11	Pacific Custodians Pty Limited	4,225,012	0.78
12	Steven Edwin Versteegen	2,415,459	0.44
13	Mr Peter David Wilkinson & Mrs Jennifer Louise Wilkinson	2,315,823	0.43
14	HSBC Custody Nominees (Australia) Limited - A/C 2	1,575,305	0.29
15	BNP Paribas Nominees Pty Ltd Six Sis Ltd	1,544,326	0.28
16	BNP Paribas Nominees Pty Ltd	1,420,614	0.26
17	G Harvey Nominees Pty Limited	1,149,100	0.21
18	National Nominees Limited	1,136,139	0.21
19	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd	1,073,050	0.20
20	Bond Street Custodians Limited	985,576	0.18

Closing share price ($)

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.

Unquoted equity securities

As at 4 August 2021, there are 1,493,989 unvested performance rights on issue to 14 participants pursuant to the Company's employee incentive plans.

On-market security purchases

During FY21, Pacific Custodians Pty Limited in its capacity as trustee of the Emeco Employee Share Ownership Plans Trust purchased 1,150,000 ordinary shares on-market, at an average price per share of $1.03, to be used to satisfy upcoming entitlements of participants under the Company's employee incentives scheme to receive ordinary fully-paid shares.

Debt securities

A register of the noteholders of the 6.25% A$ notes, which have a maturity date of 10 July 2026, is kept at the office of EQT Australia Pty Ltd at Level 19, 56 Pitt Street, Sydney NSW 2000. EQT Australia Pty Ltd can be contacted by telephone on (03) 8623 5000.

The previously issued 9.25% March 2024 US notes, which were fully repaid on 2 August 2021, were listed on the Singapore Exchange (SGX).

Securities subject to voluntary escrow

As at 4 August 2021, there were no securities subject to voluntary escrow.

Company Directory

DIRECTORS

Peter Richards
Ian Testrow
Peter Frank
Keith Skinner
Peter Kane

SECRETARY

Penelope Young

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SECURITIES EXCHANGE LISTING

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

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