

Annual Report

2023



Emeco Holdings Limited and its Controlled Entities

ABN 89 112 188 815

Annual Financial Report

30 June 2023

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Chairman's Report

Dear Shareholders

I am pleased to present the Emeco Holdings Limited Annual Report for the 2023 financial year (FY23).

FY23 has been another active year for Emeco as strong conditions in commodity markets fuelled exceptional demand and activity levels across our business. Our robust business model assisted our highly capable management team to meet the ongoing challenges of managing cost inflation and labour shortages in a dynamic equipment market.

On behalf of the Board, I would like to thank the entire Emeco team for their ongoing commitment to providing the highest quality rental fleet and services to our customers across each of our businesses. Their ability to work proactively with our customers to deliver solutions that add value to their operations remains core to the ongoing success of our Company.

Operational & Financial Performance

Safety remains Emeco's highest priority and our performance in good safety is something we are very proud of. Regrettably, during the year, we reported our first Lost Time Injury (LTI) in over seven years and this saw our Total Recordable Injury Frequency Rate (TRIFR) increase to 2.9. We are never complacent about safety, and we learn from these experiences and have reviewed our processes and addressed the risks which led to this event.

Our financial performance can be considered a story of two halves. Pleasingly, we delivered a strong turnaround performance in the second half, with growth in revenue and earnings across each of our businesses. This followed a disappointing start to the year which was negatively impacted by the underperformance of our Pit N Portal (PNP) business, as reported in our half year results.

On a very positive note, the Group reported revenue of \$874.9 million for the year, an increase of 16% on the prior period, and Operating EBITDA of \$250.4 million which was largely in line with FY22.

Credit issues reported in the first half have been addressed with the resetting of the PNP project portfolio, increased resources and the implementation of enhanced processes surrounding customer selection and credit management.

Sustainability

Emeco strives to create a sustainable business which continues to deliver creative solutions for our customers, a family feel for our people, support for our local communities, and value for our investors.

The Board endorsed Emeco's inaugural Environmental, Social and Governance (ESG) Strategy in February 2023. An ESG Committee was established in March to discuss, shape and measure initiatives of the Strategy and to assist with establishing systems to report on progress and compliance with Task Force on Climate-related Financial Disclosures (TCFD).

This work included:

- identifying the relevant data required to be collected as well as implementing processes to enhance our compliance reporting;
- the formation of a Reconciliation Action Plan (RAP) working group in June 2023 to assist with the implementation of the Company's inaugural RAP, which is currently being drafted with Reconciliation Australia;
- development of the Company's climate change position, regarding Scope 1 and Scope 2 emissions; and
- investing in technology development to support our lowering of carbon emissions for our customers.

Balance Sheet and Capital Management

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

Strong cash conversion, particularly in the second half, allowed the Group to continue to fund its capital investment programme, which included \$21.8 million in growth capital expenditure, the assets of which have now been deployed into projects.

The Board remains committed to its capital management policy of returning 25-40% of Operating NPAT to shareholders via dividend payments and/or share buy-backs. During the year, Emeco returned \$20.4 million to shareholders by way of the payment of 2.5 cents per share of fully franked dividends and the repurchase of \$7.3 million in shares.

The Board has approved a final fully franked dividend of 1.25 cents per share, bringing total fully franked dividends with respect to the FY23 financial year to 2.5 cents per share. In addition to this, the Board has also allocated \$7.3 million to repurchase additional shares on market in 1H24, bringing total shareholder payouts with respect to FY23 to ~35% of Operating NPAT.

Emeco's balance sheet remains strong with net leverage of 1.1x, which is largely in line with the Board's long-term target of 1.0x. The Group also maintains lines of undrawn funding and cash which provide the flexibility to respond to the changing needs of the business and to pursue opportunities for growth. As at 30 June 2023, the Group held over \$140.0 million in available liquidity.

In February 2023, Fitch Ratings upgraded their long-term issuer default rating to BB- from B+. In doing so, they noted the improvement in Emeco's revenue visibility and defensibility through diversifying our service offering, increasing contract tenures, and improving customer and commodity diversification. This is a positive reflection on the work that has been done by our management team, pursuant to our well-articulated strategy.

Board & Key Management Personnel Changes

The year saw the retirement of Mr Keith Skinner from our Board. Keith made an important contribution to the Group's governance and processes, particularly through his roles as Chair of the Audit and Risk Management Committee and as a member of the Remuneration & Nomination Committee. On behalf of the Board and shareholders I thank Keith and wish him well in retirement.

In June of this year, the Company welcomed the appointment of Mr James Walker III to the Board. James brings significant financial and commercial experience from his 30-year career in executive leadership, asset management and investment banking. He also brings extensive strategic experience from a successful career where he has been instrumental in delivering growth and value for shareholders and investors.

During the year our CFO, Ms Thao Pham also announced her retirement after over a decade of service to Emeco in various roles. Thao's contribution over the past decade has been exceptional, having played an instrumental role in the re-establishment of Emeco as Australia's leading equipment rental and services Company in Australia. On behalf of the Board, I would like to thank Thao for her dedication and contribution.

The Board was pleased to announce the appointment of Ms Theresa Mlikota as our new CFO. Theresa, who commenced in May, is a well credentialed finance executive with deep industry knowledge and we are excited by the leadership and contribution she is already making to the Group.

Thank You

The Board continues to be confident in the outlook for Emeco. The Group is in a strong financial position and we have a clear strategy to deliver sustainable growth and create value for our shareholders.

I would like to thank my fellow Board members for their ongoing contribution and to our Managing Director & CEO, Ian Testrow, and his senior leadership team for their ongoing commitment to deliver growth and shareholder value.

I would also like to thank our shareholders for your continued support.



Peter Richards
Chairman

Managing Director's Report

Dear Shareholders

It has been both an exciting and challenging year for Emeco. Our results were delivered against a backdrop of record demand for our equipment and services but tested by ongoing inflationary pressures across the business. Our Pit N Portal (PNP) portfolio was successfully de-risked and reset, including the renegotiation of rates and contractual terms with a key customer.

The business is resilient, and our dedicated team continues to tackle each challenge and create new opportunities, always motivated by delivering strong returns for our shareholders.

Health & Safety

The health and safety of our people is paramount. Emeco remains committed to providing a healthy and safe workplace with a focus on continually reducing our Total Recordable Injury Frequency Rate (TRIFR).

Unfortunately, during the year we recorded the Company's first Lost Time Injury (LTI) in over seven years. This incident contributed to an increase in the Group's TRIFR to 2.9. Whilst we consider this result unacceptable, it is a timely reminder that when it comes to safety, we can never be complacent.

Safeguarding the lives and health of our people is integral to Emeco's operational discipline, and we continue to embed a zero-harm objective across all our sites. We have developed a Health, Safety, Environment and Training (HSET) Strategic Plan that is overseen by the General Manager, HSET and the members of the HSET Leadership Team.

We are committed to re-establishing our strong track record of improving safety and will implement improvements as part of our broader HSET strategy.

Operating and Financial Performance

During the year, the Group delivered record revenue of \$874.9 million, up 16%, driven by strong rental and workshop demand and an increase in fully maintained projects.

Our second half earnings recovered strongly, after a disappointing first half. Second half Operating EBITDA of \$136.9 million was an increase of 21% on the first half, and a 6% increase on the prior corresponding period, reflecting earnings growth across each of our businesses. Our first half earnings were impacted by the poor performance of our PNP business. Full year Operating EBITDA of \$250.4 million was just ahead of FY22.

Operating NPAT of \$59.1 million and reported NPAT of \$41.3 million, were both down on last year driven primarily by the underperformance of the PNP business as well as higher interest costs.

Our Rental business revenue grew by 19% over the year as we deployed fleet to meet strong customer demand and increased the number of fully maintained projects, in line with our strategy. Gross fleet utilisation increased to 93% driven by this new work. Operating EBITDA increased by \$19.5 million or 8% on FY22. Margins declined from FY22 as a result of the increase in fully maintained projects, use of cross-hired fleet to meet customer demand and ongoing parts and labour cost inflation. Margins stabilised during the second half with the application of contractual and out-of-cycle pricing and fleet deployment.

Our Force business continued its strong performance, driven by a significant increase in retail customer activity, whilst also supporting increased internal rebuild and maintenance activity, with 125 equipment rebuilds completed during the year. Revenue from retail customers increased 73% and Operating EBITDA increased 30% compared to FY22.

Our mid-life asset rebuild model continues to underpin our ability to replace and grow our Rental fleet to meet customer demand in a capital and cost-efficient manner, maximising our financial returns. We have also significantly increased the proportion of Force built components to both counter parts price inflation and to ensure security of supply in a challenging market.

PNP delivered a strong second half turnaround performance, underpinned by the successful renegotiation of our contract with a key customer, as well as the commencement of several new projects. First half earnings were disappointing, reflecting the termination of several projects, as we de-risked our project portfolio. This negatively impacted both revenue and Operating EBITDA, as we demobilised equipment and people. A \$22.9 million credit loss provision was recognised in first half Statutory EBITDA to account for losses associated with terminated projects. The recovery from Minjar/Barto receivable during 2H23 was sufficient to cover a credit loss associated with Aurora Metals in 2H23 and the de-risking and reset of the project portfolio without the need for additional provisions. A comprehensive counterparty risk review has been completed and additional credit management resources have been injected into the finance function to improve counterparty risk exposure going forward.

We continue to be disciplined in our investment of capital, with \$154.1 million in net sustaining capital spent over the course of the year. In response to the strong customer demand in our Rental business, we also invested \$21.8 million into additional growth fleet during the year. This highly sought after equipment was quickly placed into work and is generating strong earnings and returns in line with our expectations. The strength of our mid-life asset model and the capital efficiency that we drive through our asset procurement team and Force's rebuild capability, provide us with a significant competitive advantage. This is critical to ensuring our capital spend remains as cost efficient as possible in the current inflationary environment.

Group returns remain robust despite the challenges faced during the year. Return on capital (ROC) employed of 13% reflects the issues at PNP, with Group ROC excluding PNP remaining strong at 18%, comfortably above our cost of capital.

People & Diversity

Emeco operates in a highly skilled and tight labour market. Consequently, our ability to attract and retain people is a major pillar to the ongoing growth and success of our business. Emeco continues to target greater employee engagement and to focus on long-term retention and development strategies.

During the year our General Manager - People and Culture ran leadership development sessions for teams and individuals across the business. We have also recently implemented strategies to reduce our reliance on subcontractors through an enhanced employee value proposition and we expect to see the benefits of this in FY24. Emeco also supports its workforce in their work and personal lives, through an employee assistance programme, provided via a third party to all employees and their extended families.

Diversity is an important element of meeting the changing needs of a business that operates in a dynamic economic and operational environment. Emeco's workforce currently comprises 13% female and 3.2% Indigenous employees, which is a solid foundation to work from to improve the diversity of our employee base. The Company considers a flexible work arrangement as being important in attracting a diverse workforce. The Group's flexible work arrangements, saw a significant increase in part time and casual workers in FY23.

Strategy

Our strategic goal of making Emeco a sustainable and resilient business that generates long term value for our shareholders, guides our everyday decision making. We continue to deliver against our four pillars of:

- Being the lowest cost, highest quality provider of mining equipment;
- Widening our customer value proposition;
- Building a balanced and diversified portfolio of customers and projects throughout Australia with a broad commodity mix; whilst
- Maintaining a strong balance sheet.

In FY23, our customer value proposition was endorsed by the mining sector with a demonstrated increase in demand for our high-quality workshop services, the significant increase in the number of fully maintained projects in our Rental business and the increased use of our EOS technology.

The Group's portfolio of projects expanded during the year, with revenue evenly balanced across commodities, customers and geographies. Further, with the reset of the PNP project portfolio, the credit quality of our customer base has also been enhanced.

The Group has maintained a strong balance sheet with good access to liquidity, providing it with flexibility for growth or capital management initiatives. Second half cash flow was very strong and supported the investment in fleet and growth capex, whilst also delivering cash returns to shareholders by way of dividends.

Looking Ahead

The outlook for FY24 is positive with demand across all businesses expected to remain robust driving earnings growth. Emeco continues to meet the challenges of a dynamic equipment rental market, whilst delivering solid returns to shareholders. We will continue to focus on business improvements, cost efficiencies and contract repricing initiatives to maintain the strong returns we generate on our core Rental business.

Rental earnings growth is expected to be driven predominantly by high fleet utilisation and fleet growth. We will continue our focus on cost improvement, targeting the replacement of cross-hired fleet with owned equipment and converting subcontracted labour into full-time employees. A strong portfolio of contracted retail projects will underpin growth at our Force workshops, whilst they continue to support our Rental business through a growing internal rebuild program.

PNP earnings will increase on FY23 albeit on a lower revenue base following the de-risking and reset of the project portfolio. We continue to review the PNP business to consider options to improve returns.

Net sustaining capex for the year ahead is expected to be approximately \$160 million, largely in line with FY23 and in line with depreciation.

Emeco has a strong track-record in achieving high returns on capital investments in our core Rental business through our mid-life asset rebuild model. Our FY24 capex program also includes: growth capital expenditure of approximately \$7 million to rebuild five 789C trucks, to replace cross-hired fleet, with an Internal Rate of Return (IRR) of 19%. Further, growth capital expenditure of approximately \$19 million has been committed to acquire 18 x 793D fleet cores. A staged rebuild program, linked to customer demand will bring the total investment for this 793D fleet to \$24 – 37 million. Both these investments are expected to generate an IRR of ~20%, once equipment is rebuilt and deployed into projects.

Emeco has also committed to the upgrade of its ERP over the next 3 years, with an approved project spend of ~\$8 million for FY24. This investment in technology is critical to the sustained success and growth of the business.

Leverage is expected to remain around the Company's long-term target of 1.0x Operating EBITDA.

We are confident that our business model will enable us to deliver sustainable growth and deliver increased shareholder returns in FY24.

Acknowledgements

In closing, I would like to pay tribute to the entire Emeco team across Australia. Our people are our most valuable asset and their dedication to providing the highest quality equipment and solutions for our customers is unrelenting. In what has been an exciting and challenging year, I am immensely proud of how they have demonstrated their capabilities and capacity to adapt and deliver for our customers and stakeholders.

Our customers are the reason our business exists, we thank them for their loyalty and support when they choose our brands. We also extend our thanks to Emeco's suppliers, financiers and community partners who are essential to the delivery of the high-quality equipment and services that we provide for our customers.

Finally, thank you to our shareholders for your continued support and investment in our Company.



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 and 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 drilling and earthmoving equipment. Capital expenditure principally comprises the replacement of major components over the life cycle of Emeco's assets, with the balance used to acquire assets (growth and replacement), including midlife equipment cores and the cost to rebuild those cores.

Table 1: Group financial results

A\$ millions	Operating results ^{1,2,3}		Statutory results	
	2023	2022	2023	2022
Revenue	874.9	754.4	874.9	754.4
EBITDA ²	250.4	250.2	225.9	245.7
EBIT ²	104.6	120.7	79.1	115.1
NPAT	59.1	68.9	41.3	65.0
ROC% ²	13.2%	16.2%	9.6%	14.9%
EBIT margin ²	12.0%	16.0%	9.0%	15.3%
EBITDA margin ²	28.6%	33.2%	25.8%	32.6%

Note: 1. Significant items have been excluded from the reported result to aid in 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 for a reconciliation between operating results and statutory results.

2. Non IFRS measures.

3. EBITDA: Earnings before interest, tax, depreciation and amortisation. Excludes tangible asset impairment, net finance costs and net foreign exchange gain; EBIT: Earnings before interest and tax. Excludes net finance costs and net foreign exchange gain; NPAT: Net profit after tax; ROC: Return on capital (EBIT / Average capital employed).

Table 2: FY23 Statutory to operating results reconciliation

A\$ millions	EBITDA	EBIT	NPAT
Statutory result	225.9	79.1	41.3
Tangible asset impairment	-	1.0	1.0
Long-term incentive expense	1.4	1.4	1.4
Trade receivables written off	23.0	23.0	23.0
Tax effect of adjustments	-	-	(7.6)
Operating result	250.4	104.6	59.1

Reconciliation of differences between operating and statutory results:

- FY23 operating results are non IFRS measures and exclude the following:
 - Tangible asset impairments:** Net impairments totalling \$1.0 million were recognised across the business on assets held for sale and subsequently disposed during the period (FY22: \$1.1 million).
 - Long-term incentive expense:** During FY23, Emeco recognised \$1.4 million (FY22: \$2.0 million) of non-cash expenses relating to the employee incentive plan.
 - Trade receivables written off:** Losses on trade receivables deemed non-recurring due to quantum and written off totalling \$23.0 million (FY22: nil).
 - Tax effect of adjustments:** notional tax on above adjustments at 30%.
- Refer to the 2022 Annual Report for a reconciliation of differences between FY22 operating and statutory results.

CONTINUED SOLID RETURNS

Group revenue from operations was a record, increasing by 16% to \$874.9 million in FY23 (FY22: \$754.4 million).

External Rental revenue increased to \$494.8 million (FY22: \$415.1 million), primarily due to higher equipment utilisation through new and expanded projects secured during the period and the increase in fully maintained projects. Higher contract rates also drove revenue higher with the application of contracted rise and fall mechanisms as well as out-of-cycle price increases on some contracts. Force delivered a 42% increase in total revenue, delivering over 125 machine rebuilds (both internal and external) through its regional network of workshops. External revenue from Force increased from \$90.6 million in FY22 to \$156.5 million in FY23, with strong demand across all regions. Pit N Portal revenue decreased by 10% or \$25.1 million, to \$223.6 million during the year (FY22: \$248.7 million), following the completion of a number of projects as well as the de-risking and reset of the project portfolio.

Operating EBITDA increased to \$250.4 million in FY23 (up \$0.2 million on FY22). A strong recovery in second half earnings, reflecting growth across each business, drove a significant improvement in half on half Operating EBITDA and Operating EBIT (increasing 21% and 56% respectively). First half earnings were impacted by the poor performance from the Pit N Portal business.

Operating EBITDA margins decreased to 28.6% (FY22: 33.2%), due to the poor first half performance from Pit N Portal. Revenue mix (an increase in Force revenue which is lower margin) and cost inflation also impacted margins. The Group continues to pursue repricing opportunities to counter cost inflation and business improvement opportunities to improve margins, with a key focus on reducing the use of subcontracted labour and cross-hired fleet.

Return on capital (ROC) remains above our cost of capital but was lower at 13% (FY22: 16%), driven primarily by the underperformance of the Pit N Portal business. ROC excluding Pit N Portal of 18% is comfortably higher than the Company's cost of capital.

Table 3: Operating cost summary (operating results)

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

A\$ millions	2023	2022
Revenue	874.9	754.4
Operating expenses		
Repairs and maintenance	(152.7)	(123.5)
External mining and maintenance services	(223.9)	(162.7)
Employee expenses ¹	(149.8)	(140.4)
Cartage and fuel	(21.6)	(17.4)
Net other expenses ²	(76.5)	(60.2)
Operating EBITDA^{1,2}	250.4	250.2
Depreciation and amortisation expense ³	(145.8)	(129.4)
Operating EBIT³	104.6	120.7

Note: 1. Employee expenses for Operating EBITDA excludes employee share plan expenses of \$1.4 million (FY22: \$2.0 million).

2. Net other expenses for Operating EBITDA in FY23 excludes losses on trade receivables written off totalling \$23.0 million. Net other expenses for Operating EBITDA in FY22 excludes restructuring expenses of \$0.8 million as well as Covid related costs of \$1.7 million.

3. Depreciation and amortisation expense for Operating EBIT excludes tangible asset impairment of \$1.0 million for FY23 (FY22: \$1.1 million).

Repairs and maintenance expense increased to \$152.7 million (FY22: \$123.5 million) driven by increased levels of equipment utilisation, including return to work and mobilisation costs as well as parts and labour cost inflation.

External mining and maintenance services expenses increased to \$223.9 million (FY22: \$162.7 million) predominantly due to an increase in the volume of rebuild jobs with blue chip customers in the Force business, as well as an increase in parts and labour costs.

Employee expenses increased to \$149.8 million (FY22: \$140.4 million), with higher average employee numbers to service new projects. The Emeco workforce was supplemented with subcontracted labour, particularly during new project start-ups.

Cartage and fuel expenses increased to \$21.6 million, in line with higher utilisation and revenue growth across all segments.

Net other expenses increased to \$76.5 million (FY22: \$60.2 million) primarily as a result of increased fleet cross-hire expenses to meet customer demand for rental equipment.

Depreciation and amortisation expense increased to \$145.8 million in FY23 (FY22: \$129.4 million) in line with revenue growth and increased equipment utilisation.

REINVESTMENT IN RENTAL FLEET

The Group has a good track record in achieving strong returns on its investment in its fleet through the application of our proven mid-life asset model. In FY23, the written down value (WDV) of the equipment fleet including capital work in progress and inventory increased by \$49.0 million to \$752.6 million, primarily due to the investment in capital expenditure to sustain, replace and grow our fleet size, partially offset by depreciation and disposals. Our investment in sustaining capital is predominantly made up of parts and labour costs associated with rebuilds through our Force workshops.

Net sustaining capital expenditure plus component inventory increased marginally, from \$150.6 million in FY22 to \$154.1 million in FY23, driven by higher utilisation levels.

Emeco also invested \$21.8 million in growth capex (FY22: \$17.0 million) during the year including approximately \$20.0 million in our Rental business, for the rebuild of a second-hand fleet of 18 trucks purchased at auction in FY22. This fleet is now fully deployed and generating strong earnings and returns (IRR 21%) for our Rental business, demonstrating the competitive advantage our mid-life asset model delivers.

Table 4: Equipment fleet

A\$ millions	2023	2022
Equipment fleet	752.6	703.7
Assets held for sale	1.2	4.1
Equipment fleet	753.8	707.8

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 fleet requirements or are approaching the end of their useful lives are transferred to assets held for sale and are actively marketed through Emeco's global network of brokers.

FREE CASH FLOW

Table 5: Free cash flow summary

A\$ millions	2023	2022
Operating EBITDA	250.4	250.2
Net movement in working capital	(18.2)	(9.8)
Net sustaining capital expenditure ¹	(152.5)	(146.5)
Acquisition of component inventory	(1.6)	(4.1)
Net finance costs	(25.8)	(19.3)
Net free cash flow (pre-growth capex and other investments)	52.3	70.5
Growth capex	(21.8)	(17.0)
Loan issued to related party	(4.9)	-
Borex acquisition	-	(2.2)
Net free cash flow	25.6	51.3

Note:

1. Capital expenditure excludes assets acquired under leasing arrangements.

Net free cash flow in FY23 was impacted by a working capital outflow of \$18.2 million (FY22: outflow of \$9.8 million) predominantly due to the non-collection of impaired Pit N Portal receivables of \$23.0 million (FY22: nil). Higher drawn debt levels and interest rates during the period, resulted in net finance costs being \$6.5 million higher compared to FY22.

CONSERVATIVE LEVERAGE IN LINE WITH TARGET

Table 6: Net debt and gearing summary

A\$ millions	2023	2022
Interest bearing liabilities (current and non-current)¹		
Secured Notes - AUD	250.0	250.0
Lease liabilities and other financing	72.7	51.1
Total debt¹	322.7	301.1
Cash	(46.7)	(60.2)
Net debt¹	276.0	240.9
Leverage ratio ²	1.10x	0.96x
Interest cover ratio ³	10.3x	11.7x

Note: 1. Figures based on facilities drawn. Includes debt raising costs included in interest bearing liabilities in note 24, and excludes supply chain finance disclosed in note 23.

2. Leverage ratio - Net debt / Operating EBITDA.

3. Interest cover ratio - Operating EBITDA / Net Interest expense.

Total debt increased to \$322.7 million, up 7% from \$301.1 million in the prior year. Lease liabilities and other financing increased by \$21.6 million or 42%, predominantly due to recognition of right-of-use assets and lease liabilities as a result of extending several property leases.

Emeco's cash balance was \$46.7 million at 30 June 2023, a \$13.5 million decrease compared to 30 June 2022. The decrease from the prior year is predominantly due to a working capital outflow as a result of \$23.0 million of debtor write-offs relating to Pit N Portal receivables (FY22: nil).

The Group paid dividends to the Company's shareholders totalling \$13.0 million in FY23 (FY22: \$13.5 million) and completed on-market share buy-backs totalling \$7.3 million (FY22: \$17.2 million).

Emeco's leverage ratio is steady at 1.10x at 30 June 2023 compared to 0.96x at 30 June 2022 and remains in line with our long term target of 1.0x whilst funding sustaining and growth investment and capital management.

On 22 August 2023, the board resolved to pay a fully franked final dividend for the year ended 30 June 2023 of 1.25 cents per share. This in combination with the fully franked interim dividend of 1.25 cents per share, results in total dividends for the year of 2.5 cent per share. The final dividend will be fully franked and will be paid on 29 September 2023. The board also resolved to undertake an on market buy-back of \$7.3 million. This in combination with the dividends declared for the year, results in a 35% payout ratio against Operating NPAT, which is at the higher end of the Company's preferred payout policy of 25 – 40%.

Segment Business Overview

Main markets

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

Rental

Revenue growth was driven by strong rental demand in both Eastern and Western Regions, across coal, iron ore and gold projects.

The Rental segment achieved total revenue of \$499.6 million during the year, an increase of 16% on FY22, driven by increased SMU hours (utilisation), increased contract rates and higher levels of maintained services, resulting from new projects secured. External revenue of \$494.8 million, increased by 19% on FY22.

Gross utilisation increased to 93% in FY23 (FY22: 92%) driven by new work at Saraji, Burton, Goonyella, Whyalla, New Wilkie, Solomon, Fimiston and South Flank projects.

Rental Operating EBITDA increased from \$240.2 million to \$259.7 million, an 8% increase. Margins stabilised in 2H23 with the application of out-of-cycle pricing, scheduled rise and fall rate increases and deployment of idle fleet. Business improvement initiatives will target contract repricing, subcontracted labour and cross-hired fleet, to improve margins which were lower at 52% for the year.

Force Workshops

Total Force workshop activity (as measured by retail and internal revenue pre-intercompany eliminations) increased from \$173.7 million in FY22 to \$246.7 million in FY23, as a result of securing component rebuild works with blue chip retail customers and high internal demand from our Rental division. Over 125 machine rebuilds (both internal and external) were completed during the period, with retail revenue and earnings supported by growing demand from all regions. The Operating EBITDA contribution from external customers increased to \$11.8 million (FY22: \$9.0 million).

Pit N Portal

Pit N Portal's revenue decreased from \$248.7 million in FY22 to \$223.6 million in FY23, reflecting completion of a number of projects as well as the de-risking and reset of the project portfolio. Credit losses provisioned in the first half of \$22.9 million were sufficient to account for full year cash losses associated with underperforming credits in the second half.

A strong second half turnaround in performance, with a \$10.2 million improvement in Operating EBITDA and an increase in margin to 14%, was driven by an improvement in contract terms with a key customer across two core projects as well as new projects secured, including Tank, Daisy Milano and Kidston.

Full year Operating EBITDA decreased from \$32.7 million to \$17.2 million, as a result of operational performance and project exits in the first half.

A review of this business is underway to identify opportunities to improve returns.

Business Risks

Emeco's short to medium term operational and financial success may be impacted by a number of factors which, whilst not considered likely to have an individually material impact, may be material to the Company's operational and financial success if multiple risks eventuated at the same time or for prolonged durations. Some of these risks and mitigation strategies include, but are not limited to:

Risk	Mitigation & management strategies
<p>Vulnerability to mining and commodity cycles</p>	<p>Emeco's financial performance is influenced by the level of activity in the resources and mining industry, which is impacted by a number of factors beyond Emeco's control. This includes:</p> <ul style="list-style-type: none"> • Demand for mining production which may be influenced by factors such as commodity prices, exchange rates and the competitiveness of Australian mining operations. • Government policy on infrastructure spending, royalties and taxes. • Policies of mine owners including their decisions to undertake their operations using their own equipment or rented equipment. <p>In recent years, Emeco has had a firm focus on building a sustainable business that generates shareholder value through the cycles. To mitigate the risks posed by the cyclical nature of the industry, Emeco has significantly reduced its cost base and its capital intensity, particularly through its mid-life asset rebuild model. The acquisition of Force has assisted with this as it allows Emeco to rebuild its own components and assets cost effectively. Emeco has also focused on increasing the level of maintained services it provides to its customers to embed Emeco in customers' operations and secure longer contract tenure. Emeco has also significantly diversified its commodity exposure, including an overall reduction in coal exposure.</p>
<p>Climate change risk/Environmental, Social and Governance (ESG) considerations</p>	<p>Emeco is exposed directly and indirectly to climate change risks, including an exposure to coal customers, which gives rise to several risks such as:</p> <ul style="list-style-type: none"> • Regulatory and policy risk – growing regulatory pressures and societal demands require companies like Emeco to be more accountable for their ESG performance. Regulatory requirements and government policies to combat climate change and reduce greenhouse emissions are increasing. These regulations can lead to increased costs, operational constraints, and potential penalties for non-compliance for the mine owners and subsequently Emeco. • Market and financial risk - as countries and industries shift towards cleaner energy sources, the demand for coal may decline, leading to reduced market value and potential financial losses for companies heavily reliant on coal. Additionally, financiers and investors are increasingly considering climate-related risks and may choose to divest from companies with high exposure to carbon-intensive assets. This may impact Emeco's ability to secure cost efficient funding to maintain and grow its operations. <p>Emeco's acquisitions of Force (2017) and Pit N Portal (2020), together with the recent transfer of equipment from the Eastern Region to the Western Region has resulted in a significant reduction in Emeco's coal exposure, reducing from 65% in FY19 to 31% in FY23.</p> <p>There is a risk that Emeco may not meet community and/or other stakeholder expectations regarding its business activities or other ESG performance, potentially leading to loss of contracts, loss of reputation, higher compliance costs, loss of investor confidence and an inability to secure labour.</p>

Technology	<p>The technology landscape is evolving quickly. Emeco is exposed to the impacts of new and competing technologies in the mining services sector.</p> <p>Emeco are increasingly engaging in industry networks and maintaining relationships with equipment and parts manufacturers and technology providers. This keeps Emeco informed of changes that can be embedded into future strategies. Through our Force business, Emeco are in a unique position to leverage expertise and customer relationships to explore decarbonisation developments. The Company's mid-life asset model minimises exposure to equipment becoming obsolete.</p>
Delay or unavailability of parts	<p>Emeco has a significant fleet of equipment and has substantial ongoing requirements for consumables including parts, tyres and lubricants. If Emeco cannot secure a reliable supply of equipment, parts and/or consumables, there is a risk that its operational and financial performance may be adversely affected.</p> <p>Through its Force workshops, the Group has been able to increase its resilience to supply chain issues by reducing its reliance on third party suppliers. Emeco maintains strong relationships with OEM dealers and aftermarket alternate suppliers. Emeco uses long range forecasts to enhance the security of its supply. Emeco has also increased its parts inventory levels in recent times to ensure its fleet can be repaired and maintained as required.</p>
Inflationary cost pressures	<p>Emeco procures goods and services from a range of suppliers, that are critical to its business operations. These goods and services are subject to availability shortages and price inflation, which may not be within Emeco's control. In particular, parts and labour. The rate of cost inflation may outpace the Company's ability to adjust contract pricing, which may negatively impact Emeco's financial performance.</p> <p>Emeco has been engaging with customers on out-of-cycle rate increases and also ensuring appropriate rate increase mechanisms are included in its revenue contracts. There is also a tight focus on cost management and appropriate back charging of costs to customers. Further, performing works in-house through our Force business also assists to mitigate against cost pressures.</p>
Skilled labour shortages	<p>Emeco's growth and profitability may be limited by loss of key operating personnel, inability to recruit and retain skilled and experienced employees or by increases in employee costs. The industry has experienced a labour shortage (particularly skilled labour) throughout Australia in recent times.</p> <p>To mitigate against this, Emeco has a 'People and Culture' team dedicated to ensuring employees and potential employees become embedded in the Company and feel part of the team. In addition, Emeco does regular benchmarking to ensure employees are remunerated appropriately and in line with the market to remain competitive.</p>
Serious injury or fatality	<p>There are a range of potential safety hazards to which Emeco's employee and contractor workforces, and visitors are exposed. Where a serious risk results in the worst-case scenario, it can lead to serious injury or fatality to persons while undertaking activities or attending locations in connection with the Emeco business. Apart from the direct workers compensation expense, this may adversely impact operational performance or the Company's ability to continue operations. Further, an employer who is found to be engaged in negligent conduct that results in a workplace death, may face penalties, imprisonment, legal costs, and reputational impacts.</p> <p>Emeco endeavours to continuously improve its management and mitigation of this risk through ongoing enhancements to safety plans, processes and resources.</p>

<p>Short term contracts, contract terminations and/or timely redeployment of fleet</p>	<p>Emeco's traditional sources of revenue are often subject to short term contractual arrangements with mechanisms for termination by the client, for reasons outside Emeco's control. This may adversely affect Emeco's ability to deliver financial performance in line with the expectations of the market.</p> <p>In recent years, Emeco has focused on increasing the average tenure of its contracts. As part of this, the Company has also focused on increasing the level of service it provides to its customers to embed itself in customers' operations and secure longer contract tenure.</p> <p>The acquisition of Pit N Portal in 2020 has increased the average tenor of projects within the Emeco portfolio, given the longer-term nature of the projects within this business. The Company maintains strong customer relationships to understand fleet requirements in order to plan fleet allocation and minimise the time fleet is "off hire" between projects.</p>
<p>Underperformance of contracts</p>	<p>Emeco's earnings are dependent on profitable contracts and from time to time, there may be underperforming contracts. Execution and delivery of projects involves judgement regarding the planning, development and operation of complex operating facilities and equipment. As a result, Emeco's operations, cash flows and liquidity could be affected if the resources or time needed to complete a project are miscalculated, if it fails to meet contractual obligations, or if it encounters delays or unspecified conditions. Financial performance of contracts can be impacted by matters outside the Company's control, including wet weather, client funding, mine economics and planning and commodity price cycles.</p> <p>Emeco maintains a broad portfolio of contracts and customers, with a broad commodity and geographic spread. This assists to ensure that the financial impact of any single underperforming contract is minimised.</p>
<p>Extreme weather events</p>	<p>Emeco recognises the physical impacts of extreme weather events. Risks related to the physical impacts of extreme weather events could disrupt mining operations and impact the health and safety of our workforce.</p> <p>Emeco seeks to address revenue exposure to shutdowns or contract suspensions through the inclusion of standby rates. The Group works with its customers in scenarios where extreme events have caused site wide issues or lack of access.</p>
<p>Business disruption due to a cyber security incident</p>	<p>The potential of cyber security attacks, misuse and release of sensitive information pose ongoing and real risks.</p> <p>Emeco remains vigilant to cyber threats and has taken proactive steps to reduce cyber risk. Critical IT assets have been identified, controls have been put in place to restrict unauthorised access and threat detection technology has been deployed to identify and isolate potential breaches. Emeco employees also receive regular cyber risk awareness training.</p>
<p>Lack of capital</p>	<p>Emeco is capital intensive and relies on banks and other institutions to source its funding needs. A failure to access sufficient liquidity may limit the Company's ability to grow its earnings and may prevent the Company from paying its debts as and when they fall due. Further, where the Company does not maintain access to multiple funding sources across a range of tenors, it may be subjected to increased establishment and interest expenses.</p> <p>Emeco adopts a conservative approach to capital management and seeks to maintain a low gearing, ensuring the balance sheet can withstand market shocks and retain the flexibility to fund opportunities which deliver earnings growth. As part of its pro-active capital management strategies, Emeco renewed its revolving credit facility in December 2022 for a tenor of three years with an option to extend for a further two years to December 2027 at Emeco's election. Further, the Company has secured substantial funding through the Australian loan note market through to 2026.</p>

Additionally, the Company is exposed to other risks such as the impact of macroeconomic factors and competition. The Company manages these risks at both a strategic and day-to-day operational level.

Table 7: Five-year financial summary

		2023	2022	2021	2020	2019
REVENUE						
Total revenue from continuing operations	\$'000	874,917	754,368	620,528	540,429	464,486
PROFIT						
Operating EBITDA ²	\$'000	250,379	250,173	237,687	254,366	213,966
Operating EBIT ²	\$'000	104,558	120,732	119,110	139,410	125,352
Operating NPAT ²	\$'000	59,118	68,867	56,791	61,037	63,126
Reported profit/(loss) for the year	\$'000	41,331	64,953	20,695	66,129	33,961
Basic EPS ³	cents	8.0	12.1	4.0	19.8	11.2
BALANCE SHEET						
Total assets	\$'000	1,088,421	1,021,513	965,544	1,088,591	768,669
Total liabilities	\$'000	498,977	454,292	434,138	731,346	570,591
Shareholders' equity	\$'000	589,444	567,221	531,406	357,245	198,078
Total debt	\$'000	322,647	301,064	299,210	620,016	467,934
CASH FLOWS						
Net cash flows from operating activities	\$'000	206,388	221,148	205,616	181,973	169,464
Net cash flows from investing activities	\$'000	(180,875)	(169,874)	(149,558)	(169,852)	(251,024)
Net cash flows from financing activities	\$'000	(38,995)	(65,687)	(179,472)	149,825	(53,718)
Net cash movement	\$'000	(13,482)	(14,413)	(123,414)	161,946	(135,278)
Free cash flow before payments for acquisitions and other investments	\$'000	30,462	53,522	56,058	73,051	12,312
DIVIDENDS						
Number of ordinary shares at year end ²	'000	519,003	526,666	544,055	368,551	323,212
Total dividends declared in respect to financial year	\$'000	12,973	13,341	6,801	-	-
Ordinary dividends per share declared	cents	2.50	2.50	1.25	-	-
KEY RATIO'S						
Average fleet utilisation	%	93.0	91.8	86.7	90.5	90.1
Operating EBIT ROC ¹	%	13.2	16.2	16.8	21.0	21.0
Leverage ratio ¹	x	1.10	0.96	0.94	1.66	2.02

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

- 1 Operating results are non IFRS measures. Please refer to previous annual reports for reconciliation between Reported and Operating results.
- 2 Weighted average number of shares restated at 30 June 2021 due to FY21 bonus rights issue. 30 June 2019 includes the impact of a 10:1 share consolidation that occurred on 27 November 2018.

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Emeco Holdings Limited and its Controlled Entities

Directors' Report

For the year ended 30 June 2023

The board of directors (**Board**) of Emeco Holdings Limited (**Emeco** or **Company**) present their report together with the financial reports of the consolidated entity, being Emeco and its controlled entities (**Group**) and the auditor's report for the financial year ended 30 June 2023 (**FY23**).

Directors

The directors of the Company during FY23 were:

PETER RICHARDS B.Comm

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

Board committee membership:

- Chairman of the Remuneration and Nomination Committee.
- Member of the Audit and Risk Management Committee.

Skills and experience: Peter has over 40 years' of international business experience with global and regional companies including British Petroleum (including its mining arm Seltrust Holdings), Wesfarmers Limited, Dyno Nobel Limited and Norfolk Holdings Limited. During his time at Dyno Nobel, he held a number of senior positions with the North American and Asia Pacific business, before being appointed as Chief Executive Officer in Australia (2005 to 2008). Peter was a non-executive director of Elmore Limited (previously IndiOre Limited and NSL Consolidated Limited) from 2009 to 2021 and was Chairman from 2014 to 2017 and 2018 to 2021.

Current appointments:

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

IAN TESTROW BEng (Civil), MBA

Appointment: Managing Director since 20 August 2015.

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

Directors' report

For the year ended 30 June 2023

PETER FRANK BSEE, MBA

Appointment: Non-Executive Director since April 2017.

Skills and experience: As of 31 December 2021, Peter retired as Senior Managing Director at Black Diamond Capital Management, however continues in an advisory capacity. Prior to joining Black Diamond, Peter was President of GSC Group, a SEC-registered investment advisor, where he worked since 2001. From 2005 until 2008, he served as the Senior Operating Executive for GSC's private equity funds. Prior to 2001, Peter was the CEO of Ten Hoeve Bros Inc. and was an investment banker at Goldman Sachs & Co. Peter has also served as chairman of the board of Kolmar Labs Group Inc., Scovill Inc. and Worldtex Inc. and was previously a director of IAP Worldwide Services Inc., Grede Holdings LLC, Color Spot Holdings Inc. and Viasystems Group Inc.. Peter graduated from the University of Michigan with a BSEE degree and earned an MBA from the Harvard Business School.

Current appointments:

- Director of Specialty Chemicals International Limited.
- Director of Harvey Gulf International Marine LLC.
- Director of North Metro Harness Initiative LLC.
- Director of Bakelite UK Topco Ltd.

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 30 years' experience in the mining industry throughout Australia, New Zealand and Mongolia. Peter is currently the Project Director of Strategic Minerals where he is responsible for development of the Woolgar gold tenements. Prior to Strategic Minerals, Peter held roles as the Chief Operating Officer at QCoal Group, Chief Executive Officer at Cockatoo Coal, Group Managing Director at Guildford Coal, Chief Executive Officer at Aston Resources, Chief Executive Officer at Boardwalk Resources, Executive General Manager Projects with Whitehaven Coal and Chief Operating Officer with Macarthur Coal. Peter also performed the role of Joint Venture Chair for multiple operations with numerous joint venture partners. Peter's earlier career included 10 years for Leighton in various roles including General Manager of the Australian mining contractor business and 10 years with BHP, primarily in their iron ore and, later, coal divisions. Peter was a Board member of Australian Coal Research Limited from 2017 to 2021 and an Independent Non-Executive Director of Multicom Resources in 2022. Peter is a member of the Australasian Institute of Mining & Metallurgy and a graduate of the Australian Institute of Company Directors.

Current appointments:

- Project Director of Strategic Minerals since January 2023.

Directors' report

For the year ended 30 June 2023

JAMES WALKER III BScEcon

Appointment: Non-Executive Director since June 2023

Board committee membership:

- Member of the Audit and Risk Management Committee.
- Member of the Remuneration and Nomination Committee.

Skills and experience: James is a 30-year veteran in asset management and has held several leadership positions throughout his career. James currently serves as a board member for Starwood REIT, Clarus Corp. and Consumer Portfolio Services, Inc and is also a Strategic Partner of Jadian Capital, a real estate private equity investment firm. James was most recently CEO and Partner at a middle market private equity firm and, from 2008 through 2016, James was a Managing Partner of Fir Tree Partners, a top 50 global alternative asset management firm. Prior to joining Fir Tree, James was a co-founder and Managing Partner of Black Diamond Capital Management. James began his career in investment banking at Kidder, Peabody & Co and Bear Stearns. James received a Bachelor of Economics from Boston College's School of Management in 1984 and is currently a member of the Board of Regents of Boston College.

Current appointments:

- Lead Independent Director of Starwood REIT.
- Board Member of Clarus Corp.
- Board Member of Consumer Portfolio Services.
- Strategic Partner of Jadian Capital.

KEITH SKINNER B.Comm, FCA, FAICD

Appointment: Independent Non-Executive Director since April 2017 until his retirement on 13 June 2023.

Board committee membership:

- Chairman of the Audit and Risk Management Committee until 13 June 2023.
- Member of the Remuneration and Nomination Committee until 13 June 2023.

Skills and experience: Keith was the Chief Operating Officer of Deloitte Touche Tohmatsu for 13 years until his retirement from the firm in May 2015. Previously Keith was one of the leading Restructuring and Insolvency practitioners in Australia, leading many corporate turnarounds. Keith was on the Board of Deloitte Touche Tohmatsu (1995 to 1997) and on the Board of the Global Deloitte Organisation (2013 to 2015), and a member of the Deloitte Global Governance (2013 to 2015) and Deloitte Global Risk Committees (2013 to 2015). Keith has also been the Chairman of Emue Technologies Limited (2013 to 2015). Keith was a Director of North Sydney Local Health District (2017 to 2021) and the Chair of the Finance, Risk and Performance Committee. Keith was also the Independent Chairman of the Audit and Risk Committee for the Australian Digital Health Agency (2016 to 2019) and was a Director of the Lysicrates Foundation Limited (2015 to 2020).

Current appointments:

- Director of Invocare Limited since September 2018. Chair of the Audit and Risk Committee.

Emeco Holdings Limited and its Controlled Entities

Directors' report

For the year ended 30 June 2023

Company secretary

The company secretary of the Company during FY23 was:

PENELOPE YOUNG LLB, LLM, BBus

Appointment: Company Secretary since April 2017.

Directors' meetings

The number of board and committee meetings held and attended by each director in FY23 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	9	9	4	4	2	2
Ian Testrow	9	9	4 *	4	2 *	2
Peter Frank	8	9	- *	4	- *	2
Peter Kane	9	9	4	4	2	2
James Walker III ⁽¹⁾	1	1	1	1	-	-
Keith Skinner ⁽²⁾	8	8	3	3	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 in FY23.

(1) Mr James Walker III was appointed as a director of the Company on 6 June 2023.

(2) Mr Keith Skinner resigned as a director of the Company on 13 June 2023.

Corporate governance statement

The Company's corporate governance statement is located on the Company's website at - www.emecogroup.com/who-we-are/corporate-governance.

Principal activities

The principal activities of the Group during FY23 were the provision of open cut and underground mining equipment rental and providing complementary equipment and mining services, including maintenance, asset and component rebuilds, fleet optimisation technology, and technical and engineering services.

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

Directors' report

For the year ended 30 June 2023

Operating and financial review

A review of Group operations, and the results of those operations for FY23, is set out in the operating and financial review section at pages 8 to 17 and in the accompanying financial statements.

Dividends

On 22 August 2023, the board resolved to pay a final dividend for the financial year ended 30 June 2023 of 1.25 cents per share, representing a total cash payment of \$6.5 million. The dividend will be fully franked and will be paid on 29 September 2023.

Type	FY23 final	1H23	FY22 final
Payment date	29 September 2023	13 April 2023	30 September 2022
Period ends	30 June 2023	31 December 2022	30 June 2022
Cents per share	1.25	1.25	1.25
Value \$ million	6.488	6.485	6.583
Fully franked	Yes	Yes	Yes

On market share buy-back

The Company undertook an on-market share buy-back between 24 February 2022 and 22 February 2023, buying back 21,666,287 ordinary shares for a total amount of \$18.4 million. This included 7,663,420 shares bought back for a total amount of \$6.6 million for the year ended 30 June 2023. On 22 February 2023, the Company announced a further on-market share buy-back of up to 51,900,261 ordinary shares, which remains open. Further details of on-market share buy-backs for the financial year are set out in note 13 to the financial statements.

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 Groups' state of affairs that occurred during the financial year under review.

Events subsequent to reporting date

On 3 August 2023, the Group announced material changes to the Managing Director & CEO's (Mr Testrow's) terms of employment, with effect from FY24. Further information is set out in note 34 to the financial statements.

On 22 August 2023, the board resolved to pay a final dividend for the year ended 30 June 2023 of 1.25 cents per share, representing a total cash payment of \$6.5 million. The dividend will be fully franked and will be paid on 29 September 2023.

On 22 August 2023, the Company announced its intention to undertake an on-market share buy-back of up to \$7.3 million, under the program announced on 22 February 2023.

Other than the above, there have been no other significant events, subsequent to the year ended 30 June 2023.

Directors' report

For the year ended 30 June 2023

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 17. 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 have been omitted in accordance with section 299A(3) of the *Corporations Act 2001*.

Directors' interests

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

Table 9: Directors' interests

Director ^[A]	Ordinary shares ^[B]	Rights
Peter Richards	11,044	-
Ian Testrow	13,581,238	1,789,780 ^[C]
Peter Frank	-	-
Peter Kane	10,288	-
James Walker III	-	-
Keith Skinner	22,300	-

[A] This comprises the Director's relevant interest in securities as notified to the ASX as at the date of this report or, for Mr Skinner, on his retirement as a director on 13 June 2023.

[B] This comprises ordinary shares in which the Director has a relevant interest.

[C] This comprises rights issued under the Company's incentive plans.

Indemnification and insurance of officers and auditors

The Company has entered into a deed of access, indemnity and insurance with each of its current and former directors, the current and former 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 Emeco from doing anything which could prejudice the insurers in respect of a claim, including disclosure of the nature of the liability cover and the amount of the premium.

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

Directors' report

For the year ended 30 June 2023

Non-audit services

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

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

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

Details of the amounts paid to the auditor of the Group, Deloitte Touche Tohmatsu and its network firms, for audit and non-audit services provided during the year are found in note 10 of the notes to the financial statements.

Lead auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 44 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 2016/19, dated 24 March 2016. The Company is an entity to which the class order applies.

Directors' report

For the year ended 30 June 2023

Remuneration report (audited)

Contents

This Remuneration Report for the year ended 30 June 2023 outlines the remuneration arrangements of the Company and is in accordance with the requirements of the *Corporations Act 2001 (Act)* and its regulations. This information has been audited as required by section 308(3C) of the Act. This report covers the following matters:

1. Introduction
2. Remuneration governance
3. Executive remuneration arrangements
 - 3.1. Remuneration principles and strategy
 - 3.2. Approach to setting remuneration and details of incentive plans
4. Relationship between executive remuneration and company performance
5. Executive remuneration outcomes for FY23
6. Executive contracts
7. Non-executive director remuneration
8. Additional disclosures relating to share-based payments
9. Loans to key management personnel and their related parties
10. Other transaction balances with key management personnel and their related parties

1. Introduction

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

The following persons were directors of the Company during FY23:

Non-executive directors	
Peter Richards	Chair, Independent Non-Executive Director
Peter Frank	Non-Executive Director
Peter Kane	Independent Non-Executive Director
James Walker III	Non-Executive Director (Commenced 6 June 2023)
Keith Skinner	Independent Non-Executive Director (Resigned 13 June 2023)
Executive directors	
Ian Testrow	Managing Director & Chief Executive Officer

Directors' report

For the year ended 30 June 2023

The following persons were also employed as executives of the Company during FY23:

Other executives	Position
Theresa Mlikota	Chief Financial Officer (Commenced role 8 May 2023)
Thao Pham	Chief Financial Officer (Ceased role 7 May 2023) *

* Ms Thao Pham ceased to be a KMP on 7 May 2023.

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 & Chief Executive Officer, 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 incentive schemes.

The members of the Remuneration and Nomination Committee in FY23 were Mr Peter Richards (Chair), Mr Peter Kane and Mr Keith Skinner (prior to his resignation on 13 June 2023). Mr James Walker III was appointed as a member of the Remuneration and Nomination Committee from 15 August 2023.

Further information on the Remuneration and Nomination Committee's role and responsibilities can be found at www.emecogroup.com/who-we-are/corporate-governance.

Use of remuneration consultants

To ensure the Remuneration and Nomination Committee is fully informed when making remuneration decisions, it seeks external remuneration advice from time to time. Where required, remuneration consultants are engaged by, and report directly to, the Remuneration and Nomination Committee. In selecting remuneration consultants, the Remuneration and Nomination 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 by remuneration consultants 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.

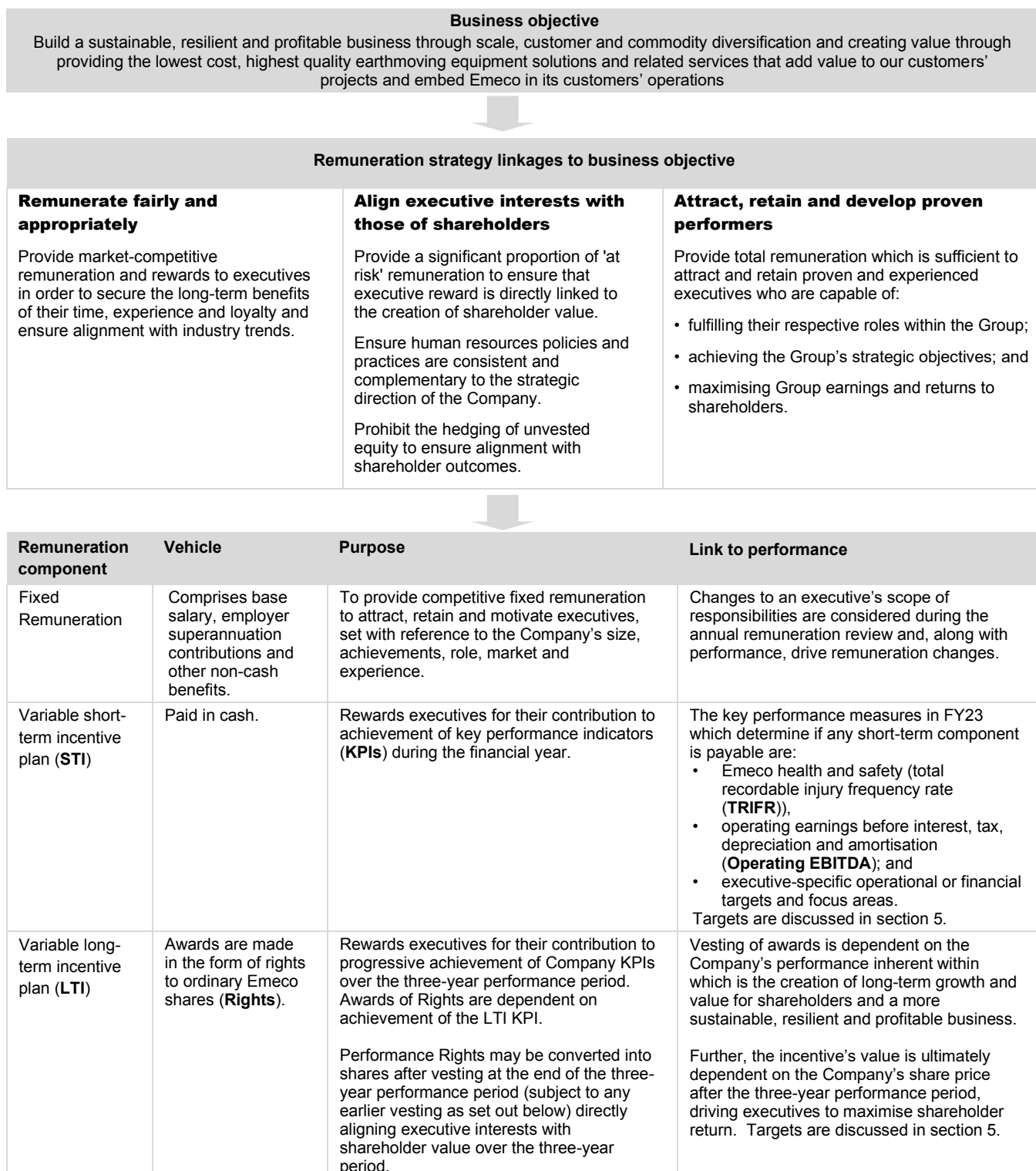
Directors' report

For the year ended 30 June 2023

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.



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3.2 Approach to setting remuneration and details of incentive plans

In FY23, 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 which is aligned with targeted market comparators. This level and mix is determined on an individual basis.

The table below illustrates the overall remuneration mix available for fixed remuneration and short and long-term incentives for the Managing Director & Chief Executive Officer and other executives for FY23. The target mix for each individual is considered appropriate for Emeco based on the Company's short-term and long-term objectives and the relevant executive's role and responsibilities.

Table 10: Overall remuneration mix

Executive	Position	Fixed remuneration % of total remuneration	Short-term incentive % of total remuneration	Long-term incentive % of total remuneration
Ian Testrow ^[A]	Managing Director & Chief Executive Officer	33%	27%	40%
Theresa Mlikota ^[B]	Chief Financial Officer	100%	-	-
Thao Pham ^[C]	Chief Financial Officer	50%	30%	20%

[A] Pursuant to an amendment to Mr Testrow's employment contract, as announced to the ASX on 3 August 2023, for FY24 to FY27, Mr Testrow's overall available annual remuneration mix will be 29% fixed remuneration with the opportunity to receive up to 37% in short-term incentive and 34% in long-term incentive. The terms of Mr Testrow's FY24 to FY27 incentives are set out in the ASX announcement dated 3 August 2023 and any grant of equity incentives to Mr Testrow will be subject to shareholder approval.

[B] Ms Mlikota commenced as CFO in May 2023 and is eligible to participate in the STI and LTI plans from FY24. As such, during FY23, Ms Mlikota received fixed remuneration only. Ms Mlikota's overall remuneration mix in FY24 will be 39% fixed remuneration with the opportunity to receive up to 31% in short-term incentive and 30% in long-term incentive.

[C] Ms Pham ceased to be a KMP on 7 May 2023.

How much variable remuneration can executives earn in FY23?

The table below sets out the maximum incentive opportunity for each executive under the FY23 STI and FY23 LTI plans, expressed as a percentage of total fixed remuneration (TFR).

Table 11: Components of variable remuneration

Executive	Position	Maximum STI % of TFR	Maximum LTI % of TFR	Maximum Total % of TFR
Ian Testrow ^[A]	Managing Director & Chief Executive Officer	80%	120%	200%
Theresa Mlikota ^[B]	Chief Financial Officer	-	-	-
Thao Pham ^[C]	Chief Financial Officer	60%	40%	100%

[A] Pursuant to an amendment to Mr Testrow's employment contract, as announced to the ASX on 3 August 2023, Mr Testrow has the opportunity, for FY24 to FY27, to receive up to 130% of fixed remuneration through participation in a short-term incentive scheme and 120% of fixed remuneration through participation in a long-term incentive scheme. The terms of Mr Testrow's FY24 to FY27 incentives are set out in the ASX announcement dated 3 August 2023 and any grant of equity incentives to Mr Testrow will be subject to shareholder approval.

[B] Ms Mlikota commenced as CFO in May 2023 and is eligible to participate in the STI and LTI plans from FY24. Under her employment agreement, Ms Mlikota is eligible to receive up to 80% of fixed remuneration through participation in a short-term incentive scheme and 75% of fixed remuneration through participation in a long-term incentive scheme.

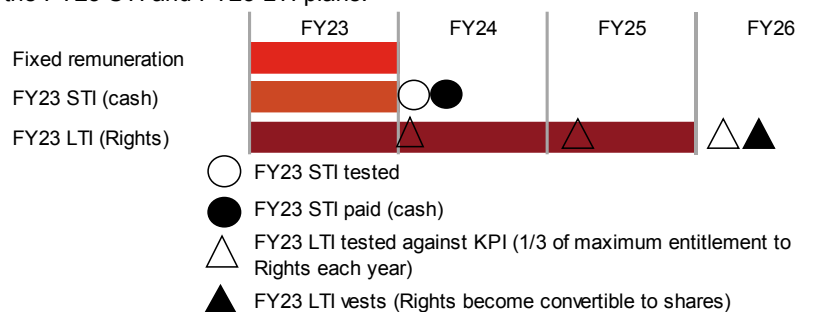
[C] Ms Pham ceased to be a KMP on 7 May 2023.

Directors' report

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How is variable remuneration delivered? The FY23 STI is assessed over a single year and the FY23 LTI is assessed progressively over three years.

The chart below sets out the time periods for assessing and awarding remuneration under the FY23 STI and FY23 LTI plans:



Fixed remuneration

How is fixed remuneration reviewed and approved? Fixed remuneration is reviewed periodically. Any fixed remuneration changes for executives takes into account changes in position, responsibilities and performance and are aligned with targeted market comparators. Changes to an executive's fixed remuneration is subject to approval from the Board (and any recommendations of the Remuneration and Nomination Committee).

Variable remuneration - FY23 Short-term incentive plan (FY23 STI)

What is the purpose of the plan? The FY23 STI plan is a cash incentive that rewards executives for their contribution to achievement of certain KPIs in the financial year.

What are the KPIs and how do they align with business performance? The KPIs for the FY23 STI plan are based on a balance of financial and non-financial measures which provide the platform for the long-term performance, growth, resilience and sustainability of the Company, assessed at either a Company or individual level.

See section 5 for more information on the FY23 KPIs.

When is performance measured? Achievement against the STI KPIs is assessed in conjunction with finalisation of the Company's full year results.

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

How is it paid? FY23 STI awards are paid in cash.

What happens if an executive leaves? The FY23 STI award is only paid to executives employed by the Group after performance is assessed against the STI KPIs.

Variable remuneration - FY23 Long-term incentive plan (FY23 LTI)

What is the purpose of the plan? The FY23 LTI plan is an equity incentive that rewards executives for their contribution to achievement of certain KPIs over a three-year period.

Under this plan, one-third of a participant's maximum entitlement is tested each year against the KPI set for that year. The Board believes that assessing KPIs each year is appropriate given the cyclic nature of the mining sector. Assessing achievement annually ensures that executives are rewarded for their performance in each year of the performance period.

Awards under the FY23 LTI plan are made in the form of Rights.

Directors' report

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What are the KPIs and how do they align with business performance?	<p>The KPI for year 1 of the FY23 LTI is earnings per share growth, which is designed to further align management with shareholder value through the focus on Company performance and financial outcomes.</p> <p>To ensure continued appropriate alignment of the KPI to business performance and shareholder interests throughout the business and industry cycle, the Board will consider the KPI for each of year 2 and year 3 of the FY23 LTI at the beginning of the relevant year.</p> <p>See section 5 for more information on the FY23 KPI.</p>
When is performance measured?	<p>Achievement against the LTI KPI is measured by the Board, with the assistance of the Remuneration and Nomination Committee, at the time of the Company's full year results.</p> <p>The FY23 LTI plan spans a three-year performance period. Performance is assessed annually by the Board in conjunction with approval of the full year results (see "How is variable remuneration delivered" on page 30).</p>
How are awards determined?	<p>Awards are determined by the Board, on recommendation of the Remuneration and Nomination Committee, after consideration of performance against the applicable KPI.</p>
How is it paid?	<p>FY23 LTI awards are paid by issuing rights (Rights) to fully paid ordinary Emeco shares (Shares). Rights issued under the FY23 LTI plan are scheduled to vest after announcement of Emeco's annual results in 2025.</p> <p>Under the FY23 LTI Plan, executives have the option to convert the Rights into Shares at any time within 5 years from the vesting date, unless the executive leaves Emeco earlier (see "What happens if an executive leaves?" below).</p> <p>The maximum possible award of Rights to each executive under the FY23 LTI plan was calculated by reference to the volume-weighted average price of Emeco shares for the 20 business days following the release of Emeco's FY22 results, being 88.68 cents. Rights will be issued at no cost to the executive. The ultimate value of the FY23 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.</p>
What happens if an executive leaves?	<p>Under the FY23 LTI plan, if Emeco has terminated the executive's employment for misconduct or other breach of employment contract, all the Rights issued to the executive under the FY23 LTI plan will lapse unless otherwise determined by the Board.</p> <p>If the executive leaves the Emeco Group for any other reason, Rights that have been tested and issued under the FY23 LTI plan will immediately vest and must be exercised into Shares within 12 months from vesting.</p> <p>The executive will have no entitlement to untested awards.</p>
What happens if there is a change in control?	<p>In the event of absolute change in control (i.e. the acquisition by a third party and its associates of more than 50% of the Company's shares) or an effective change of control (i.e. a third party acquiring the capacity to determine the Company's financial and operating policies):</p> <ul style="list-style-type: none">• rights which have been tested and issued under the FY23 LTI plan; and• awards in respect of any component of the FY23 LTI that has not been tested, will vest on the change date.
What other terms apply to the Rights?	<p>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 the Company's share trading policy).</p>

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4. Relationship between executive remuneration and company performance

Emeco's remuneration objectives aim to align the interests of Emeco's executives with the interests of the Company and its shareholders. This is achieved 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 long-term growth. Details of those KPIs, and the Company's performance in respect of those measures, are set out in section 5.

In FY23, the KPIs for variable components of executive remuneration were directed at driving and rewarding the executive's contribution to the Group's financial and safety performance and personal achievements consistent with the Company's strategy, performance, governance, evolution and long-term value creation.

The STI KPIs (detailed in section 5) focussed on safety, earnings and executive-specific personal targets based on their roles. The FY23 LTI KPI (applicable to the FY23 testing period under the FY21 LTI, FY22 LTI and FY23 LTI Plans) of FY23 earnings per share growth is designed to further increase alignment between management and shareholders by recognising the importance of financial outcomes in overall Company performance.

Throughout FY23, Emeco continued its focus on building a profitable and resilient customer-focussed solutions business. External revenue for Emeco Group's rental and workshops businesses grew 19% and 72% respectively during FY23. However, the consequences of the Pit N Portal project terminations and associated one-off costs in 1H23, together with the continuing tightening of the labour market, cross-hired fleet costs, extreme weather and ongoing inflationary pressures, impacted Emeco Group's overall performance in FY23. As a result, the Company's financial performance and EPS for FY23 did not achieve the levels required to satisfy key financial FY23 KPIs.

Emeco is committed to maintaining a strong safety culture. Regrettably, the total recordable injury frequency rate (TRIFR) has increased from 1.9 in FY22 to 2.9 in FY23, with the Company's first Lost Time Injury reported in over 7 years. Due to the increase in TRIFR, the safety target for FY23 was not met.

However, satisfaction of personal goals and key initiatives identified for each executive under the individual STI targets (set out in section 5) resulted in partial STI awards.

Directors' report

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Company performance

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:

	FY23	FY22	FY21	FY20	FY19
Operating EBITDA (\$m) ^[1]	250.4	250.2	237.7	254.4	214.0
Operating EBIT (\$m) ^[1]	104.6	120.7	119.1	139.4	125.4
Operating NPAT (\$m) ^{[1][2]}	59.1	68.9	56.8	61.0 ^[4]	63.1
Net leverage	1.10x	0.96x	0.94x	1.66x	2.02x
Return on capital ^[1]	13%	16%	17%	21%	21%
Total dividends determined (\$m) ^[3]	13.0	13.3	6.8	-	-
Total shares bought back (\$m) ^[4]	7.3	18.4	3.8	-	-
Closing share price as at 30 June	\$0.66	\$0.65	\$1.05	\$0.99	\$0.38
TRIFR	2.9	1.9	2.1	2.9	1.2

[1] Non IFRS measures. Refer to Table 2 of the Operating and Financial Review for further detail regarding operating adjustments.

[2] FY20 Operating NPAT tax effected for comparative purposes.

[3] FY21 figure includes dividends determined in respect of the FY21 year and paid in FY22. FY22 figure includes dividends determined and paid in respect of 1H22 and determined in respect of the FY22 full year and paid in FY23. The FY23 figure includes dividends determined and paid in respect of 1H23 and determined but not yet paid in respect of the FY23 full year.

[4] Total shares bought back reflects the monetary value of shares to be bought back (or, in respect of FY23 is anticipated to be bought back) in respect of the financial year under announced on-market share buy-back schemes.

5. Executive remuneration outcomes for FY23**5.1 Fixed remuneration outcomes**

Following the recommendation of the Remuneration and Nomination Committee, and to ensure that the Company continues to remunerate executives fairly and appropriately and provide market-competitive remuneration, existing executives received a 4.5% increase in their total fixed remuneration in FY23, (which included the compulsory 0.5% increase in the superannuation guarantee) as part of their annual review.

5.2 Variable remuneration outcomes

In FY23, executives had both common and individual KPIs in order to align the performance of each executive with the overall success of the Company. Set out below is information regarding satisfaction of the applicable KPIs for the FY23 STI and LTI plans.

5.2.1 FY23 STI plan

Table 12 below sets out the KPIs for the FY23 STI and the respective weightings. In the Board's view, these KPIs align the reward of executives with the interests of shareholders. The FY23 STI provided for pro-rata entitlements where achievement was between the thresholds and targets.

Directors' report

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Table 12: FY23 STI KPI weightings, payment schedule and achievement

KPI	Weight	Payment schedule	Rationale	Achievement
Safety	20%	0% if the Group TRIFR ^[1] as at 30 June 2023 is equal to or higher than Group TRIFR as at 30 June 2022. 100% if the Group TRIFR ^[1] as at 30 June 2023 is 10% lower than the Group TRIFR as at 30 June 2022. 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.	Below threshold
Operating EBITDA ^[2]	60%	0% if actual FY23 Group Operating EBITDA ≤ 85% of budget FY23 Group Operating EBITDA. 100% if actual FY23 Group Operating EBITDA ≥ 105% of budget FY23 Group Operating EBITDA. Pro-rata payments between these levels.	Reflects the Company's financial performance and ability to pay STI awards.	Below threshold
Personal KPIs	20%	Satisfaction of key initiatives set by the Board for each executive.	Reflects key focus areas for each executive.	Between threshold and target

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

[2] Non IFRS measures. Refer to Table 2 of the Operating and Financial Review for further detail regarding operating adjustments.

5.2.2 FY23 LTI plan

The Board sets the KPI for the FY23 LTI annually for each financial year during the performance period. This allows the Board to ensure that the KPI remains appropriate and targets those areas most applicable to business performance.

The FY23 KPI is based on earnings per share (**EPS**) growth during FY23, reflecting the importance of financial outcomes in overall company performance at this stage in the Company's evolution. The same FY23 EPS growth KPI applied for the FY23 testing periods under each of the open LTI plans, being year 1 of the FY23 LTI, year 2 of the FY22 LTI and year 3 of the FY21 LTI.

In light of the Company's overall performance, the EPS growth outcome did not meet the level required to satisfy the EPS growth KPI.

5.2.3 Incentive outcomes

As set out above, the FY23 STI KPIs focused on safety, earnings and executive-specific personal targets. As the safety and earnings KPIs were below the required threshold, no award was made for these items. However, good performance against personal STI targets resulted in partial STI awards.

Following the partial achievement of these personal KPIs, Mr Ian Testrow received an STI award for FY23 equal to 18% of the maximum STI award, with the remaining 82% forfeited.

Ms Thao Pham, received an STI award attributable to her achievements in FY23 while a KMP equal to 13% of the maximum STI award, with the remaining 87% forfeited.

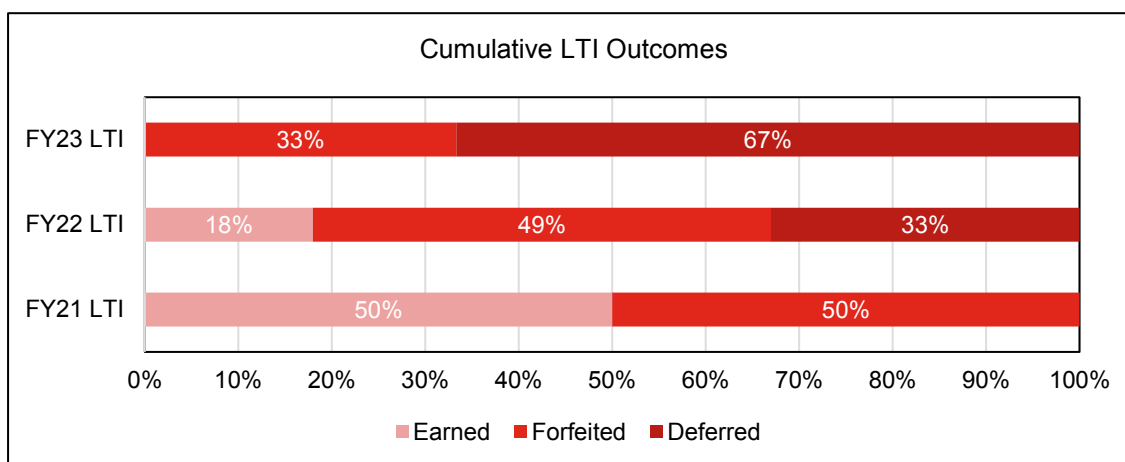
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For the year ended 30 June 2023

As noted above, the FY23 LTI is assessed progressively over a three-year period with one-third of the maximum incentive being tested each year. Accordingly, a maximum of two-thirds of each executive's FY23 award is available to be earned after FY23, with one-third deferred to after FY24 and one-third deferred to after FY25.

As no award was made under the FY23 LTI for the FY23 testing period, the maximum that may be received under the FY23 LTI Plan following deferred testing in FY24 and FY25 is equal to 67% or two-thirds of the maximum FY23 LTI entitlement (see table 11 above for maximum entitlement).

After assessment of the FY23 EPS growth KPI with no award being made for the FY23 testing period under the FY21 LTI plan, FY22 LTI plan and FY23 LTI plan, the cumulative LTI outcomes are summarised in the graphic below. Any deferred components will be tested against their applicable KPIs in subsequent years.



[1] Expressed as a percentage of maximum LTI available over the 3-year period.

[2] As detailed above, the KPI for the FY23 testing period under the FY21 LTI plan, FY22 LTI plan and FY23 LTI plan is the same and the outcomes are therefore the same. Outcomes for prior testing periods under the FY21 LTI plan and the FY22 LTI plan are detailed in the FY21 and FY22 annual reports.

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Statutory Executive KMP remuneration

The following table sets out total remuneration for executive KMP in FY23 and FY22, calculated in accordance with statutory accounting requirements.

Table 13 – Statutory executive KMP remuneration

KMP		Short-term employee benefits			Post-employment benefits			Share-based payments	Total statutory remuneration	% of remuneration performance related
		Salary & fees ^[1]	Short-term bonus payments ^[2]	Non-monetary	Superannuation	Other long-term benefits ^[3]	Termination benefits	Long-term equity incentives ^[4]		
Executive director										
Ian Testrow ^{[7] [8]}	FY23	1,361,700	152,981	217,176	27,500	32,336	-	1,111,502	2,903,195	44%
	FY22	1,045,140	460,326	-	27,692	19,026	-	1,922,686	3,474,870	69%
Other executives										
Thao Pham ^[5]	FY23	534,521	46,078	-	24,327	15,764	-	334,925	955,615	40%
	FY22	622,759	198,720	-	27,692	25,622	-	526,143	1,400,936	52%
Theresa Mlikota ^[6]	FY23	95,974	-	-	3,702	-	-	-	99,676	-
	FY22	-	-	-	-	-	-	-	-	-
TOTAL KMP remuneration	FY23	1,992,195	199,059	217,176	55,529	48,100	-	1,446,427	3,958,486	42%
	FY22	1,667,899	659,046	-	55,384	44,648	-	2,448,829	4,875,806	64%

[1] These figures include annual leave accrual adjustments.

[2] The FY23 figure includes cash awards under the FY23 STI as approved by the Board after review of performance against applicable key performance indicators (see table 12).

[3] Long service leave accruals are revalued where an employee's remuneration increases. Figures also includes certain on-costs which may be re-calculated from time to time.

[4] The FY23 figures include Rights granted (for accounting purposes) by the Company in FY19, FY20, FY21 and FY22, however no Rights under the FY23 LTI plan were issued in FY23.

[5] Ms Pham ceased to be a KMP on 7 May 2023. The table includes that portion of Ms Pham's remuneration that relates to the period that she was a KMP only.

[6] Ms Mlikota commenced her role on 8 May 2023.

[7] Mr Testrow's salary & fees include an interest expense reimbursement of \$314,846 (inclusive of FBT) on a personal loan provided by the Company to Mr Testrow (refer to note 33 of the financial statements for further information). The interest expense reimbursed was \$166,868, with an estimated FBT liability of \$147,978, totalling \$314,846.

[8] The non-monetary benefit for Mr Testrow reflects the zero-interest component of the loan provided by a subsidiary of the Company, of \$115,103 plus estimated FBT of \$102,073 totalling \$217,176. Refer to note 33 of the financial statements for further information.

Directors' report

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6. Executive contracts

FY23 remuneration arrangements for executives are formalised in employment agreements which provide for an indefinite term. The executives' termination provisions under those employment agreements during FY23 are as follows:

Executive	Resignation	Termination for cause	Termination payment ^[1]
Managing Director & CEO notice period (by company or executive) ^[2]	12 months' notice	No notice	Nil
CFO notice period (by company or executive)	6 months' notice	No notice	Nil

[1] Other than salary in lieu of notice and accrued statutory leave entitlements.

[2] As announced to the ASX on 3 August 2023, Mr Testrow's employment agreement was varied with effect from FY24 such that various aspects of the termination provisions for FY24 to FY27 will be different from that stated above. As set out in the ASX announcement dated 3 August 2023 and subject to obtaining all necessary shareholder approvals, pursuant to the contract variation, if Mr Testrow were to die or suffer a total and permanent disability or if there were to be an absolute change of control of the Company during this period, Mr Testrow may be eligible to receive unpaid fixed remuneration up to 30 June 2027 and Mr Testrow's untested incentives relating to FY24 to FY27 may be awarded and vest.

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 objectivity and avoid any perceived bias in their decision-making.

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 as 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 2023 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.

Following the recommendation of the Remuneration and Nomination Committee, the non-executive director fees were increased by 4% in FY23.

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The table below summarises the non-executive directors fee policy for FY23 (inclusive of superannuation):

Board fees	FY23*	FY22
Chairman	\$172,796	\$166,149
Directors	\$109,200	\$105,000

Committee fees	FY23*	FY22
Committee Chair	\$14,560	\$13,999
Committee Member	\$10,920	\$10,500

*Change in annual fee from FY22 amounts effective from 3 October 2022.

Due to the small number of Australian based non-executive directors in FY23, all Australian non-executive directors sat on more than one committee. However, non-executive directors were only paid for sitting on one committee in FY23.

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

The remuneration of non-executive directors for FY23 and FY22 is detailed in table 14 below.

Table 14 – Statutory non-executive director remuneration

Non-executive directors		Short-term employee benefits	Post-employment benefits	Long-term benefits	Total
		Salary and fees	Superannuation benefits	Long-term equity incentives	
Peter Richards	FY23	167,507	17,419	-	184,926
	FY22	163,772	16,378	-	180,150
Peter Frank	FY23	100,486	10,410	-	110,896
	FY22	105,000	10,500	-	115,500
Peter Kane	FY23	107,708	11,168	-	118,876
	FY22	105,000	10,500	-	115,500
Keith Skinner ^[1]	FY23	107,525	11,145	-	118,670
	FY22	108,182	10,818	-	119,000
James Walker III ^[2]	FY23	5,853	615	-	6,468
	FY22	-	-	-	-
TOTAL	FY23	489,079	50,757	-	539,836
	FY22	481,954	48,196	-	530,150

[1] Mr Skinner retired as a director on 13 June 2023.

[2] Mr Walker commenced as a director of 6 June 2023.

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For the year ended 30 June 2023

8. Additional disclosures relating to share-based payments

Grants and vesting of equity settled awards made during FY23 to executives in connection with the Company's open long-term incentive plans are set out in the table below.

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

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

Executive ^[7]	Grant date ^[1]	Number granted ^[2]	% vested to the date of this report	% forfeited to the date of this report ^[3]	Vesting date ^[4] ^[5]	Fair value per share/right at grant date ^[6]
Ian Testrow ^[A]						
2019 MIP (Year 3)	15/11/2018	1,000,000	100%	-	18/08/2022	\$3.30
(Year 4)	15/11/2018	1,000,000	-	-	Aug-2023	\$3.30
2020 LTI (Year 1)	12/11/2020	157,836	100% ^[D]	-	18/08/2022	\$0.94
LTI (Year 2)	18/11/2021	176,404	100% ^[D]	-	18/08/2022	\$1.07
LTI (Year 3)	17/11/2022	102,129	100% ^[D]	-	17/11/2022	\$0.66
2021 LTI (Year 1)	18/11/2021	377,020	-	-	Aug-2023	\$1.06
LTI (Year 2)	17/11/2022	218,275	-	-	Aug-2023	\$0.68
LTI (Year 3)	-	-	-	-	-	-
2022 LTI (Year 1)	17/11/2022	194,485	-	-	Aug-2024	\$0.70
LTI (Year 2)	-	-	-	-	-	-
2023 LTI (Year 1)	-	-	-	-	-	-
Thao Pham ^[B]						
2019 MIP	26/07/2018	553,557	[E]	-	30/06/2023	\$3.60
2020 LTI (Year 1)	14/11/2019	29,918 ^[C]	85% ^[D]	15%	18/08/2022	\$1.91
(Year 2)	14/11/2019	29,917 ^[C]	95% ^[D]	5%	18/08/2022	\$1.91
(Year 3)	14/11/2019	29,917 ^[C]	55% ^[D]	45%	18/08/2022	\$1.91
2021 LTI (Year 1)	26/07/2021	63,941 ^[C]	-	5%	Aug-2023	\$0.93
(Year 2)	26/07/2021	63,940 ^[C]	-	45%	Aug-2023	\$0.93
(Year 3)	26/07/2021	63,940 ^[C]	-	100%	Aug-2023	\$0.93
2022 LTI (Year 1)	12/08/2021	100,000 ^[C]	-	45%	Aug-2024	\$1.04
(Year 2)	12/08/2021	100,000 ^[C]	-	100%	Aug-2024	\$1.01
(Year 3)	12/08/2021	100,000 ^[C]	-	-	Aug-2024	\$0.99
2023 LTI (Year 1)	10/03/2023	135,516 ^[C]	-	100%	Aug-2025	\$0.72
(Year 2)	10/03/2023	135,516 ^[C]	-	-	Aug-2025	\$0.69
(Year 3)	10/03/2023	135,516 ^[C]	-	-	Aug-2025	\$0.67

Directors' report

For the year ended 30 June 2023

- [A] Mr Testrow's grant of awards under the: (i) FY19 MIP were approved by shareholders on 15 November 2018; (ii) FY20 LTI (Year 1) was approved by shareholders on 12 November 2020; (iii) FY20 LTI (Year 2) and FY21 LTI (Year 1) was approved by shareholders on 18 November 2021 and (iv) FY20 LTI (Year 3), FY21 LTI (Year 2) and FY22 LTI (Year 1) was approved by shareholders on 17 November 2022. No grant will be made in respect of FY21 LTI (Year 3), FY22 LTI (Year 2) and FY23 LTI (Year 1). Refer to the applicable notice of meeting for further details regarding these grants. Mr Testrow may, subject to shareholder approval, also be granted up to 353,607 Rights in respect of Year 3 of the FY22 LTI and up to 479,192 Rights in respect of each of Year 2 and Year 3 of the FY23 LTI.
- [B] Ms Pham ceased to be a KMP on 7 May 2023.
- [C] This figure represents maximum entitlement under the FY20, FY21, FY22 and FY23 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 KMPs.
- [D] Rights under the FY20 LTI vested on 18 August 2022, becoming vested performance rights capable of being exercised into ordinary shares in accordance with their terms. Further details regarding the FY20 LTI plan is set out in the FY20 remuneration report.
- [E] Following satisfaction of the applicable service condition, Ms Pham received 553,557 shares following the vesting of the FY19 MIP performance rights on 30 June 2023. Further details regarding the FY19 MIP are set out in the FY19 remuneration report.
- [1] Grant date in this table relates to the grant of the long-term incentive for accounting purposes only and, in respect of the FY20, FY21 FY22 and FY23 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). Figures for Mr Testrow are stated following assessment of the relevant KPI by the Board and shareholder approval. Figures for other executives represent the maximum entitlement under the FY20, FY21, FY22 and FY23 LTI plans and are stated prior to assessment of the relevant KPI.
- [3] Includes amounts for FY21 LTI (Year 3), FY22 LTI (Year 2) and FY23 LTI (Year 1) following the assessment of the FY23 KPI by the Board after the end of the FY23 financial year.
- [4] Vesting of Rights are 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 FY23 LTI plan). A participant has a period of time in which to exercise any vested rights into shares. The minimum total value of the grants for future financial years is zero if the service condition is not satisfied. An estimate of the maximum possible total value in future financial years is the fair value at grant date multiplied by the number of equity instruments awarded. See section 5 for details of the year 1 KPI applicable to awards under the FY23 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.
- [5] Where exact vesting dates are not noted, the vesting date will follow release of the Company's full year results.
- [6] For the long-term incentive awards, the fair value of awards granted in the year is the fair value of those rights calculated at grant date using a Black-Scholes option-pricing model. 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.
- [7] Ms Mlikota commenced her role in May 2023 and is eligible to participate in the STI and LTI plans from FY24.

Directors' report

For the year ended 30 June 2023

Table 16: KMP Rights

Details of Rights held by KMP, including their personally related entities, for FY23 are as follows:

KMP	Rights ^[1]	Holding at 1 July 2022	Rights issued in FY23 ^[2]	Rights vested in FY23	Holding at 30 June 2023	Potential future Rights ^[3]
Executive director						
Ian Testrow	Rights / performance shares	2,000,000	-	1,000,000	1,000,000	-
	Rights / performance rights	711,260	514,889	436,369	789,780	1,311,991
Other executives						
Thao Pham	Rights / performance rights	668,154	106,622	[A]	N/A ^[B]	N/A ^[B]
Theresa Mlikota ^[4]	Rights / performance rights	-	-	-	-	-

[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 FY23 as awards under the FY20, FY21 and FY22 incentive plans.

[3] Maximum remaining possible entitlement to Rights under the FY22 and FY23 LTI plans across the three-year performance period.

[4] Ms Mlikota commenced as CFO in May 2023 and is eligible to participate in the STI and LTI plans from FY24.

[A] Following satisfaction of the applicable service condition, Ms Pham received 553,557 shares on the vesting of the FY19 MIP performance rights on 30 June 2023.

[B] Ms Pham ceased to be a KMP on 7 May 2023.

Directors' report

For the year ended 30 June 2023

Table 17: KMP Shareholding

Details of Shares held by KMP, including their personally related entities, for FY23 are as follows:

	Holding at 1 July 2022	Shares received as a result of rights vesting in FY23	Shares otherwise issued in FY23	Net other changes	Holding at 30 June 2023
Non-executive directors					
Peter Richards	11,044	-	-	-	11,044
Peter Frank	-	-	-	-	-
Peter Kane	10,288	-	-	-	10,288
Keith Skinner	22,300	-	-	-	N/A ^[B]
James Walker III	-	-	-	-	-
Executives					
Ian Testrow	12,144,869	1,436,369	-	-	13,581,238
Thao Pham	2,569,851	[A]	-	-	N/A ^[D]
Theresa Mlikota ^[C]	-	-	-	-	-

[A] Following satisfaction of the applicable service condition, Ms Pham received 553,557 shares on the vesting of the FY19 MIP performance rights on 30 June 2023.

[B] Mr Skinner retired as a director on 13 June 2023.

[C] Ms Mlikota commenced her role in May 2023 and does not hold Shares or Rights in the Company.

[D] Ms Pham ceased to be a KMP on 7 May 2023.

9. Loans to key management personnel and their related parties

As approved by shareholders at the 2022 AGM, a zero-interest loan for a principal amount of \$4,948,640.55 was provided by a subsidiary of the Company to Mr Ian Testrow. The principal amount was advanced to Mr Testrow in February 2023 and is repayable on the earlier of 30 June 2027, within 6 months in the event of Mr Testrow's death or total and permanent disability; or, prior to the amendment of the loan described below, within 3 months of Mr Testrow ceasing to be employed by the Emeco Group.

This loan aimed to incentivise Mr Testrow to retain his equity investment in the Company at current levels and to avoid any need for Mr Testrow to sell shares in the Company. The proceeds of the loan were used to discharge a third-party interest-bearing loan taken out by Mr Testrow to assist in funding personal tax liabilities arising from shares in the Company received by Mr Testrow under the management incentive plan (as approved by shareholders in 2017 at the time of the Company's recapitalisation).

As announced on the ASX on 3 August 2023 and to further incentivise Mr Testrow to remain with the Company for at least the next four years, the terms of the loan to Mr Testrow have been varied with effect from FY24 to provide that if Mr Testrow were to resign and his employment end before 30 June 2027:

- the loan will attract an interest rate of 12% per annum from the date the loan was drawn until the date the loan is repaid in full (loan previously interest free in all circumstances); and
- the loan becomes due on the date Mr Testrow's employment ends (previously three months after Mr Testrow's employment ends).

Emeco Holdings Limited and its Controlled Entities

Directors' report

For the year ended 30 June 2023

Prior to the loan to Mr Testrow being advanced in February 2023, the Company agreed to reimburse amounts paid by Mr Testrow in respect of interest that he was incurring on the previous third party loan of approximately \$20,000 a month. Mr Testrow received reimbursement of \$166,868 under this arrangement during FY23.

Further details regarding this loan and amounts paid during the year are set out in Table 13 above and in note 33 of the notes to the financial statements.

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

Except for the loan and reimbursement arrangement with Mr Testrow described above, 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 & Chief Executive Officer

Dated at Perth, 22nd day of August 2023

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

22 August 2023

Dear Board Members

Auditor's Independence Declaration to 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 report of Emeco Holdings Limited for the financial year ended 30 June 2023, 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



A T Richards
Partner
Chartered Accountants

Emeco Holdings Limited and its Controlled Entities
Financial Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2023

	Note	2023 \$'000	Restated 2022 \$'000
Revenue	7	874,917	754,368
Other income	8	4,087	680
Repairs and maintenance		(152,704)	(123,508)
Employee expenses	9	(151,200)	(142,405)
External mining and maintenance services		(223,938)	(162,686)
Cartage and fuel		(21,606)	(17,414)
Depreciation and amortisation expense	9	(145,821)	(129,441)
Impairment of tangible assets	9	(981)	(1,125)
Other expenses	9	(80,594)	(63,329)
Trade receivables written off	18	(23,013)	-
Finance income	9	670	164
Finance costs	9	(27,928)	(24,185)
Net foreign exchange loss	9	(52)	(436)
Profit before tax expense		51,837	90,683
Tax expense	11	(10,506)	(25,730)
Net profit after tax		41,331	64,953
Other comprehensive income/(loss)			
Items that are or may be reclassified to profit or loss:			
Foreign currency translation differences (net of tax)		169	(446)
Total other comprehensive income/(loss) for the year		169	(446)
Total comprehensive income for the year		41,500	64,507

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Emeco Holdings Limited and its Controlled Entities

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

For the year ended 30 June 2023

	2023	Restated
	\$'000	2022
		\$'000
Profit attributable to:		
Owners of the Company	41,331	64,953
Profit for the year	41,331	64,953
Total comprehensive income attributable to:		
Owners of the Company	41,500	64,507
Total comprehensive profit for the year	41,500	64,507

	Note	2023	2022
		Cents	Cents
Earnings per share:			
Basic earnings per share	35	7.99	12.13
Diluted earnings per share	35	7.85	11.94

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Emeco Holdings Limited and its Controlled Entities
Consolidated Statement of Financial Position
as at 30 June 2023

	Note	2023 \$'000	Restated 2022 \$'000
Current assets			
Cash and cash equivalents	17	46,673	60,158
Trade and other receivables	18	157,765	142,948
Inventories and work in progress	19	23,435	23,511
Assets held for sale	14	1,165	4,094
Other current assets	16	16,890	20,843
Total current assets		245,928	251,554
Non-current assets			
Intangible assets	20	9,657	10,971
Property, plant and equipment	21	752,632	703,664
Right-of-use assets	22	75,527	55,324
Other financial assets	33	4,677	-
Total non-current assets		842,493	769,959
Total assets		1,088,421	1,021,513
Current liabilities			
Trade and other payables	23	147,143	135,879
Interest bearing liabilities	24	23,746	14,969
Provisions	26	15,645	14,546
Total current liabilities		186,534	165,394
Non-current liabilities			
Interest bearing liabilities	24	298,901	286,095
Provisions	26	696	681
Deferred tax liabilities	12	12,846	2,122
Total non-current liabilities		312,443	288,898
Total liabilities		498,977	454,292
Net assets		589,444	567,221
Equity			
Share capital	13	1,149,254	1,155,856
Reserves		(6,474)	7,585
Accumulated losses		(553,336)	(596,220)
Total equity attributable to equity holders of the Company		589,444	567,221

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

Emeco Holdings Limited and its Controlled Entities
Consolidated Statement of Changes in Equity
For the year ended 30 June 2023

	Share capital \$'000	Share based payment reserve \$'000	Foreign currency translation reserve \$'000	Treasury shares \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2022 as reported	1,155,856	28,475	14,579	(35,469)	(596,220)	567,221
Transfer of FCTR to accumulated losses	-	-	(14,579)	-	14,579	-
Balance at 1 July 2022 as restated	1,155,856	28,475	-	(35,469)	(581,641)	567,221
Total comprehensive income for the year						
Profit for the year	-	-	-	-	41,331	41,331
<i>Other comprehensive income</i>						
Foreign currency translation differences	-	-	(169)	-	-	(169)
Total comprehensive income for the year	-	-	(169)	-	41,331	41,162
Transactions with owners, recorded directly in equity						
<i>Contributions by and distributions to owners</i>						
On market share buy-backs	(6,602)	-	-	-	-	(6,602)
Dividends paid	-	-	-	-	(13,026)	(13,026)
Shares vested during the period	-	(5,805)	-	5,805	-	-
Shares purchased by the trust	-	-	-	(728)	-	(728)
Share-based payment transactions	-	1,417	-	-	-	1,417
Total contributions by and distributions to owners	(6,602)	(4,388)	-	5,077	(13,026)	(18,939)
Balance at 30 June 2023	1,149,254	24,087	(169)	(30,392)	(553,336)	589,444

	Share capital \$'000	Share based payment reserve \$'000	Foreign currency translation reserve \$'000	Treasury shares \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2021	1,171,457	30,901	15,025	(38,294)	(647,688)	531,401
Total comprehensive income for the year						
Profit for the year	-	-	-	-	64,953	64,953
<i>Other comprehensive income</i>						
Foreign currency translation differences	-	-	(446)	-	-	(446)
Total comprehensive income/(loss) for the year	-	-	(446)	-	64,953	64,507
Transactions with owners, recorded directly in equity						
<i>Contributions by and distributions to owners</i>						
On market share buy-backs	(15,601)	-	-	-	-	(15,601)
Dividends paid	-	-	-	-	(13,485)	(13,485)
Shares vested during the period	-	(4,425)	-	4,425	-	-
Shares purchased by the trust	-	-	-	(1,600)	-	(1,600)
Share-based payment transactions	-	1,999	-	-	-	1,999
Total contributions by and distributions to owners	(15,601)	(2,426)	-	2,825	(13,485)	(28,687)
Balance at 30 June 2022	1,155,856	28,475	14,579	(35,469)	(596,220)	567,221

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Emeco Holdings Limited and its Controlled Entities
Consolidated Statement of Cash Flows
For the year ended 30 June 2023

	Note	2023 \$'000	Restated 2022 \$'000
Cash flows from operating activities			
Cash receipts from customers		915,963	807,815
Cash paid to suppliers and employees		(683,760)	(567,371)
Cash generated from operations		232,203	240,444
Finance income received		572	164
Finance costs paid		(26,387)	(19,460)
Net cash generated by operating activities	30	206,388	221,148
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment		3,485	2,791
Payment for property, plant and equipment		(179,411)	(170,417)
Loan issued to related party	33	(4,949)	-
Payment for acquired entities		-	(2,248)
Net cash used in investing activities		(180,875)	(169,874)
Cash flows from financing activities			
Dividends paid to Company's shareholders		(13,026)	(13,485)
Payments for shares bought back		(6,602)	(15,601)
Purchase of own shares		(728)	(1,600)
Proceeds from borrowings		56,806	280,000
Repayment of borrowings		(52,781)	(276,828)
Premium paid on US notes repurchased		-	(11,191)
Payment for debt financing costs		-	(5,566)
Payments for hedge derivatives closed		-	(5,314)
Repayment of lease liabilities		(22,664)	(16,102)
Net cash used in financing activities		(38,995)	(65,687)
Net decrease in cash and cash equivalents		(13,482)	(14,413)
Cash and cash equivalents at beginning of the period		60,158	74,725
Effects of exchange rate fluctuations on cash held		(3)	(154)
Cash and cash equivalents at the end of the financial period		46,673	60,158

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 Reporting entity

Emeco Holdings Limited (the '**Company**') is domiciled in Australia. The address of the Company's registered office is Level 3, 133 Hasler Road, Osborne Park WA 6017. The consolidated financial statements of the Company as at and for the year ended 30 June 2023 comprise the Company and its subsidiaries (together referred to as the '**Group**'). The Group is a 'for profit' entity and primarily involved in the provision of safe, reliable and maintained earthmoving equipment solutions and mining services 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 2022.

The consolidated financial statements were authorised for issue by the board of directors on 22 August 2023.

(b) Comparative financial information – restatement and reclassification

The presentation of certain items in the financial statements have been amended during the period to simplify the presentation and aid understanding. Where applicable, comparative amounts have been reclassified to ensure comparability.

On the face of the Consolidated Statement of Profit or Loss, the Group has reclassified certain "hired in equipment and services" costs totalling \$12,842,000 from "external mining and maintenance services" to "other expenses", to more accurately reflect the nature of expenses incurred (refer to note 9 for further information). There was no impact on total expenses as a result of this reclassification.

On the face of the Statement of Financial Position, the Group has reclassified "leased plant & equipment" with a net book value of \$14,701,000, from "Property, plant and equipment" to "Right-of-use asset" to more accurately reflect the nature of asset held. Refer to note 21 and note 22 for further information. There was no impact on total assets, profit or loss or cash flow as a result of this reclassification.

In the Consolidated Statement of Changes in Equity, the Group has transferred the opening balance of foreign currency translation reserves of \$14,579,000 to accumulated losses, relating to foreign operations discontinued in prior periods with no likelihood of commencing in the future.

The Company has amended the presentation in the Statement of Cash Flows for the cash receipts from customers and cash paid to suppliers and employees to be presented gross of GST. This was done as it is considered to present more useful information and aid in understanding. Comparatives have been reclassified accordingly as outlined in the table below:

	Reported 30 June 2022 \$'000	Comparative period adjustment \$'000	Restated 30 June 2022 \$'000
Cash receipts from customers	732,378	75,437	807,815
Cash paid to suppliers and employees	(491,934)	(75,437)	(567,371)

2 Basis of preparation (continued)

(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:

- 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.

(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 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument, amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars unless otherwise stated. Certain columns and rows may not add due to the use of rounded numbers.

(e) Use of estimates and judgements

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

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

Impairment of assets

The Group performs annual impairment testing as at 30 June for any intangible assets with indefinite useful lives. More frequent reviews are performed of both intangible and tangible assets or asset groups where there are potential indicators of impairment. The identification of impairment indicators involves management judgement. When an indicator of impairment is identified, a formal impairment assessment is performed. Impairment testing involves comparing an asset's recoverable amount to its carrying amount (refer to note 21 for further information).

The Group performed annual impairment testing at 30 June 2023, and considered the following factors as indicators that its cash generating units (**CGU's**) may be impaired:

- The carrying amount of the net assets of the Group were more than its market capitalisation at 30 June 2023;
- The Pit N Portal CGU incurred an EBIT loss during the period; and
- Market interest rates have increased during the current and preceding periods, resulting in higher discount rates used to calculate the CGU's recoverable amount.

An impairment assessment was performed for the Group's key cash generating units (CGUs), being Rental, Workshops and Pit N Portal, with no impairment identified.

The Group has prepared value-in-use models for the purpose of impairment testing as at 30 June 2023, using a five-year discounted cash flow model for Pit N Portal and ten-year discounted cash flow model for Rental and Workshops. Cash flows beyond the forecast period are extrapolated using a terminal value growth rate. Key areas of judgement relate to the forecast utilisation rates, pricing for the fleet, repairs and maintenance expenditure, other operating costs, capital expenditure and discount rates.

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;
- independent fair market value of its property, plant and equipment;
- supply chain risks and therefore the impact on the ability of the Group to deliver its products and services;
- the likelihood of any continued disruption to the operations of the Group's customers, as a result of labour shortages; and
- the impact of decarbonisation and ESG related impacts on operations and asset life.

The post-tax discount rate used in the calculations is 9.8% (2022: 8.7%). The rate reflects the underlying cost of capital adjusted for market and asset specific risks. For the future cash flows 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 Rental's ten-year, and Pit N Portal's five-year outlook taking into account all available information at this current time and are subject to change over time.

The forecast cash flow estimates used in assessments for all CGU's were based on Board approved budgets for the year ending 30 June 2024. A revenue compound annual growth rate (CAGR) of 2.2% for Rental and Workshops and 9.7% for Pit N Portal was used over the remaining forecast years. The terminal value growth rate represents the long-term forecast consumer price index (CPI) of 2.0% (2022: 2.0%) for all CGUs. The recoverable amounts of all of the Group's CGUs continued to exceed their carrying amounts at 30 June 2023, with no reasonably possible changes to key assumptions giving rise to a risk of impairment in the Rental and Workshop CGUs.

The recoverability of the Pit N Portal CGU is sensitive to reasonably possible changes in key assumptions. Specifically, the recoverability of the CGU is dependent on returning to historic levels of EBITDA achieved in the years ended 30 June 2021 and 30 June 2022 on a sustained basis and in the terminal year.

In addition to determining the recoverable value through the value-in-use models, the Group obtained an external valuation (on a fair value basis) of the plant and equipment held by the Group which supported the carrying value of that plant and equipment as at 30 June 2023.

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 are 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.

Recoverability of receivables

The Group applies judgement in determining recoverability of receivables as described in note 6.

2 Basis of preparation (continued)

(e) Use of estimates and judgements (continued)

Recoverability carried forward tax losses

The Group prepares long-term earnings forecasts to assess the recoverability of its carried forward tax losses. The assumptions used in the long-term earnings forecasts are described in the impairment of assets section above.

Assumed interest rate on zero-interest loan provided to related party

The non-monetary benefit of the zero-interest loan provided to the Managing Director and Chief Executive Officer was determined by reference to the Australian Taxation Office benchmark interest rate for the FBT year ending 31 March 2024. Refer to note 33 for further information.

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 2022 except for the adoption of new standards effective as of 1 July 2022. 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

3 Significant accounting policies (continued)

(c) AASB 16 Leases

The Group as lessee

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

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

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

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

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 case 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 of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in profit or loss.

(d) **Financial instruments**

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

i. **Classification**

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

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

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

ii. **Measurement**

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

3 Significant accounting policies (continued)

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

Non-derivative financial liabilities

Interest bearing liabilities

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

Trade and other payables

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

Equity instruments

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

iii. **Impairment**

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

iv. **Share capital**

Ordinary shares

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

Purchase of share capital (treasury shares)

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

Dividends

Dividends are recognised in the period in which they are paid from retained earnings.

Share buy-backs

Share buy-backs are recognised in the period in which they are paid against share capital.

3 Significant accounting policies (continued)

(e) **Property, plant and equipment**

i. **Recognition and measurement**

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

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

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

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

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

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

ii. **Subsequent costs**

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Expenditure on major overhauls and refurbishments of equipment is capitalised in property, plant and equipment as it is incurred, where that expenditure is expected to provide future economic benefits. The costs of the day-to-day servicing of property, plant and equipment and ongoing repairs and maintenance are expensed as incurred, with the exception of contract costs (refer to note 3(o) for further information).

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 profit or loss and other comprehensive income. Estimates of remaining useful lives, residual values and the depreciation method are made on a regular basis, with annual reassessments for major items.

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

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

3 Significant accounting policies (continued)

(e) **Property, plant and equipment (continued)**

iii. **Depreciation (continued)**

The estimated useful lives are as follows:

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

(f) **Intangible assets**

i. **Research and development**

Expenditure on research activities is recognised in profit or 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 or 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 1 – 4 years
- Customer contracts 1 – 3 years

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

3 Significant accounting policies (continued)

(g) Inventories

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

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

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

(h) Work in progress

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

(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 are then further classified as follows:

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

3 Significant accounting policies (continued)

(i) **Impairment (continued)**

i. **Non-derivative financial assets (continued)**

These categories are defined as:

- Blue chip customers – those that are typically defined as having a market capitalisation of greater than \$1 billion. 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.
- Uninsured customers – are all other customers that are not recognised in the above categories.

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. Specifically, the Group has considered the macroeconomic impacts of the likelihood of any potential and significant decreases to commodity prices on its customers' operations and therefore their potential capacity to repay amounts owing to the Group.

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

Bad debt policy

An allowance for expected credit losses 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.

3 Significant accounting policies (continued)

(i) **Non-derivative financial assets (continued)**

ii. **Non-financial assets**

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

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

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

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

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

(j) **Assets held for sale**

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

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

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

3 Significant accounting policies (continued)

(k) Employee benefits

i. Defined contribution plans

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

ii. Other long-term employee benefits

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

iii. Termination benefits

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

iv. Short-term benefits

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

v. Share-based payment transactions

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

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

3 Significant accounting policies (continued)

(k) **Employee benefits (continued)**

v. **Share-based payment transactions (continued)**

On 3 August 2023, the Group announced material changes to the terms of employment of the MD, whereby LTI plans in respect of FY24 to FY27 (inclusive) will have a one-year performance period. All equity awards granted will vest on the earlier of release of the Group's FY27 full-year results and the end of the MD's employment. All awards will be in equity. Where Shareholder approval for an award is not obtained, the award will be paid in cash.

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 Volume Weighted Average Price ("VWAP") and are expensed evenly over the period from grant date to vesting date.

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

(l) **Provisions**

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

(m) **Restructure provision**

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

(n) **Revenue**

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 or loss over time 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 ordinary course of business 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 customers'. 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 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 over time in proportion to the stage of completion of the transaction at the reporting date, and customers are billed monthly. The Group's obligation to repair or make-good faulty works under the standard warranty terms is recognised as a provision.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

3 Significant accounting policies (continued)

(n) Revenue (continued)

iv. Mining services

Mining services relate to the provision of equipment, equipment operator, technology and engineering solutions and the provision and maintenance of onsite infrastructure (electrical, ventilation, pumping, lighting services and special purpose vehicles). Mining services revenue is recognised over time on the basis of the work completed and billed to the customer as the customer receives the benefit. Customer contracts are generally based on schedule of rates or a cost-plus basis.

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

(o) Contract costs

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

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

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

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

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

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

Amortisation and impairment

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

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

3 Significant accounting policies (continued)

(p) Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- dividend income;
- discount on repurchased debt;
- the net gain or loss on financial assets at fair value through profit or loss;
- the foreign currency gain or loss on financial assets and liabilities;
- withholding tax;
- amortisation of the loan receivable from related party (refer to note 33 for further information)
- amortisation of borrowing costs capitalised using the effective interest method; and
- fees on supply chain financing facilities.

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

(q) Income tax

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

(i) Current tax

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

(ii) Deferred tax

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

Deferred tax is not recognised for:

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

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

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

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

3 Significant accounting policies (continued)

(q) **Income tax (continued)**

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

(iii) *Tax exposures*

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

(iv) *Tax consolidation*

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

The Company has not adopted the AASB 112 amendments related to the Organisation for Economic Co-operation and Development Pillar two tax reforms and has not performed an assessment of its potential exposure to the profit or loss and tax liability, which will be performed for the half-year ending 31 December 2023.

(r) **Segment reporting**

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

4 New standards and interpretations

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

(i) **AASB 2020-3 Amendments to Australian Accounting Standards – Annual improvements 2018-2020 and other amendments**

The annual improvements amend the following standards:

- AASB 1 *First-time Adoption of International Financial Reporting Standards* permits a subsidiary that applies paragraph D16(a) of AASB 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRS Accounting Standards.
- AASB 9 *Financial Instruments* clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

4 New standards and interpretations (continued)

Property, Plant and Equipment - Proceeds before Intended Use

The amendments to AASB 116 *Property, Plant and Equipment* prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. AASB 116 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others or for administrative purposes. The amendments have been applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management or on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

Onerous Contracts - Cost of Fulfilling a Contract

The amendments to AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* specify that the 'cost of fulfilling' an onerous contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

(ii) AASB 2021-7 Amendments to Australian Accounting Standards – effective date of amendments to AASB 10 and AASB 128 and editorial corrections

The editorial corrections in AASB 2021-7 are effective for either annual periods beginning on or after 1 January 2023 (those in respect of AASB 17 Insurance Contracts) or 1 January 2022.

The application of all amendments mentioned above did not have a material impact on the Group's consolidated financial statements, as the amendments either do not affect the Group's existing accounting policies, or does not apply to situations, transactions and events that the Group undertakes.

5 Determination of fair values

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

(a) Property, plant and equipment

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

(b) Trade and other receivables

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

(c) Other financial assets

Other financial assets are recognised at amortised cost and subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's other financial assets at amortised cost include a loan to related party. Refer to note 33 for further information.

(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.

(e) Share-based payment transactions

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

(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.

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 amortised cost
Cash and bank balances (note 17) ^(a)
Trade and other receivables (note 18) ^(a)
Trade and other payables (note 23) ^(a)
Interest bearing liabilities (note 24)
Other financial assets (note 33) ^(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:

	Note	Consolidated	
		Carrying amount	
		2023	2022
		\$'000	\$'000
Trade receivables	18	112,262	110,055
Accrued revenue	18	33,862	25,667
Other receivables	18	11,058	7,415
Cash and cash equivalents	17	46,673	60,158
Other financial assets	33	4,677	-
		208,532	203,295

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 counterparty 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. 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 will be requested.

Where commercially available, the Group aims to insure the majority of 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 \$1,000,000,000 (2022: \$750,000,000). The Group held insurance for the entire financial year ended 30 June 2023.

6 Financial instruments (continued)
Credit risk (continued)

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

	Consolidated		Consolidated	
	Gross 2023 \$'000	Impairment 2023 \$'000	Gross 2022 \$'000	Impairment 2022 \$'000
Not past due	96,511	-	89,160	-
Past due 0-30 days	8,006	-	17,235	-
Past due 31-60 days	259	-	3,412	-
Past due 61 days	7,486 ¹	(190)	248	(189)
	112,262	(190)	110,055	(189)

⁽¹⁾ Of this balance, \$7,000,000 was received subsequent to 30 June 2023.

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 \$1,000,000,000;
- Insured customers: those that are trading within terms and their trade receivable exposure is 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	
	2023 \$'000	2022 \$'000
Blue chip (including subsidiaries)	47,324	34,513
Insured	47,164	36,781
Underinsured	6,647	6,966
Uninsured	11,127	31,795
	112,262	110,055

The Group considers blue chip and insured customers as no risk. The Group only assesses uninsured customers and underinsured 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 the Groups' customers run their operations or achieve profitability and cash flows to pay their receivables. As part of this assessment, the Group has considered the potential impact of 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 has determined it is not appropriate to include a rental customer history earlier than FY19. Therefore, only loss history from FY19 is used for this assessment.

Based on the factors outlined above, the Group has calculated an expected credit loss of \$190,000 based on historical loss trends and economic factors (2022: \$189,000). During the period, allowances for specific customers were identified as doubtful and subsequently written off by the Group totalling \$23,013,000 (2022: nil).

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

	Consolidated	
	Impairment	Impairment
	2023	2022
	\$'000	\$'000
Opening loss allowance as at 1 July	189	205
Net remeasurement of loss allowance	1	(16)
Loss allowance on receivables arising during the period	23,013	-
Loss allowance on receivables recovered/written off during the period	(23,013)	-
Loss allowance as at 30 June	190	189

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

Credit-impaired financial assets

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

Cash

The Group held cash and cash equivalents of \$46,673,000 at 30 June 2023 (2022: \$60,158,000), 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 2023 the Group held nil bank guarantees (2022: nil) and \$400,000 of advance payments from customers (2022: 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 2023, \$3,509,000 guarantees were outstanding (2022: \$3,121,000).

Liquidity risk

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

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

Notes

The Group has issued secured fixed interest notes to the value of \$250,000,000 which mature on 10 July 2026. The nominal fixed interest rate is 6.25%. 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 December 2025, which has two sub facilities consisting of a Loan Note Agreement Facility (**LNA**) of \$95,000,000 (30 June 2022: \$96,800,000) and a Bank Guarantee Facility of \$5,000,000 (30 June 2022: \$3,200,000). In December 2022, the Group successfully refinanced the facility with existing lenders in the syndicate, with the tenor of the facility being three years, with an option to extend for a further two years to December 2027 at the Group's election. 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 2.75% and 3.75% dependent on the portion of the facility utilised and credit agency ratings (2.75% if less than 25% drawn and credit agency ratings of Ba2/BB or higher; 3.75% if greater than or equal to 25% drawn and credit agency ratings lower than B1/B+).

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 2023, the Group had no drawn amount of the LNA and had utilised \$3,509,000 of the bank guarantee facility.

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

To manage the cash flow conversion cycle on goods and services procured by the Group, and to ensure that suppliers receive payment in a timely manner, the Group offers some suppliers supply chain financing. The Group's supply chain financing facilities totalled \$25,500,000 as at 30 June 2023 (2022: \$25,500,000). Refer to note 23 for further information.

The Group has lease facilities totalling \$70,721,000 (2022: \$54,648,000) which have various maturities up to June 2033.

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6 Financial instruments (continued)
Liquidity risk (continued)

The following gross outflows represent the contractual, undiscounted cash flow maturities of the Group's financial liabilities (including estimated interest payments).

Consolidated 30 June 2023	Carrying amount \$'000	Contractual					More than 5 years \$'000
		cash flows \$'000	6 mths or less \$'000	6-12 mths \$'000	1-2 years \$'000	2-5 years \$'000	
Non-derivative financial liabilities							
Secured notes issue	250,000	304,689	7,813	7,813	15,625	273,438	-
Lease liabilities	70,721	78,820	10,474	13,956	14,867	23,577	15,946
Trade and other payables ⁽¹⁾	139,581	139,581	139,581	-	-	-	-
Financial liabilities	4,259	4,818	758	735	1,400	1,925	-
	464,561	527,908	158,626	22,504	31,892	298,940	15,946

Consolidated 30 June 2022	Carrying amount \$'000	Contractual					More than 5 years \$'000
		cash flows \$'000	6 mths or less \$'000	6-12 mths \$'000	1-2 years \$'000	2-5 years \$'000	
Non-derivative financial liabilities							
Secured notes issue	250,000	320,314	7,813	7,813	15,625	289,063	-
Lease liabilities	54,648	60,414	8,157	7,316	18,041	18,632	8,268
Trade and other payables ⁽¹⁾	125,607	125,607	125,607	-	-	-	-
	430,255	506,335	141,577	15,129	33,666	307,695	8,268

⁽¹⁾ Trade and other payables excludes deferred revenue and interest accruals. Estimated interest payments are included within "secured notes issue". Refer to note 24 for further information.

6 Financial instruments (continued)

Market risk

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

Currency risk

The functional currency of the Company is the Australian dollar (AUD).

The Group is not exposed to any material currency risk.

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 fixed interest notes.

Profile

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

	Note	Consolidated	
		2023 \$'000	2022 \$'000
Variable rate instruments:			
Cash at bank	17	46,673	60,158
		46,673	60,158
Fixed rate instruments:			
Interest bearing liabilities (AUD notes)	24	(250,000)	(250,000)
Interest bearing finance leases	24	(70,721)	(54,648)
		(320,721)	(304,648)

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:

	Note	2023		2022	
		Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Assets carried at amortised cost					
Receivables	18	157,765	157,765	142,948	142,948
Cash and cash equivalents	17	46,673	46,673	60,158	60,158
Other financial assets	33	4,677	4,677	-	-
		209,115	209,115	203,106	203,106
Liabilities carried at amortised cost					
Secured notes issue	24	(250,000)	(250,000)	(250,000)	(250,000)
Lease liabilities	24	(70,721)	(78,821)	(54,648)	(60,413)
Loan note agreement	32	32	32	158	158
Trade and other payables	23	(147,143)	(147,143)	(135,879)	(135,879)
		(467,832)	(475,932)	(440,369)	(446,134)

Notes to the Consolidated Financial Statements

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6 Financial instruments (continued)

Market risk (continued)

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.

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 average invested capital, which is defined as the average over the period of equity, plus interest bearing liabilities, less cash and intangibles. The Group's ROC for the year was 9.6% (2022: 14.9%).

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

	Consolidated	
	2023	2022
	\$'000	\$'000
EBIT	79,147	115,140
Average invested capital ⁽¹⁾	826,459	771,360
EBIT return on capital at 30 June	9.6%	14.9%

⁽¹⁾ Average invested capital is average over the period of equity, plus interest bearing liabilities, less cash and intangibles.

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7 Revenue

The Group disaggregates revenue from its contracts with customers through three strategic business units, being Rental, Workshops and Pit N Portal. This appropriately depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group's fleet is commodity agnostic i.e. the fleet can be used across a range of different commodities without significant modification, and decision making relating to the sale of goods and services is driven by the economic factors affecting each business unit. For further information regarding revenue earned by business unit, refer to note 15.

8 Other income

	Consolidated	
	2023	2022
	\$'000	\$'000
Net profit on sale of non-current assets ⁽¹⁾	1,428	60
Sundry income ⁽²⁾	2,659	620
	4,087	680

⁽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 2023 was \$3,485,000 (2022: \$2,791,000).

⁽²⁾ Included in sundry income are other out-of-cycle fees received from customers, which are measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises income when it transfers control of a product to a customer.

9 Profit before income tax expense

	Note	Consolidated	
		2023 \$'000	Restated 2022 \$'000
Profit before income tax expense has been arrived at after charging/(crediting) the following items:			
Impairment of tangible assets:			
- inventory	19	(2)	89
- property, plant and equipment		983	1,036
		981	1,125
Employee expenses:			
- salaries, wages and superannuation		149,783	140,406
- employee share plan expenses		1,417	1,999
		151,200	142,405
Other expenses:			
- motor vehicles		3,506	2,928
- safety, staff training and amenities		5,234	5,756
- travel and subsistence expense		12,613	8,356
- workshop consumables, tooling and labour		6,487	3,942
- doubtful debts/(reversal) excluding write-offs		-	(2)
- insurance		5,103	5,146
- property and office expenses		10,616	9,068
- telecommunications and IT		4,401	3,448
- corporate, accounting and legal		4,253	3,976
- COVID-19 expenses		-	1,686
- Hired-in equipment and services		22,423	14,135
- other expenses		5,958	4,890
		80,594	63,329
Depreciation of:			
- buildings		46	66
- plant and equipment		121,864	111,319
- office equipment		1,080	553
- motor vehicles		1,756	1,446
- leasehold improvements		218	140
- sundry plant		1,553	1,304
	21	126,517	114,828
- depreciation of right-of-use assets	22	17,855	13,042
Total depreciation		144,372	127,870
Amortisation of intangible assets:			
- contract intangibles		790	661
- software		659	910
	20	1,449	1,571
Total depreciation and amortisation expense		145,821	129,441

9 Profit before income tax expense (continued)

	Consolidated	
	2023 \$'000	2022 \$'000
Finance costs:		
- interest expense	25,016	21,600
- amortisation of debt establishment costs using effective interest rate	1,366	1,113
- other facility costs	1,546	1,472
Total finance costs	27,928	24,185
Finance income:		
- interest income	(670)	(164)
Total finance income	(670)	(164)
Foreign exchange loss/(gain):		
- net realised foreign exchange loss/(gain)	1	192
- net unrealised foreign exchange loss/(gain)	51	244
Net foreign exchange loss/(gain)	52	436

(1) Refer to note 25 for further details on the long-term debt refinancing transactions associated with these finance costs.

10 Auditor's remuneration

	Consolidated	
	2023 \$	2022 \$
Audit services		
Auditors of the Company <i>Deloitte Touche Tohmatsu Australia:</i>		
- audit and review of financial reports	777,362	517,292
Assurance, agreed upon procedures & other services		
Auditors of the Company <i>Deloitte Touche Tohmatsu Australia:</i>		
- other assurance services	203,700	51,410
- taxation services	-	12,945
<i>Overseas Deloitte Firms:</i>		
- other assurance services	34,104	16,029
- taxation services	9,758	9,610
	1,024,924	607,286

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

11 Taxes

a. Recognition in the income statement

	Note	Consolidated	
		2023 \$'000	2022 \$'000
Deferred tax expense			
Origination and reversal of temporary differences and tax losses in the current year		10,506	25,730
Tax expense	12	10,506	25,730

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

	Note	Consolidated	
		2023 \$'000	2022 \$'000
Foreign exchange	12	218	410

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

	Consolidated	
	2023 \$'000	2022 \$'000
Prima facie tax expense calculated at 30% on profit before tax	15,551	27,205
Increase/(decrease) in income tax expense due to:		
Derecognition of foreign tax losses	35	50
Other non-deductible expenses	58	67
Prior year error - debt deductions	(2,299)	-
Additional tax losses arising from amended interest deductions	(3,635)	-
Under/(over) provided in prior years	796	(1,592)
Tax expense	10,506	25,730

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12 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Consolidated	Assets		Liabilities		Net	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Property, plant and equipment	-	-	(132,739)	(114,501)	(132,739)	(114,501)
Intangibles	-	-	(470)	(470)	(470)	(470)
Receivables	-	-	(614)	(289)	(614)	(289)
Right-of-use contracts	17,387	13,021	-	-	17,387	13,021
Other financial assets	-	-	(178)	(168)	(178)	(168)
Inventories	-	-	(2,256)	(1,574)	(2,256)	(1,574)
Payables	741	1,050	-	-	741	1,050
Interest bearing loans & borrowings	-	-	(209)	-	(209)	-
Unearned revenue	-	-	(25)	(25)	(25)	(25)
Business costs	516	847	-	-	516	847
Provisions	11,688	4,582	-	-	11,688	4,582
Borrowing costs	-	4,739	-	-	-	4,739
Employee share costs	-	-	(228)	(434)	(228)	(434)
Tax losses carried forward	93,541	91,100	-	-	93,541	91,100
Tax assets/(liabilities)	123,873	115,339	(136,719)	(117,461)	(12,846)	(2,122)
Set off of tax	(123,873)	(115,339)	123,873	115,339	-	-
Net tax (liabilities)/assets	-	-	(12,846)	(2,122)	(12,846)	(2,122)

Movement in deferred tax balances

	Consolidated					
	Balance 1 July 22 \$'000	Balances acquired \$'000	Recognised in profit or loss \$'000	Recognised directly in equity \$'000	Recognised in other comprehensive income \$'000	Balance 30 Jun 23 \$'000
Property, plant and equipment	(114,501)	(8,936)	(9,302)	-	-	(132,739)
Intangibles assets	(470)	-	-	-	-	(470)
Receivables	(289)	-	(325)	-	-	(614)
Right-of-use contracts	13,021	8,936	(4,570)	-	-	17,387
Other financial assets	(168)	-	(10)	-	-	(178)
Inventories	(1,574)	-	(682)	-	-	(2,256)
Payables	1,050	-	(91)	(218)	-	741
Interest bearing loans & borrowings	-	-	(209)	-	-	(209)
Unearned revenue	(25)	-	-	-	-	(25)
Business costs	847	-	(331)	-	-	516
Provisions	4,582	-	7,106	-	-	11,688
Borrowing costs	4,739	-	(4,739)	-	-	-
Employee share costs	(434)	-	206	-	-	(228)
Tax losses carried forward	91,100	-	2,441	-	-	93,541
	(2,122)	-	(10,506)	(218)	-	(12,846)

12 Deferred tax assets and liabilities (continued)

Movement in deferred tax balances

	Consolidated					Balance 30 Jun 22 \$'000
	Balance 1 July 21 \$'000	Balances acquired \$'000	Recognised in profit or loss \$'000	Recognised directly in equity \$'000	Recognised in other comprehensive income \$'000	
Property, plant and equipment	(92,626)	(6,309)	(15,566)	-	-	(114,501)
Intangibles assets	(4)	(466)	-	-	-	(470)
Receivables	(575)	-	286	-	-	(289)
Derivative - hedge receivable	3,717	1,732	(5,449)	-	-	-
Right-of-use contracts	12,807	6,309	(6,095)	-	-	13,021
Other financial assets	(116)	-	(52)	-	-	(168)
Inventories	(230)	-	(1,344)	-	-	(1,574)
Payables	1,470	-	(10)	(410)	-	1,050
Interest bearing loans and borrowings	1,732	(1,732)	-	-	-	-
Unearned revenue	(25)	-	-	-	-	(25)
Business costs	1,534	-	(687)	-	-	847
Provisions	3,646	-	936	-	-	4,582
Borrowing costs	6	-	4,733	-	-	4,739
Employee share costs	(1,245)	-	811	-	-	(434)
Tax losses carried forward	94,393	-	(3,293)	-	-	91,100
	24,484	(466)	(25,730)	(410)	-	(2,122)

Unrecognised deferred tax assets

	Consolidated	
	2023 \$'000	2022 \$'000
The following deferred tax assets have not been brought to account as assets:		
Tax losses	82,425	82,390

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

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13 Capital and reserves

	Consolidated	
	2023 \$'000	2022 \$'000
Share capital		
519,002,615 (2022: 526,666,035) ordinary shares, fully paid	1,225,141	1,231,743
Acquisition reserve	(75,887)	(75,887)
	1,149,254	1,155,856

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 2022	526,666,035		1,231,743
On market share buy-back ⁽¹⁾	7 September 2022	(3,627,412)	0.93	(3,373)
On market share buy-back ⁽¹⁾	4 November 2022	(4,036,008)	0.80	(3,229)
Balance	30 June 2023	519,002,615		1,225,141
Less: treasury shares		3,408,327		
Issued capital		515,594,288		

⁽¹⁾ During the year ending 30 June 2023, Emeco purchased 7,663,420 shares through an on-market share buy-back at an average share price of \$0.86 totaling \$6,602,000 (30 June 2022: 17,389,099 shares were purchased at an average share price of \$0.90 totaling \$15,601,000).

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13 Capital and reserves (continued)

Treasury shares

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 2023 the Company held 3,408,327 treasury shares (2022: 4,561,797), in satisfaction of the employee share plans.

Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Share-based payment reserve

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

For the period ended 30 June 2022, the board resolved to pay a final dividend of 1.25 cents per share totalling \$6,541,000, which was fully franked and paid on 30 September 2022. On 22 February 2023, a fully franked interim dividend of 1.25 cents per share totalling \$6,485,000 was declared and paid on 13 April 2023.

On 22 August 2023, the board resolved to pay a final dividend for the year ended 30 June 2023 of 1.25 cents per share, representing a total cash payment of \$6.5 million. The dividend will be fully franked and will be paid on 29 September 2023.

13 Capital and reserves (continued)

Franking account

	The Company	
	2023 \$'000	Restated 2022 \$'000
Dividend franking account		
30% franking credits available to shareholders of Emeco Holdings Limited for subsequent financial years	72,268	77,870

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 \$2,780,000 (2022: \$2,821,000). In accordance with the tax consolidation legislation, the Company as the head entity in the Australian tax consolidated group has also assumed the benefit of \$72,268,000 (2022: \$77,870,000) franking credits.

14 Disposal groups and assets held for sale

During the year \$3,062,000 (FY22: \$5,576,000) of assets were transferred from property, plant and equipment into assets held for sale. Assets previously classified during the period as held for sale were further impaired by \$983,000 (FY22: \$1,036,000) to their fair value less cost to sell based on market prices of similar equipment.

As at 30 June 2023, assets held for sale comprised of \$1,165,000 (2022: \$4,094,000). Level 3 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.

	2023 \$'000	2022 \$'000
Assets classified as held for sale		
Property, plant and equipment	1,165	4,094
Net assets classified as held for sale	1,165	4,094

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 (2022: three) reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different operational strategies for each geographic region. For each of the strategic business units, the Managing Director and board of directors review internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

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

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

Major customers

For the year ended 30 June 2023, the Group had three (2022: one) major customers comprising 10% or more of total Group revenue across the segments as indicated below:

Segment	2023 \$'000	2022 \$'000
Rental	87,981	-
Workshops	104,443	-
Pit N Portal ⁽¹⁾	108,722	84,400
	301,146	86,400

⁽¹⁾ The major customer for Pit N Portal for the year ended 30 June 2023 was different to the major customer reported for the year ended 30 June 2022.

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15 Segment reporting (continued)

Information about reportable segments

	Continuing			Total \$'000
	Rental \$'000	Workshops \$'000	Pit n Portal \$'000	
Year ended 30 June 2023				
Segment revenue	499,636	246,658	223,638	969,932
Intersegment revenue	(4,819)	(90,196)	-	(95,015)
Revenue from external customers	494,817	156,462	223,638	874,917
Other income	2,504	-	1,235	3,739
Trade receivables written off	-	-	(23,013)	(23,013)
Segment earnings before interest, tax, depreciation & amortisation	259,744	11,776	(5,796)	265,724
Impairment of tangible assets	(981)	-	-	(981)
Depreciation and amortisation	(120,489)	(4,520)	(17,483)	(142,492)
Segment result (EBIT)	138,274	7,256	(23,279)	122,251
Corporate overheads				(43,104)
EBIT				79,147
Net finance (expense)/income				(27,258)
Foreign exchange movements				(52)
Net profit before tax				51,837
Tax expense				(10,506)
Net profit after tax				41,331
Total assets for reportable segments	808,687	55,968	168,392	1,033,047
Unallocated assets				55,374
Total Group assets				1,088,421
Capital expenditure net of disposals	162,871	2,432	10,623	175,926
Total liabilities for reportable segments	107,617	53,010	37,848	198,475
Unallocated liabilities				300,502
Total Group liabilities				498,977

	Continuing			Total \$'000
	Rental \$'000	Workshops \$'000	Pit n Portal \$'000	
Year ended 30 June 2022				
Segment revenue	429,099	173,654	248,656	851,409
Intersegment revenue	(13,978)	(83,063)	-	(97,041)
Revenue from external customers	415,121	90,591	248,656	754,368
Other income	590	28	62	680
Segment earnings before interest, tax, depreciation & amortisation	240,236	9,041	32,700	281,977
Impairment of tangible assets	(1,125)	-	-	(1,125)
Depreciation and amortisation	(108,063)	(3,468)	(15,701)	(127,232)
Segment result (EBIT)	131,048	5,573	16,999	153,620
Corporate overheads				(38,480)
EBIT				115,140
Net finance (expense)/income				(24,021)
Foreign exchange movements				(436)
Net profit before tax				90,683
Tax expense				(25,730)
Net profit after tax				64,953
Total assets for reportable segments	734,074	39,729	196,371	970,174
Unallocated assets				51,339
Total Group assets				1,021,513
Capital expenditure net of disposals	139,254	1,649	26,723	167,626
Total liabilities for reportable segments	79,354	38,496	52,849	170,699
Unallocated liabilities				283,593
Total Group liabilities				454,292

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16 Other current assets

	Consolidated	
	2023	2022
	\$'000	\$'000
Prepayments	4,703	3,550
Contract assets	12,187	17,293
	16,890	20,843

17 Cash and cash equivalents

	Consolidated	
	2023	2022
	\$'000	\$'000
Cash at bank	46,673	60,158

18 Trade and other receivables

	Consolidated	
	2023	2022
	\$'000	\$'000
Current		
Trade receivables	112,262	110,055
Accrued revenue	33,862	25,667
Less: Expected credit losses	(190)	(189)
	145,934	135,533
VAT/GST receivable	511	-
Other receivables	11,058	7,415
Deferred employee benefits expense ⁽¹⁾	262	-
	157,765	142,948

⁽¹⁾ Deferred employee benefits expense relates to expected employee benefits to be recognised in the consolidated statement of profit or loss and other comprehensive income on a loan to a related party over the next 12 months. Refer to note 33 for further information.

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

18 Trade and other receivables (continued)

The movement in the allowance for expected credit losses ("ECL") in respect of trade receivables and accrued revenue during the period was as follows:

	Consolidated	
	2023 \$'000	2022 \$'000
Opening loss allowance	189	205
Collective ECL recognised during the period ⁽¹⁾	1	(16)
Loss allowance on trade receivables arising during the period ⁽²⁾	23,013	-
Loss allowance on trade receivables written off during the year ⁽³⁾	(23,013)	-
Closing loss allowance	190	189

⁽¹⁾ The collective ECL is calculated using a combination of historical losses and economic conditions that are representative of those expected to exist during the life of the receivable. This is based on historical loss rates, ageing of debtors and economic factors that include commodity prices. The Group considers blue chip and insured customers as no risk, and only assesses uninsured and underinsured customers that have breached their trading terms in the ECL calculation. The Group also reviews specific customer receivables deemed a higher recoverability risk (see below). Refer to note 6 for further information.

⁽²⁾ Loss allowance arising during the period is the GST exclusive amount, which is now fully written off (refer to note 3 below). The amount including GST is \$25,314,000.

⁽³⁾ Losses on trade receivables written off during the year relate to Pit N Portal customers. A loss allowance of \$22,965,000 was made at 31 December 2022 against amounts owing in relation to Minjar/Barto. Subsequent to 31 December 2022, a total of \$10,909,000 was received from Minjar/Barto with the balance of \$12,056,000 written off. Additional amounts written off during the year included \$9,638,000 for Aurora Metals following its placement into receivership and \$1,273,000 for KMG following termination of this contract.

19 Inventories

	Consolidated	
	2023 \$'000	2022 \$'000
Work in progress – at cost ⁽¹⁾	2,072	7,723
Consumables, equipment & spare parts – at cost	18,001	12,805
Total at cost	20,073	20,528
Equipment and parts – at NRV	3,362	2,983
Total inventory	23,435	23,511

⁽¹⁾ During the year ended 30 June 2023, a reversal to impairment of inventories was recognised in the consolidated statement of profit or loss and other comprehensive income of \$2,000 (2022: write-down of \$89,000).

20 Intangible assets

	Consolidated	
	2023 \$'000	2022 \$'000
Goodwill	8,005	8,005
Contract intangible	3,737	3,737
Less: Accumulated amortisation	(2,500)	(1,710)
	1,237	2,027
Software – at cost	8,184	8,049
Less: Accumulated amortisation	(7,769)	(7,110)
	415	939
Total intangible assets	9,657	10,971

Contract intangible and goodwill

Goodwill of \$8,005,000 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. The goodwill is recognised in the Australian Rental operating segment.

On the acquisition of Pit N Portal on 28 February 2020, a customer intangible was recognised. This represented the residual value of the purchase price of the company over the fair value of the identifiable assets and liabilities acquired. The customer intangible is being amortised over the determined life of the intangible. Also included in this balance are contract intangibles acquired relating to the acquisition of Borex Pty Ltd in FY22.

Software

Software has been acquired and developed internally by the business for asset management, monitoring and planning purposes. Software is amortised over 1 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	
	2023 \$'000	2022 \$'000
Amortisation expense	1,449	1,571
Total expense for the year	1,449	1,571

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21 Property, plant and equipment

	Consolidated						
	Land & buildings	Leasehold improvements	Plant & equipment	Office equipment	Motor vehicles	Sundry plant	Total
At cost at 30 June 2023	2,915	7,645	1,543,524	6,200	13,891	15,484	1,589,659
Accumulated depreciation and impairment at 30 June 2023	(1,444)	(5,037)	(805,703)	(4,965)	(8,310)	(11,568)	(837,027)
	1,471	2,608	737,821	1,235	5,581	3,916	752,632
At cost at 30 June 2022	2,727	5,730	1,376,662	5,260	14,280	14,585	1,419,244
Accumulated depreciation and impairment at 30 June 2022	(1,398)	(4,819)	(688,561)	(3,888)	(6,863)	(10,051)	(715,580)
	1,329	911	688,101	1,372	7,417	4,534	703,664
	Consolidated						
	2023						
	\$'000						
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:	Land & buildings	Leasehold improvements	Plant & equipment	Office equipment	Motor vehicles	Sundry plant	Total
Carrying amount at the beginning of the year	1,329	911	688,101	1,372	7,417	4,534	703,664
Additions	188	1,915	191,233	947	74	1,049	195,406
Depreciation	(46)	(218)	(121,864)	(1,080)	(1,756)	(1,553)	(126,517)
Disposals	-	-	(1,145)	(4)	-	-	(1,149)
Movement (to)/from assets held for sale	-	-	(2,794)	-	(154)	(114)	(3,062)
Movement in major equipment components	-	-	1,648	-	-	-	1,648
Movement capital WIP	-	-	(17,358)	-	-	-	(17,358)
Carrying amount at the end of the year	1,471	2,608	737,821	1,235	5,581	3,916	752,632
	Consolidated						
	2022						
	\$'000						
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:	Land & buildings	Leasehold improvements	Plant & equipment ⁽¹⁾	Office equipment	Motor vehicles	Sundry plant	Total ⁽¹⁾
Carrying amount at the beginning of the year	859	932	644,088	1,113	3,841	3,214	654,047
Additions	536	119	142,238	822	5,051	2,624	151,390
Depreciation	(66)	(140)	(111,319)	(553)	(1,446)	(1,304)	(114,828)
Disposals	-	-	-	-	-	-	-
Movement (to)/from assets held for sale	-	-	(5,537)	(10)	(29)	-	(5,576)
Movement in major equipment components	-	-	2,866	-	-	-	2,866
Movement capital WIP	-	-	15,765	-	-	-	15,765
Carrying amount at the end of the year	1,329	911	688,101	1,372	7,417	4,534	703,664

(1) Prior year property plant & equipment has been restated to reclassify leased plant & equipment in right-of-use assets (in accordance with AASB 16). Refer to note 22 for further details.

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21 Property, plant and equipment (continued)

Depreciation

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

Security

The Group's assets are subject to a fixed and floating charge under the terms of the notes issued. Refer to 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 2023, detailed impairment testing was undertaken for the Australian Rental CGU and the Pit N Portal CGU and testing carried out for the Workshops CGU, with no impairment being identified. Additionally, carrying value of property, plant and equipment was supported by an independent fair market valuation. Refer to note 2(e) "Estimates and judgements" for detailed consideration of this matter. During the period, assets classified as held for sale were impaired by \$983,000 (FY22: \$1,036,000) to their fair value less cost to sell based on market prices of similar equipment.

22 Right-of-use assets

	Consolidated				
	\$'000				
As at 30 June 2023	Buildings	Motor vehicles	Equipment	Leased equipment reclassified from PPE to ROU asset⁽¹⁾	Total
Opening balance 1 July 2022	36,039	10,364	19,136	23,153	88,692
Additions	18,782	8,096	5,133	-	32,011
Additions to leased equipment reclassified	-	-	-	4,447	4,447
Termination of lease	(8,493)	(1,240)	(2,119)	(1,407)	(13,259)
Remeasurements	3,459	-	-	-	3,459
Total cost	49,787	17,220	22,150	26,193	115,350
Accumulated depreciation	(13,897)	(6,575)	(8,970)	(10,381)	(39,823)
Net carrying amount	35,890	10,645	13,180	15,812	75,527

	Consolidated				
	\$'000				
As at 30 June 2022	Buildings	Motor vehicles	Equipment	Leased equipment reclassified from PPE to ROU asset⁽¹⁾	Total
Opening balance 1 July 2021	27,280	6,273	13,657	21,836	69,046
Additions	9,004	4,393	5,479	1,317	20,193
Termination of lease	(195)	(302)	-	-	(497)
Remeasurements	(50)	-	-	-	(50)
Total cost	36,039	10,364	19,136	23,153	88,692
Accumulated depreciation	(14,799)	(3,945)	(5,901)	(8,723)	(33,368)
Net carrying amount	21,240	6,419	13,235	14,430	55,324

⁽¹⁾ Prior year property plant & equipment has been restated to reclassify leased plant & equipment in right-of-use assets (in accordance with AASB 16).

22 Right-of-use assets (continued)

The Group's right-of-use assets relate to property, motor vehicles and heavy earth moving equipment. The average lease term is 4.42 years (2022: 4.65 years).

The corresponding lease liability analysis is presented in note 24.

	Consolidated	
	2023 \$'000	2022 \$'000
Amount recognised in profit or loss		
Depreciation expense on right-of-use assets	17,855	13,042
Interest expense on lease liabilities	3,274	2,374
Expense relating to short-term leases	1,403	2,420
Expense relating to leases of low value assets	88	132
	22,620	17,968

23 Trade and other payables

	Consolidated	
	2023 \$'000	2022 \$'000
Current		
Trade payables	80,723	75,357
Interest accrual	7,561	7,471
Deferred revenue	-	6,700
Other payables and accruals	58,859	46,351
	147,143	135,879

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

Trade and other payables are stated at cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year, which are unpaid at the reporting date.

To manage the cash flow conversion cycle on some goods and services procured by the Group, and to ensure that suppliers receive payment in a timely manner, the Group offers some suppliers supply chain financing. At 30 June 2023, the balance of the supply chain finance programmes was \$25,517,000 (2022: \$24,736,000). The supply chain financing programmes attract fees in the range of 1.15% - 2.04% of the transaction value, and are repaid on 60-day terms. The Group evaluates supplier arrangements against a number of indicators to assess if the payable continues to have the same characteristics of a trade payable or should be classified as borrowings. These indicators include whether the payment terms exceed customary payment terms in the industry, the extent to which the rights and obligations (if any) under the contractual relationships attached to the original liability have been modified, and whether there are any additional credit enhancements arising from the supply chain financing arrangements. At 30 June 2023, the Group has concluded the payables subject to supply chain financing arrangements did not meet all of the characteristics to be classified as borrowings and accordingly the balances remain in trade and other payables.

The Company has also entered into a deed of cross guarantee with certain subsidiaries as described in note 37. Under the terms of the deed, the Company has guaranteed the repayment of all current and future creditors in the event any of the entities party to the deed are wound up. Details of the consolidated financial position of the Company and subsidiaries party to the deed are set out in note 37.

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24 Interest bearing liabilities

	Consolidated	
	2023 \$'000	2022 \$'000
Current		
<i>Amortised cost</i>		
Lease liabilities	21,431	14,005
Other financing	1,098	964
Financial liability ⁽¹⁾	1,217	-
	23,746	14,969
Non-current		
<i>Amortised cost</i>		
AUD notes – secured	250,000	250,000
Debt raising costs ⁽²⁾	(3,431)	(4,548)
Lease liabilities	49,290	40,643
Financial liability ⁽¹⁾	3,042	-
	298,901	286,095

⁽¹⁾ A current financial liability of \$1,217,000 (2022: nil) and non-current financial liability of \$3,042,000 (2022: nil) was recognised, relating to the sale and leaseback of equipment.

⁽²⁾ Carried at amortised cost. The movement from prior year is due to amortisation recorded in the Statement of Profit or Loss and Other Comprehensive Income for the year.

Revolving Credit Facility

The Group has a Revolving Credit Facility (RCF) of \$100,000,000 which matures in December 2025 and has two sub facilities consisting of a Loan Note Agreement Facility (**LNA**) of \$95,000,000 (2022: \$96,800,000) and a Bank Guarantee Facility of \$5,000,000 (2022: \$3,200,000). In December 2022, the Group successfully refinanced the facility with existing lenders in the syndicate, with the tenor of the facility being three years, with an option to extend for a further two years to December 2027 at the Group's election. 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 2.75% and 3.75% dependent on the portion of the facility utilised and credit agency ratings (2.75% if less than 25% drawn and credit agency ratings of Ba2/BB or higher; 3.75% if greater than or equal to 25% drawn and credit agency ratings lower than B1/B+).

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 2023, the LNA was undrawn (2022: nil).

Secured notes issue

On 2 July 2021, the Company successfully completed the issuance of \$250,000,000 notes in the AMTN 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 those notes on 2 July 2021, resulting in cash out flows of \$11,191,000 for early repayment of the Note, debt financing payments of \$5,566,000 and a mark-to-market payment on hedge close-out of \$5,314,000. These cash out flows were recorded in financing activities for the year ended 30 June 2022, with the profit or loss impact predominantly recorded in the Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2021.

24 Interest bearing liabilities (continued)

Secured notes issue (continued)

The AUD Notes 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 include a call premium of 3.125% that is payable if redeemed prior to 10 July 2024 and 1.5625% is payable on the notes if the notes are redeemed prior to 10 July 2025. No call premium is payable after this date. There are no restrictions on capital expenditure in the AUD notes. The effective interest rate of these notes is 6.76%, which is inclusive of the capitalised borrowing costs and annual coupon.

Working capital facilities

The Group has a credit card facility with a limit of \$150,000 (2022: \$150,000). The facility is secured via a cash cover account.

Lease liabilities

At 30 June 2023, the Group held lease facilities totalling \$70,721,000 (2022: \$54,648,000) which have various maturities up to June 2033. Lease terms are negotiated on an individual basis and include 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	
	2023	2022
	\$'000	\$'000
Opening balance as at 1 July	54,648	48,300
New leases	32,011	21,028
Interest expense	3,274	2,374
Principal repayments	(22,672)	(17,201)
Remeasurements	3,460	147
Balance at 30 June	70,721	54,648
Current	21,431	14,005
Non-current	49,290	40,643
	70,721	54,648

The Group's lease liabilities are secured by the leased assets of \$75,527,000 (2022: \$55,324,000). In the event of default, the leased assets revert to the lessor.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

24 Interest bearing liabilities (continued)**Reconciliation of liabilities arising from financing activities**

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

	1 July 2022 \$'000	Financing cash flows \$'000	Finance expense* \$'000	Net debt acquired \$'000	Realised FX \$'000	Hedging transactions \$'000	30 June 2023 \$'000
AUD notes	250,000	-	-	-	-	-	250,000
Lease liabilities	54,648	(22,662)	3,275	35,460	-	-	70,721
Debt raising costs	(4,548)	-	1,117	-	-	-	(3,431)
Financial liabilities	-	(781)	234	4,806	-	-	4,259
Other financing	965	(4,360)	100	4,393	-	-	1,098
	301,065	(27,803)	4,726	44,659	-	-	322,647

* inclusive of amortisation expense

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

* inclusive of amortisation expense

25 Financing arrangements

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

2023	Consolidated \$'000		
	Available facility	Facility utilised at reporting date	Facility not utilised at reporting date
AUD notes ⁽¹⁾	250,000	250,000	-
Loan note agreement ⁽²⁾	95,000	-	95,000
Bank guarantee facility ⁽²⁾	5,000	3,509	1,491
Lease liabilities	70,721	70,721	-
	420,721	324,230	96,491

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

⁽¹⁾ The facility of \$250,000,000 was fully drawn at 30 June 2023. 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 \$95,000,000 and bank guarantee of \$5,000,000. The Loan Note Agreement was undrawn at 30 June 2023. Bank guarantees of \$3,509,000 were issued at 30 June 2023.

26 Provisions

	Consolidated	
	2023	2022
	\$'000	\$'000
Current		
Employee benefits:		
- annual leave	12,813	12,900
- long service leave	2,832	1,646
	15,645	14,546
Non-current		
Employee benefits – long service leave	696	681
	696	681

Movement in provisions

	Consolidated	
	2023	2022
	\$'000	\$'000
Balance at 1 July	15,228	12,526
Arising during the year	17,550	15,000
Utilised	(16,437)	(12,299)
Balance at 30 June	16,341	15,227

Defined contribution superannuation funds

The Group makes contributions to defined contribution superannuation funds. The expense recognised for the year was \$19,904,000 (2022: \$18,128,000).

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.).

Vested plans

Grant date/employee entitled	Number of instruments	Vesting conditions	Contractual life of rights/ performance share rights
MIP			
Rights/performance share rights 2019	1,000,000	4 years service	4 years
Rights/performance share rights 2019	553,557	5 years service	5 years
LTIP			
Rights/performance share rights 2020	512,161	3 years service	3 years
Rights/performance share rights 2021	40,198	2 years service	2 years
Rights/performance share rights 2022	42,946	1 year service	1 year
	2,148,862		

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	5 years service	5 years
LTIP			
Rights/performance share rights 2020	140,744	3 years service	3 years
LTIP			
Rights/performance share rights 2021	1,662,411	3 years service	3 years
LTIP			
Rights/performance share rights 2022	1,736,520	3 years service	3 years
LTIP			
Rights/performance share rights 2023	4,385,502	3 years service	3 years
	8,925,177		

27 Share-based payments (continued)

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

	Number of rights/ performance share rights 2023	Number of rights/ performance share rights 2022
Outstanding at 1 July	8,604,782	8,623,741
Granted during the year	4,440,329	3,466,013
Exercised during the year	(2,148,862)	(1,429,242)
Forfeited during the year	(1,971,072)	(2,055,730)
Outstanding at 30 June	8,925,177	8,604,782

The fair value of Rights granted during the year are measured using the Black Scholes model resulting in a fair value of \$0.65 (FY22: \$0.94). The Black Scholes model requires inputs including the risk-free rate, volatility and dividend yield. For Rights granted during the year, the risk-free rate was determined by reference to the Reserve Bank of Australia's 3-year government bond rate. Volatility was derived from historical share price movements over a period similar to the life of the Rights granted, and dividend yield is reflective of the Company's share price at year end and historical dividends paid. Please refer to note 3(k)v. for further information.

The weighted average share price for Rights exercised during the year was \$0.77 (FY22: \$1.09).

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.

Employee expenses

<i>in AUD</i>	Consolidated	
	2023	2022
Performance shares/rights	1,416,873	1,999,257
Total expense recognised as employee costs ⁽¹⁾	1,416,873	1,999,257

⁽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	
	2023 \$'000	2022 \$'000
Future non-cancellable short-term and low value leases not provided for in the financial statements and payable:		
Less than one year	842	3,363
Between one and five years	-	198
More than five years	-	-
	842	3,561

Short-term and low value lease expenditure for FY23 and FY22 is disclosed in note 22.

(b) Capital commitments

The Group has commitments arising subsequent to 30 June 2023 of approximately \$18,700,000 for purchases of fixed assets (2022: nil).

29 Contingent liabilities

Guarantees

The Group has provided bank guarantees in the amount of \$3,509,000 (2022: \$3,121,000) 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 statement 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:

	Note	Consolidated	
		2023 \$'000	2022 \$'000
Cash and cash equivalents	17	46,673	60,158

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

	Note	Consolidated	
		2023 \$'000	2022 \$'000
Net profit from continuing operations		41,331	64,953
Less items classified as investing/financing activities:			
Net profit on sale of non-current assets	8	(1,428)	(60)
Add/(less) non-cash items:			
Depreciation and amortisation	9	145,821	129,441
Amortisation of borrowing costs using effective interest rate	9	1,366	1,113
Foreign exchange loss	9	52	436
Impairment losses on tangible assets	9	981	1,125
Trade receivables written off	18	23,013	-
Provision for doubtful debts reversal	9	-	(2)
Equity settled share-based payments	9	1,417	1,999
Income tax expense	11	10,506	25,730
Net cash from operating activities before change in assets/(liabilities) adjusted for assets and (liabilities) acquired		223,059	224,735
Change in operating assets and liabilities:			
Increase in trade and other receivables		(22,501)	(33,406)
Increase in inventories		(965)	(6,110)
Increase in payables		5,680	33,229
Increase in provisions		1,115	2,700
Net cash from operating activities		206,388	221,148

31 Controlled entities

(a) Particulars in relation to controlled entities

	Country of incorporation	Ownership interest	
		2023 %	2022 %
<i>Parent entity</i>			
Emeco Holdings Limited			
<i>Controlled entities</i>			
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 Holdings South America SpA	Chile	100	100
Enduro SpA	Chile	100	100
Emeco Europe BV	Netherlands	100	100
Emeco BV	Netherlands	100	100
PT Prima Traktor IndoNusa	Indonesia	100	100

(b) Acquisition of entities

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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	Resigned as a director of the Company on 13 June 2023
Peter Kane	
James Walker	Appointed as a director of the Company on 6 June 2023

Executive directors

Ian Testrow	Managing Director & Chief Executive Officer
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Other executives Position

Thao Pham	Ceased as Chief Financial Officer on 7 May 2023
Theresa Mlikota	Appointed as Chief Financial Officer on 8 May 2023

32 Key management personnel disclosure (continued)

Key management personnel compensation

The key management personnel compensation is as follows:

<i>in AUD</i>	Consolidated	
	2023	2022
Short-term employee benefits	2,680,334	2,808,899
Other long-term benefits	48,100	44,648
Other non-monetary benefits	217,176	-
Post-employment benefits	106,285	103,580
Equity compensation benefits	1,446,427	2,448,829
	4,498,322	5,405,956

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 26 to 43.

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

Equity Instruments

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

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

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

The Company has a retention incentive plan that rewards executives for their contribution to the 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 achievements 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, other than as disclosed in note 33, between the Group and these related entities during the year (FY22: nil).

33 Other related party transactions

Loan issued to related party

At the Company's AGM on 17 November 2022, the provision of a zero-interest loan by a subsidiary of the Company to Mr Ian Testrow (Managing Director and Chief Executive Officer) was approved by Shareholders. The principal amount of the loan of \$4,948,640.55 was drawn on 17 February 2023.

An amount of \$166,868 was reimbursed to Mr Ian Testrow for interest expense incurred on a personal loan drawn with a third party Australian financial institution. The estimated FBT liability associated with the interest expense reimbursement provided to Mr Ian Testrow is \$147,978, resulting in a total cost of interest reimbursement of \$314,846.

A non-monetary deferred employee benefits expense of \$115,103 has been recognised in the Statement of Profit or Loss or Other Comprehensive Income, reflecting the zero-interest component of the loan provided to Mr Ian Testrow. The estimated FBT liability associated with the zero-interest component of the unsecured loan provided to Mr Ian Testrow is \$102,073, resulting in a total zero-interest loan benefit of \$217,176. The non-monetary benefit and FBT liability has been determined using an assumed interest rate of 7.77%, based on the Australian Taxation Office benchmark interest rate for the FBT year ending 31 March 2024.

The total cost of the interest expense reimbursement and zero-interest component of the unsecured loan provided to Mr Ian Testrow for the year ended 30 June 2023, inclusive of estimated FBT is \$532,022 (2022: nil).

A deferred employee benefits expense of \$262,000 is recorded in other receivables (refer to note 18), reflecting the expected employee benefits expense to be recognised over the next 12 months for the zero-interest loan provided to Mr Ian Testrow, while the remaining loan receivable of \$4,677,000 is recorded as an "other financial asset" on the Statement of Financial Position.

On 3 August 2023, the Group announced material changes to Mr Ian Testrow's terms of employment, resulting in the loan attracting an interest rate of 12% per annum, only in the event Mr Ian Testrow resigns and his employment ends before 30 June 2027 (calculated from the date the loan was drawn until repayment date). The loan is also repayable on the date Mr Ian Testrow's employment ends (previously three months after employment ends).

The loan was drawn to fund tax liabilities arising from the vesting of Management Incentive Plan ("MIP17") Shares granted in March 2017. The intention of the zero-interest loan is to incentivise Mr Ian Testrow to retain his equity investment in the Company.

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 22 August 2023, the board resolved to pay a final dividend for the year ended 30 June 2023 of 1.25 cents per share, representing a total cash payment of \$6.5 million. The dividend will be fully franked and will be paid on 29 September 2023.

On 22 August 2023, the Company announced its intention to undertake an on-market share buy-back of up to \$7.3 million. The Company reserves the right to vary, suspend or terminate the buy-back at any time.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

34 Subsequent events (continued)

On 3 August 2023, the Group announced material changes to the Managing Director & CEO's (Mr Testrow) terms of employment, specific to the period 1 July 2023 to 30 June 2027. The change to these terms of employment include:

- Increasing total fixed remuneration ("TFR") from \$1,062,000 per annum to \$1,250,000 per annum (this is a permanent change to Mr Testrow's terms of employment).
- Participation in a short-term and long-term incentive scheme of 250% of TFR (this is a permanent change to Mr Testrow's terms of employment).
- Increased participation in the short-term incentive ("STI") plan from 80% to 130% of TFR for the variation period. A portion of the STI may be payable in equity (subject to approval of Shareholders) unless Mr Testrow elects to take the whole of any STI award as cash. All STI equity awards will vest on 30 June 2027, and any STI equity awards which are not approved by Shareholders will be paid in cash.
- Long-term incentive ("LTI") plans in respect of FY24 to FY27 (inclusive) will have a one-year performance period. All equity awards granted will vest on the earlier of release of the Group's FY27 results and the end of Mr Testrow's employment. All awards will be in equity, and where shareholder approval for an award is not obtained, the award will be paid in cash.
- If Mr Testrow resigns and his employment ends before 30 June 2027, the loan issued to Mr Testrow (refer to note 33 for further information) will attract an interest rate of 12% per annum (calculated from the date the loan was drawn until repayment date). The loan was previously interest-free in all circumstances. The loan is also repayable on the date Mr Testrow's employment ends (previously three months after employment ends). Mr Testrow receives equity incentives tested and awarded prior to the date his employment ends, however forfeits equity incentives in respect of years' partly or not yet worked. Post-employment restraints apply until 30 June 2027.
- In a change of control event, or if Mr Testrow's employment ends due to total or permanent disability or death, Mr Testrow will receive unpaid fixed remuneration up to 30 June 2027 and the maximum equity incentives available under the LTI plans which have not yet been tested or awarded (in addition to equity incentives tested and awarded).

Other than the above, there have been no significant events subsequent to the year ended 30 June 2023.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

35 Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the year ended 30 June 2023 was based on the profit attributable to ordinary shareholders of \$41,331,000 (2022: \$64,953,000) and a weighted average number of ordinary shares outstanding less any treasury shares for the year ended 30 June 2023 of 517,322,000 (2022: 535,493,000).

Profit attributed to ordinary shareholders (basic)

	Consolidated	
	2023	2022
	\$'000	\$'000
Profit for the year	41,331	64,953

Weighted average number of ordinary shares (basic)

	Consolidated	
	2023	2022
	'000	'000
Issued ordinary shares at 1 July	522,104	539,823
Effect of vested employee share plans	1,033	955
Effect of on-market share buy-back during the period	(5,815)	(5,285)
Weighted average number of ordinary shares at 30 June	517,322	535,493

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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 2023 was based on the profit attributable to ordinary shareholders of \$41,331,000 (2022: \$64,953,000) and a weighted average number of ordinary shares outstanding less any treasury shares during the financial year ended 30 June 2023 of 526,247,000 (2022: 544,098,000).

Profit attributed to ordinary shareholders (diluted)

	Consolidated	
	2023	2022
	\$'000	\$'000
Profit for the year	41,331	64,953

Weighted average number of ordinary shares (diluted)

	Consolidated	
	2023	2022
	'000	'000
Issued ordinary shares at 1 July	522,104	539,823
Effect of vested employee share plans	1,033	955
Effect of unvested employee share plans	8,925	8,605
Effect of on-market share buy-back during the period	(5,815)	(5,285)
Weighted average number of ordinary shares (diluted) at 30 June	526,247	544,098

36 Parent entity disclosure

As at and throughout the financial year ending 30 June 2023 the parent entity (the 'Company') of the Group was Emeco Holdings Limited.

	Company	
	2023	2022
	\$'000	\$'000
Results of the parent entity		
Profit for the year ⁽¹⁾	18,666	325
Other comprehensive income	-	-
Total comprehensive income for the period	18,666	325
Financial position of parent entity at year end		
Current assets	73	275
Non-current assets	413,360	413,433
Total assets	413,433	413,708
Current liabilities	-	-
Non-current liabilities	-	-
Total liabilities	-	-
Total equity of the parent entity comprising of:		
Share capital	1,149,254	1,155,856
Share-based payment reserve	24,087	28,476
Profit reserve	3,865	16,890
Reserve of own shares	(30,394)	(35,469)
Retained losses	(733,379)	(752,045)
Total equity	413,433	413,708

⁽¹⁾ Profit includes dividends received from wholly owned subsidiaries which are eliminated on group consolidation.

Parent entity guarantees in respect of debts of its subsidiaries

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

Further details of the deed of cross guarantee and the subsidiaries subject to the deed, are disclosed in note 37.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

37 Deed of cross guarantee

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

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

The subsidiaries subject to the deed are:

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

37 Deed of cross guarantee (continued)

A consolidated statement of comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the deed, after eliminating all transactions between parties to the deed of cross guarantee, for the year ended 30 June 2023 is set out as follows:

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

	Consolidated	
	2023	2022
	\$'000	\$'000
Revenue	874,917	754,368
Cost of sales	(574,463)	(450,498)
Gross profit	300,454	303,870
Operating expense	(222,857)	(188,056)
Other income	2,659	620
Finance income	670	164
Finance costs	(27,928)	(24,185)
Unrealised FX	(62)	(439)
Impairment of assets	(939)	(1,037)
Impairment of intercompany loans	(20,388)	-
Profit before tax	31,609	90,937
Tax expense	(10,506)	(25,730)
Net profit after tax	21,103	65,207
Other comprehensive (loss)/income	(169)	(446)
Total comprehensive (loss)/income for the period	(169)	(446)
Retained losses at beginning of year	(570,894)	(635,655)
Retained losses at end of year	(549,960)	(570,894)
Attributed to:		
Equity holders of the Company	(529,960)	(570,894)
Profit for the period	21,103	65,207

Emeco Holdings Limited and its Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2023

37 Deed of cross guarantee (continued)

Statement of financial position

	Consolidated	
	2023 \$'000	2022 \$'000
Current assets		
Cash and cash equivalents	46,673	60,158
Trade and other receivables	157,765	142,948
Other current assets	16,890	20,843
Inventories	23,435	23,511
Assets held for sale	1,165	4,094
Total current assets	245,928	251,554
Non-current assets		
Trade and other receivables	-	19,506
Intangible assets	9,657	10,971
Property, plant and equipment	752,632	703,664
Right-of-use asset	75,527	55,324
Other financial assets	4,677	-
Total non-current assets	842,493	789,465
Total assets	1,088,421	1,041,019
Current liabilities		
Trade and other payables	147,143	135,879
Interest bearing liabilities	23,746	14,969
Provisions	15,645	14,546
Total current liabilities	186,534	165,394
Non-current liabilities		
Interest bearing liabilities	298,901	286,095
Provisions	696	681
Deferred tax liabilities	12,846	2,122
Total non-current liabilities	312,443	288,898
Total liabilities	498,977	454,292
Net assets	589,444	586,727
Equity		
Issued capital	1,149,254	1,155,856
Reserves	(9,849)	1,765
Accumulated losses	(549,961)	(570,894)
Total equity attributable to equity holders of the parent	589,444	586,727

Directors' Declaration

1. In the opinion of the directors of Emeco Holdings Limited (the '**Company**'):
 - (a) the consolidated financial statements and notes as set out on pages 45 to 114, and remuneration report in the directors' report, set out on pages 26 to 43 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 2023 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the group entities identified in note 37 will be able to meet any obligation or liabilities to which they are or may become subject to by virtue of the deed of cross guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.
3. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the financial year ended 30 June 2023.
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, 22 August 2023

Signed in accordance with a resolution of the directors:



Ian Testrow
Managing Director

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 2023, 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 material accounting policy information and other explanatory information, and the directors' declaration.

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

- Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Key Audit Matters

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

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Recoverability of non-current assets</p> <p>As disclosed in notes 20 and 21, the carrying value of goodwill as at 30 June 2022 was \$8.0 million (June 2022: \$8.0 million), and the carrying value of property, plant and equipment was \$752.6 million (June 2022: \$703.7 million).</p> <p>Management undertakes impairment testing to assess the recoverability of non-current assets including, goodwill, intangible assets and property, plant & equipment annually, or whenever a trigger is identified.</p> <p>Our focus was as a result of the market capitalisation of the Group falling below the carrying value of net assets during the year in addition to the loss recorded by the Pit N Portal cash generating unit ('CGU').</p> <p>The assessment of the recoverable value requires judgement in respect of assumptions and estimates in preparing a value in use model ('VIU'). Significant judgements include but are not limited to:</p> <ul style="list-style-type: none"> • forecast revenue, operating costs and the resulting forecast EBITDA; • sustaining capital forecasts; • terminal growth rate; and • discount rate. <p>In addition, and in relation to Pit n Portal the key judgement underpinning the assessment of the recoverability of the carrying value of that CGU related to the ability of the Company to return that CGU to a sustainable level of EBITDA in line with historic periods (excluding the current year).</p>	<p>In conjunction with our valuation specialists, our procedures included, but were not limited to assessing:</p> <ul style="list-style-type: none"> • impairment risk indicators using internal and external information; • management's historical budgeting accuracy for each individual cash generating unit (CGU); • budgets and forecasts for reasonableness compared to historical actual performance; • the mathematical accuracy of management's value-in-use models; • the appropriateness of the discount rate applied; • the risk of impairment by performing independent breakeven analysis on management's value-in-use models for a range of changes in the key assumptions based on parameters determined in conjunction with our valuation specialists; and • assessing whether a reasonably possible change in key assumptions would result in an impairment. <p>In addition, we specifically assessed the Company's ability to return the Pit N Portal CGU to historic levels of EBITDA through review of historic performance, the make up of current contracts and the tender pipeline for additional contracts.</p> <p>We also assessed the adequacy of the disclosures in note 2(e), to the financial statements.</p>
<p>Recoverability of trade receivables and accrued revenue</p> <p>As disclosed in notes 6 and 18, the Company has written off \$23.0 million of trade receivables during the period (June 2022: nil) with an allowance for expected credit losses at 30 June 2023 of \$190k (June 2022: \$189k).</p> <p>Management determine an expected credit loss based on the policy disclosed in notes 3(d)(iii), 3(i)i and the assumptions disclosed in note 6 including any specific allowances and/or write offs required.</p> <p>Our focus was on whether it was appropriate to write off the amounts during the period and the recoverability of trade receivables and accrued revenue remaining at 30 June 2023 including the sufficiency of the allowance for expected credit losses.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • obtaining and assessing the trade receivables and accrued revenue reconciliations and supporting listings; • inquiring with management in relation to aged debtors or accrued balances and any known delays or concerns relating to recoverability of amounts from customers; • performing subsequent receipts testing on a sample of trade receivables; • corroborating the status of recoverability by reviewing supporting agreements with customers; • obtaining and assessing management's Expected Credit Loss allowance calculation and assessing the calculation in line with the requirements of AASB 9 <i>Financial Instruments</i>, including sample testing the ageing of

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
	<p>receivables and the amount of insurance in place for certain customers;</p> <ul style="list-style-type: none"> • challenging management’s position as to the recoverability and sufficiency of the allowance for expected credit losses by <ul style="list-style-type: none"> • assessing a sample of current credit ratings of customers; and • assessing past payment history for selected receivables. <p>We also assessed the adequacy of the disclosures in note 6 and 18 to the financial statements.</p>

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 2023, but does not include the financial report and our auditor’s report thereon.

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor’s Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 26 to 43 of the Directors' Report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Emeco Holdings Limited, for the year ended 30 June 2023, 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



A T Richards

Partner

Chartered Accountants

Perth, 22 August 2023

Shareholder Information

Financial calendar

The annual general meeting of Emeco Holdings Limited will be held on Thursday, 30 November 2023.

Event	Date*
Annual general meeting	30 November 2023
Half year	31 December 2023
Half year profit announcement	February 2024
Year end	30 June 2024

*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 1 August 2023, 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.	187,360,221	36.10
Paradice Investment Management Pty Ltd	52,602,397	9.669

Distribution of ordinary shareholders

As at 1 August 2023, there were 6,055 holders of the Company's ordinary shares. The distribution as at 1 August 2023 was as follows:

Range	Investors	Securities	% Ordinary shares
100,001 and Over	151	479,333,372	92.35
10,001 to 100,000	960	29,322,084	5.65
5,001 to 10,000	620	4,782,047	0.92
1,001 to 5,000	1,727	4,552,175	0.88
1 to 1,000	2,597	1,012,937	0.20
Total	6,055	519,002,615	100.00

There were 2,056 shareholders holding less than a marketable parcel of 715 securities (share price of \$0.70 on 1 August 2023).

Shareholder Information**20 largest shareholders**

The names of the 20 largest holders of the Company's ordinary shares as at 1 August 2023 are:

Rank	Name	Equity securities	% Issued capital
1	J P Morgan Nominees Australia Pty Limited	163,716,976	31.54
2	Citicorp Nominees Pty Limited	116,415,297	22.43
3	HSBC Custody Nominees (Australia) Limited	58,406,301	11.25
4	BNP Paribas Nominees Pty Ltd	17,127,108	3.30
5	Pacific Custodians Pty Limited	16,823,620	3.24
6	Washington H Soul Pattinson and Company Limited	12,526,359	2.41
7	First Samuel Ltd	9,983,981	1.92
8	HSBC Custody Nominees (Australia) Limited	9,697,032	1.87
9	National Nominees Limited	6,313,605	1.22
10	Mr Peter David Wilkinson & Mrs Jennifer Louise Wilkinson	5,600,000	1.08
11	Buttonwood Nominees Pty Ltd	4,023,676	0.78
12	Sandhurst Trustees Ltd	3,953,378	0.76
13	Pacific Custodians Pty Limited	3,408,327	0.66
14	Precision Opportunities Fund Ltd	3,000,000	0.58
15	UBS Nominees Pty Ltd	2,776,901	0.54
16	Steven Edwin Versteegen	2,415,459	0.47
17	ZThree Pty Ltd	2,400,000	0.46
18	BNP Paribas Noms Pty Ltd	1,634,065	0.31
19	Elphinstone Holdings Pty Ltd	1,563,357	0.30
20	NCH Pty Ltd	1,377,999	0.27

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.

Under the terms of the performance rights issued in respect of the Company's employee incentive plans, holders of performance rights have no voting entitlements.

Emeco Holdings Limited and its Controlled Entities
Shareholder Information

Unquoted equity securities

As at 1 August 2023, there are 1,512,752 performance rights on issue to 16 participants pursuant to the Company's employee incentive plans. The distribution as at 1 August 2023 was as follows:

Range	Participants	Performance rights	% Performance rights
100,001 and Over	2	1,010,999	66.83%
10,001 to 100,000	11	481,795	31.85%
5,001 to 10,000	3	19,958	1.32%
1,001 to 5,000	0	0	0.00%
1 to 1,000	0	0	0.00%
Total	16	1,512,752	100.00%

On-market security purchases

During FY23, Pacific Custodians Pty Limited in its capacity as trustee of the Emeco Employee Share Ownership Plans Trust purchased 995,393 ordinary shares on-market, at an average price of \$0.73 per share, to be used to satisfy upcoming entitlements of participants under the Company's employee incentives scheme to receive ordinary fully-paid shares.

On-market share buy-back

The Company undertook an on-market share buy-back between 24 February 2022 and 22 February 2023, buying back 21,666,287 ordinary shares for a total amount of \$18,357,000. This included 7,663,420 shares bought back for a total amount of \$6,602,000 for the year ended 30 June 2023.

On 22 February 2023, the Company announced a further on-market share buy-back of up to 51,900,261 ordinary shares, which remains open.

On 22 August 2023, the Company announced its intention to undertake an on-market share buy-back of up to \$7.3 million, under the program announced on 22 February 2023.

Debt securities

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

Securities subject to voluntary escrow

As at 1 August 2023, there were no securities subject to voluntary escrow.

Emeco Holdings Limited and its Controlled Entities
Company Directory

DIRECTORS

Peter Richards
Ian Testrow
Peter Frank
Peter Kane
James Walker III

SECRETARY

Penelope Young

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SHARE REGISTRY

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Perth WA 6000

Phone: 1800 689 300
www.linkmarketservices.com.au

AUDITORS

Deloitte Touche Tohmatsu
Level 7-9 Brookfield Place, Tower 2
123 St Georges Terrace
Perth WA 6000

SECURITIES EXCHANGE LISTING

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

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