Emeco

2014 ANNUAL REPORT

OVERVIEW AND HIGHLIGHTS

REVIEW OF OPERATIONS

MANAGEMENT

HEALTH, SAFETY AND ENVIRONMENT

FINANCIALS

SHAREHOLDER INFORMATION

KEY DATES

ANNUAL GENERAL MEETING
20 NOVEMBER 2014

FY15 HALF YEAR RESULTS
26 FEBRUARY 2015

FY15 FULL YEAR RESULTS
27 AUGUST 2015

This Annual Report is printed using vegetable based inks on chlorine free paper manufactured from pulp sourced from plantation grown timber. Both paper manufacturer and printer are certified to the highest internationally recognised standard for environmental management.

EMECO AT A GLANCE

YEAR ESTABLISHED	NUMBER OF EMPLOYEES*	SIZE OF FLEET*	FY14 AVERAGE FLEET UTILISATION*
1972	388	432	48%

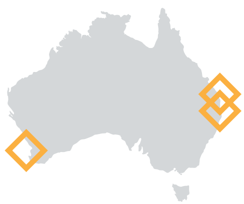
*Figures current at 30 June, 2014

WHO WE ARE

Emeco is the world's largest, independent mining equipment rental business. We provide tailored and value-creating earthmoving equipment solutions for mining companies across Australia, Canada and Chile.

COUNTRIES WE OPERATE IN

AUSTRALIA REVENUE 55%*



CANADA REVENUE 34%*

CHILE REVENUE 11%*

*Figures current at 30 June, 2014

WHERE WE ARE GOING

OUR VISION

To contribute to a sustainable and productive mining industry and to provide a great workplace for our people and teams.

OUR VALUES

- Collaboration
- Accountability
- Integrity
- Continuous Improvement

OUR MISSION

To add value to our customers through cost effective equipment and service solutions. We deliver sustainable financial returns by:

- Behaving appropriately
- Building our capabilities
- Focusing on our customers
- Enhancing our service offering

OUR FOCUS

BUSINESS STRATEGY

Our business strategy is based on the three pillars of:

- Optimise the Core
- Sustainable Growth
- Consistent Value Creation for Shareholders

PEOPLE STRATEGY

Our strategy for Emeco people (Empower) is about delivering a great place to work for all employees.

We regularly survey Emeco people and review our internal human resource systems and processes to ensure we are continually focused on making a good place to work great.

BETTER EQUIPPED
EQUIPMENT SOLUTIONS FOR MINING

BETTER EQUIPPED THAN EVER BEFORE TO HELP OUR CUSTOMERS MINE BETTER

First established in Western Australia in 1972, Emeco provides tailored and value-creating earthmoving equipment solutions for mining companies across Australia, Canada and Chile. Throughout the lifecycle of a mining project, Emeco people work with our customers to understand their mining goals and to implement equipment solutions that drive productivity and efficiency improvements.

HIGH QUALITY ASSETS
WITH STRONG MAINTENANCE SUPPORT

REAR DUMP TRUCKS
50 to 240 tonnes
Caterpillar, Komatsu

EXCAVATORS
40 to 400 tonnes
Komatsu, Hitachi, Liebherr, Caterpillar

ARTICULATED TRUCKS
30 to 40 tonnes
Caterpillar

DOZERS
D8 to D11
Caterpillar

LOADERS
966 to 994H
Caterpillar, Komatsu

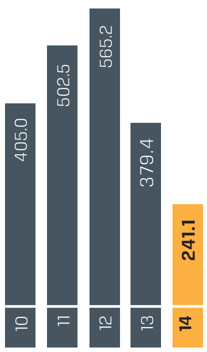
GRADERS
14H to 24M
Caterpillar

ANCILLARY
Watercarts, service trucks, compactors, integrated tool carriers, tyre handlers

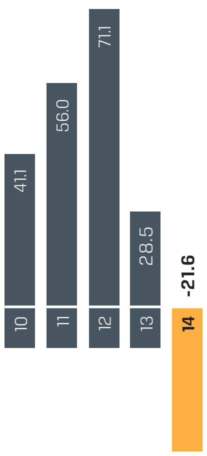
PERFORMANCE AND RESULTS

Geographic and commodity diversification reduced the impact of low activity in the Australian market.

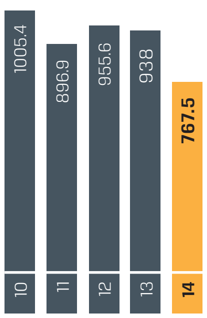
TARGET	OUTCOME
HIGH STANDARD OF SAFETY KEY IN COMPETITIVE MARKET	IMPROVED SAFETY SYSTEMS AND PROCEDURES LED TO TOTAL REPORTABLE INJURY FREQUENCY RATE **(TRIFR) REDUCING BY 33%**
OPERATING EBITDA IN LINE WITH GUIDANCE	FY14 OPERATING EBITDA OF $72.1 MILLION **IN LINE WITH GUIDANCE OF $72 MILLION TO $75 MILLION**
NEW MANAGEMENT TEAM	A NEW EXECUTIVE AND SENIOR MANAGEMENT TEAM **EQUIPPED FOR SUCCESS** IN THIS DIFFERENT MARKET
EXIT INDONESIAN MARKET	UNDERPERFORMING INDONESIAN BUSINESS EXITED DURING FY14 **GENERATING CASH OF APPROXIMATELY $40 MILLION**
INCREASED CUSTOMER BASE IN CANADA	NUMBER OF LARGE **CUSTOMERS INCREASED AND THIRD MASTER SERVICE AGREEMENT SIGNED** WITH MAJOR OIL PRODUCER
SIGNIFICANT PROJECT WIN IN CHILE	RECENTLY ANNOUNCED SIGNIFICANT PROJECT WIN IN CHILE EXPECTED TO SUPPORT **50% UTILISATION** OVER 5 YEAR PERIOD, **ESTIMATED REVENUE BETWEEN $27 MILLION AND $32 MILLION ANNUALLY**
STRENGTHEN FINANCIAL POSITION	SUCCESSFUL REFINANCING IN MARCH 2014 WITH **US$335 MILLION 144A BOND ISSUE AND A$50 MILLION REVOLVING CREDIT FACILITY**



SALES REVENUE DOWN 36.5%
$MILLIONS



OPERATING NPAT DOWN 176%
$MILLIONS



INVESTED CAPITAL DOWN 18%
$MILLIONS

KEY FINANCIALS

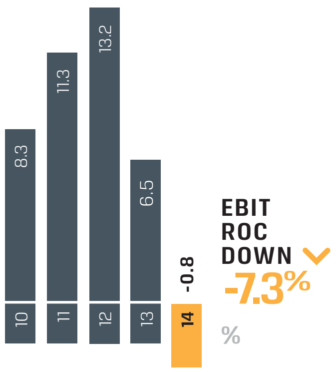
		2014	2013
Operating revenue	$m	241.1	379.4
Operating net profit before net interest and tax	$m	(6.1)	61.3
Operating net profit	$m	(21.6)	28.5
Total dividends paid in respect to financial year	$m	0	15.1
Total assets	$m	748.4	1126.0
Net debt	$m	323.3	414.7
Shareholders' equity	$m	324.0	611.2
Capital expenditure on property, plant and equipment and tangibles	$m	44.2	144.5
Depreciation and amortisation	$m	78.1	98.3

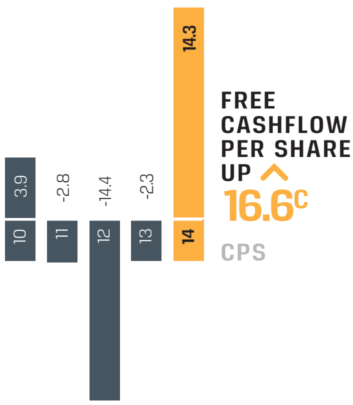
KEY SHARE DATA

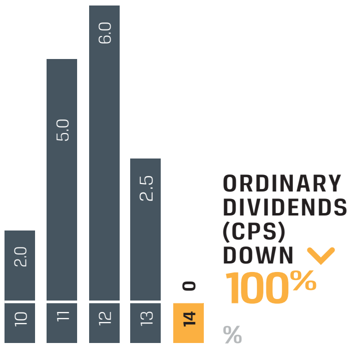
		2014	2013
Earnings per share	cents	(3.6)	4.8
Ordinary dividends per share	cents	0	2.5
Net tangible assets per share	cents	53.0	75.6

KEY RATIOS

		2014	2013
Operating return on average invested capital	%	(0.8)	6.5
Gearing (net debt to EBITDA)	x	4.78	2.15







ALEC BRENNAN, AM

BUILDING A PLATFORM FOR THE FUTURE

Dear Shareholder,

We are pleased to present the Emeco Holdings Limited Annual Report for financial year 2013/2014 (FY14).

STRENGTHENING THE BUSINESS

The mining industry continued to adversely impact the business during the year. Significant downturns in Australia and Indonesia reduced earnings contributions from these regions compared to FY13. Management responded by restructuring our Australian operations. In Indonesia, following a strategic review, a decision was made to exit the market and this has now been successfully completed.

Contract wins in Australia and Chile over the second half of FY14 demonstrated the new management team's early success in delivering improved performance to the business through an enhanced and empowered business development focus.

Notwithstanding the challenging environment, the business was able to generate $85.9 million of cash during the year. In addition, to provide both balance sheet stability and flexibility as we work to restructure the business a US$335 million bond issue was completed in March to replace existing debt.

Moving into FY15 Emeco is continuing to assess opportunities for further geographical expansion, working with our customers to deliver equipment solutions which generate greater productivity and focusing on growth opportunities which create greater value for our shareholders.

NEW LEADERSHIP

FY14 was a year of change for the Emeco leadership team with the appointment of Ken Lewsey, as CEO and Managing Director, and Greg Hawkins as CFO. With backgrounds in the mining industry, both Ken and Greg bring extensive experience and an enhanced customer focus to Emeco's Management team. Both Ken and Greg have successfully driven earnings growth in under-performing businesses in previous roles. They are being ably supported by a new Management team made up of key people from the original team plus some new recruits. The Board is greatly encouraged by the excellent progress that the new team has made on a range of fronts – operationally, financially and strategically.

I'd like to take this opportunity to again thank Keith Gordon, Stephen Gobby and Michael Kirkpatrick for their contribution to Emeco. Longstanding Non-Executive Director Bob Bishop stepped down at the end of FY14. I would like to sincerely thank Bob for his contribution to the Board and Company over many years.

SAFETY AND SUSTAINABILITY

The Board saw a positive shift in Emeco's sustainability performance and reporting during the year. The development of a centrally coordinated monthly Sustainability Report produced for the Board has provided greater consistency and efficiency in relation to the information captured and presented.

It is pleasing to see the Company continue to improve its safety performance, particularly during challenging times when employee numbers can reduce and people are carrying out different or new roles.

During the year the Company made good progress in relation to its diversity action plan by improving diversity reporting, awareness and establishing more flexible work practices for employees. Specifically, Emeco now has a greater number of women employed across its workforce including senior management roles. Emeco is culturally and geographically diverse and it is essential that the Company continues to attract, retain and develop high quality people with diverse perspectives and experiences as it looks to improve its service offerings and build market share going forward.

Emeco's safety and sustainability achievements over FY14 are detailed further in our Sustainability Report (page 25).

FUTURE AMBITIONS FOCUSED ON SHAREHOLDER RETURNS

The Board and Management team remain committed to delivering strong shareholder returns over the long-term. Capital management remains a key focus of the business and cash flow generated over the next 12 months is likely to be directed toward further stabilising our financial position. A key measure of Management's performance is total shareholder returns and as such, their goals are aligned with the Board on maximising returns for those shareholders who continue to support Emeco during these challenging times.

The Board did not declare dividends for FY14 due to our focus on improving the Company's balance sheet. Looking forward the Board will assess the ability to pay dividends against earnings and the financial position of the business.

BUILDING A PLATFORM FOR THE FUTURE

Over the next 12 months we will continue to build on our successes from FY14. Recently awarded contracts have improved utilisation from the outset of FY15. Greater earnings and divestment of underutilised assets will ensure the business continues to deliver strong cash generation. The Board's goal is for Emeco to maximise long-term shareholder returns in this challenging market. With a motivated management team, improved balance sheet flexibility and earnings diversification Emeco is positioned to succeed and grow once under-performing markets recover.

Alec Brennan

ALEC BRENNAN
CHAIRMAN

THE BOARD'S GOAL IS FOR EMECO TO MAXIMISE LONG-TERM SHAREHOLDER RETURNS IN THIS CHALLENGING MARKET.

GROWING NEED FOR EQUIPMENT FLEXIBILITY AND EFFICIENCY?

THE CHALLENGE

In 2002 an Australian coal miner required a small mobile fleet. The miner then went through a sustained period of growth, eventually becoming one of the state's largest coal producers.

To support its expansion, the miner sought a heavy equipment specialist that could offer a diverse mobile fleet and flexible model, providing the ability to adjust the fleet as production goals changed.

THE SOLUTION

Emeco initially started working with the customer in 2002, as its operations grew in size and production output increased, so did Emeco's role onsite.

By 2011, based on its proven track record, Emeco had deployed 26 machines, an experienced onsite supervisor, a 10-person maintenance team and commissioned and erected an onsite maintenance facility. Today, the Emeco team and fleet operate across five of the customer's sites.

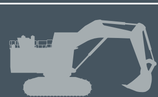
Emeco has been able to recommend and deliver the most effective fleet mix for the customer's changing operational needs and provide an efficient centralised reporting line across its mine sites.

EQUIPMENT FLEET MIX

REAR DUMP TRUCKS

8 x 

EXCAVATOR

1 x 

DOZERS

13 x 

ANCILLARY EQUIPMENT

4 x 

KEN LEWSEY

ADDING VALUE
TO OUR CUSTOMERS' OPERATIONS

GEOGRAPHIC DIVERSIFICATION REDUCING IMPACT OF DOWNTURN IN AUSTRALIA

Continued weakness in commodity prices and austerity and efficiency drives by major miners saw a continuation of reduced activity across most of Emeco's operating regions. The key bulk commodities of coal and iron ore were the most affected with the miners insourcing work traditionally performed by contractors. The major miners also delivered real productivity gains internally and better utilised their own operating assets.

This has driven all mining services providers to revisit their own cost bases and to assess the strength of their value proposition to the market. This led to a reset of pricing levels within the industry. Whilst this has caused considerable pain, it does ensure that there are solid foundations going forward and that the Australian mining industry in particular remains competitive and ready for the eventual upturn in the mining cycle.

Emeco was not immune to this resetting of value. This has led us to a disappointing Operating EBITDA of $72.1 million and an Operating Net Loss after Tax of $21.6 million. The Australian business averaged 41% utilisation across the year. Emeco invested heavily in rebuilding its business development capability and we did see early signs of success with a series of contract wins achieved in the last quarter of FY14. These contracts therefore had a limited impact on the 2014 financial year, but provide a solid start to 2015. Group utilisation for Emeco averaged 48% over the year and finished at 50%, demonstrating the value of Emeco's decision to target key offshore geographies.

Our Canadian customer base continued to grow in FY14 with the business increasing its number of customers from eleven to thirteen. In addition, we continued to expand our external maintenance offering which generated earnings growth in FY14. Canada's FY14 performance was down on FY13, impacted by an abnormally early cessation of the winter works program due to unfavourable weather conditions and an unplanned temporary plant shut-down at one of our major customers.

Since its establishment in July 2012, the Chilean business has grown to approximately $110 million of fleet and averaged over 80% utilisation. Earnings growth in FY14 further supports Emeco's decision to expand into the highly prospective Chilean copper market. Efforts by our Chile team over FY14 resulted in the business securing a 5 year contract in conjunction with Chilean mining contractor Fe Grande, estimated to generate revenue for Emeco of between US$27 million and US$32 million annually. Mobilisation of fleet has commenced for this project with a portion of equipment to be transferred from Australia to Chile to further grow this business.

Both Canada and Chile demonstrated the value of geographical and commodity diversification over FY14 during a period of low activity in the Australian market. Along with our improved financial position, diversification provides a stable platform from which to compete in under-performing markets and positions the business well for growth when these markets recover.

IMPROVEMENTS FROM STRATEGIC INITIATIVES

Since my commencement with Emeco just over 8 months ago we have achieved many of our early objectives. These include:

- A successful refinancing of Emeco;
- A new Executive and Senior Management team with the skills to be successful in this very different market;
- Strengthening our business development capability across our Australian and international businesses;

- The closure of the loss making Indonesian business;
- Securing the Fe Grande contract in Chile for 5 years, which provides a solid base for further growth in the region; and
- Continued improvement in our safety and environmental performance.

I entered Emeco with a strategic and business development background and a belief that genuine customer intimacy and engagement is the key to successful and profitable growth. We initiated Emeco's first independent, global customer survey to ensure that we better understand and meet our customer needs. I have recruited a new team of like minded executives, albeit with different skills sets to develop and execute a clear strategic direction for Emeco. During FY14 Emeco's first female Executive, Kellie Benda, was appointed to assist with the strategic direction and corporate development of the Company. Our ongoing strategic review has identified several business development initiatives which have resulted in our most recent contract wins in Australia and Chile.

Our major priority was to rebuild our market share and presence in Australia. To support this, Ian Testrow returned as Chief Operating Officer to draw on his success with developing both our Canadian and Chilean businesses. We have bolstered our customer and business development capabilities in Australia broadening our exposure into adjacent geographies and markets, with fleets recently contracted into the Northen Territory and mining civils markets.

THE COMPANY CONTINUES TO MAKE GOOD HEADWAY AND TO IMPROVE ITS PERFORMANCE IN THE AREAS OF SAFETY. WE REALISED A 33% IMPROVEMENT IN THE TOTAL RECORDABLE INJURY FREQUENCY RATE (TRIFR) DURING THE YEAR.

The recently announced Fe Grande project replaces fleet expected to be off-hired during 1HFY15 and potential project extensions as well as a strong pipeline of smaller projects currently tendered support an expected high level of utilisation through FY15 and beyond. We continue to assess opportunities in the Latin America region with Chile now providing a platform to build on our maintenance capabilities and expand our fleet.

In August 2013 Emeco announced the downsizing of the Indonesian business following a slowdown in the Indonesian coal market and a number of significant contract losses. Following a strategic review which considered a range of factors including uncertainty around government policy, unfavourable conditions for the Indonesian mining industry and poor expected earnings over the long term, Emeco announced its decision to exit Indonesia in May 2014.

The Company continues to make good headway and to improve its performance in the areas of safety. We realised a 33% improvement in the total recordable injury frequency rate (TRIFR) during the year and importantly, have seen improvements across all safety lead indicators demonstrating a pro-active shift in safety behaviour.

I believe that the quality of our people and the continuous improvement of our safety performance remain paramount to Emeco, particularly as we demonstrate our ability to drive value and support the aspirations of our customers.

POSITION FOR FUTURE GROWTH

Our new team has been charged with envisioning an Emeco in the markets of the future. Our detailed strategic review has looked at how we evolve within the context of the following challenges: reducing capital intensity; creating our value differentiator; deeper wider relationships with our customers; leveraging existing capabilities and assets; diversifying market risk; and better managing our exposure to the mining development cycle.

Our strategic review and development process continues in 1HFY15. The detailed customer, equipment market and industry analysis carried out in recent months, together with our successes and learnings from FY14, will see us add greater value to our customers' operations in the coming year and take advantage of any recovery in our operating markets. We will also continue to seek opportunities to improve utilisation of our existing fleet and to divest under-performing asset classes.

Cash generation remains a key element of Emeco's business model with free cash flow over FY15 intended to further strengthen our financial position and provide leverage to strategically grow the business in the future.

The team has done an outstanding job of stabilising the business during another challenging year and I believe we are well prepared and positioned to build on this solid foundation for greater shareholder value in FY15.

KENNETH LEWSEY
MANAGING DIRECTOR
& CHIEF EXECUTIVE OFFICER

GREG HAWKINS

SUPPORTING FUTURE EARNINGS GROWTH

MANAGING THROUGH THE CYCLE

Our FY14 financial results were down on the prior year due to the full year impact of contract reductions in FY13 plus later than expected commencement of new projects and unexpected circumstances impacting utilisation in Canada as mentioned in the Managing Director's Report. Operating revenue decreased by 36.5% in FY14 to $241.1 million, down from $379.4 million in FY13.

Despite cost reductions achieved over FY13 and FY14, the full year impact of rental rate declines during FY13 resulted in lower Operating EBITDA and Operating EBIT margins in FY14. Combined with reduced utilisation FY14 Operating Net Profit after Tax reduced to a $21.6 million loss, down from a profit of $28.5 million in FY13.

The Indonesian business was exited during FY14 and reported as a discontinued operation for the 12 months ended 30 June 2014.

CAPITAL RESTRUCTURING TO SUPPORT THE LONG TERM

As the operating landscape continued to deteriorate over FY14 the business focused on mitigating financing risks and pursuing options to improve flexibility of the capital structure.

In October 2013 the business announced the negotiation of two financial covenant amendments under the previous A$450 million syndicated debt facility. Operating results pressured these amended covenants and Management pursued a covenant light debt structure, resulting in a US$335 million 144A bond issue with a 5 year term. The net proceeds from the bond issue were used to repay existing indebtedness outstanding under the USPP Notes and syndicated debt facility.

On completion of the 144A bond issue Emeco was granted access to a A$50 million secured multi-currency revolving credit facility. This facility provides funding for future general corporate purposes.

GENERATION OF CASH FLOW A PRIORITY

FY14 free cash flow of $85.9 million was predominantly used to reduce leverage prior to the successful bond issue. Management's strategy of releasing cash from idle assets led to fleet disposals totalling $70.8 million, mostly from the Indonesian business, while lower utilisation and replacement of end of life assets with existing fleet reduced sustaining capital expenditure to $29.7 million, down 58.7% from FY13. 30 June 2014 net debt of $323.3 million represented a 22.0% reduction on the prior year.

Moving ahead Emeco's ability to generate cash flow remains a focus for supporting the future growth of the business. Despite Emeco's covenant light debt structure Management remains conservative in its approach to capital management. With gearing (net debt:Operating EBITDA) at 4.8 times Emeco will continue to focus on the generation of free cash flow from operations and asset divestments to drive gearing below 3.0 times. Management will also focus on a fleet strategy of matching asset classes to regional demand. At 30 June 2014 $39.9 million of assets were classified as held for sale, being units considered non-core to the business in the current market.

RESETTING OF ASSET VALUES FOR CURRENT MARKET

During FY14 Emeco recognised goodwill impairments totalling $157.9 million, impairment charges totalling $37.5 millon on assets transferred to non-current assets held for sale and $6.2 million of inventory write-offs associated with the wind-down of the Australian parts business. Management believes the resetting of these asset values is indicative of the current environment in which the business is operating. We intend to dispose of non-current assets held for sale over FY15 given our current level of idle fleet. Funds will be used to recycle capital by replacing highly utilised end of life assets and to manage our financial position.

THE YEAR AHEAD

Recent contract awards are expected to drive incremental earnings growth during FY15. Conversion of an improving project pipeline will drive utilisation growth, however the competitive landscape is likely to minimise any margin improvements over the next 12 months. The business will continue to generate cash to further strengthen our financial position and provide the business capital to fund future growth.

Having recently joined the Emeco team I look forward to working with everyone in developing this business into the future.

GREG HAWKINS
CHIEF FINANCIAL OFFICER

BOARD

FROM LEFT TO RIGHT

ALEC BRENNAN, AM
Chairman & Independent Non-Executive Director

KEN LEWSEY
Managing Director & Chief Executive Officer

ERICA SMYTH
Independent Non-Executive Director

GREG HAWKINS
Chief Financial Officer

FROM LEFT TO RIGHT

PETER RICHARDS
Independent Non-Executive Director

THAO VANDERPLANCKE
Company Secretary

JOHN CAHILL
Independent Non-Executive Director

+ FURTHER READING

Full Board member biographies can be viewed on pages 46 to 48 in the Director's Report.

ELT

FROM LEFT TO RIGHT

KEN LEWSEY
GREG HAWKINS
KELLIE BENDA

FROM LEFT TO RIGHT

GRANT STUBBS
STUART JENNER
IAN TESTROW
CHRIS HAYMAN

KEN LEWSEY

MANAGING DIRECTOR

Please see page 46 for Ken Lewsey's biography.

GREG HAWKINS

CHIEF FINANCIAL OFFICER

Greg joined Emeco as Chief Financial Officer in July 2014. Prior to commencing with Emeco, Greg was Chief Executive Officer of African Barrick Gold based in London where he made significant improvements to that business, dealt with considerable challenges in the African environment and set the Company on a solid platform of long term improvement in performance. Prior to this role Greg was Chief Financial Officer at Barrick Gold Corporation's Australia Pacific division, based in Perth. Greg is a Fellow of the Institute of Chartered Accountants and has extensive experience in the resources sector. Greg brings a depth of financial, operational and international experience to Emeco as well as a unique customer perspective.

KELLIE BENDA

EXECUTIVE GENERAL MANAGER, STRATEGY AND CORPORATE DEVELOPMENT

Kellie joined Emeco in February 2014 and is a highly credentialed and experienced senior executive with more than 15 years' experience across mining and resources. Prior to her appointment at Emeco, she was Vice President: Business Development at an ASX30 resources infrastructure, transport and logistics company. Kellie practiced as an Investment Banker with global US and French banks for more than a decade, has worked for King & Wood Mallesons and PricewaterhouseCoopers and has served as an executive general manager across operations, finance and corporate services. Kellie holds a Bachelor of Laws, Bachelor of Arts (Industrial Relations), a Master of Finance and is a graduate of Harvard Business School AMP. Kellie is a Fellow of the Australian Institute of Company Directors and past council member (WA) and a Fellow of the Australian Institute of Management. Kellie is a current board member of IMX Resources Limited, National Advisory Board of Origin Capital Group, the Australian Youth Orchestra and Chair of Ready to Work Inc.

GRANT STUBBS

EXECUTIVE GENERAL MANAGER, ASSET STRATEGY AND OPERATIONAL IMPROVEMENT

Grant joined Emeco in 2009 in the role of State Manager New South Wales and in 2011 relocated to Perth to take on responsibility for Emeco's West and South Australian operations. In 2013 Grant was appointed to the role of Executive General Manager, Asset Strategy and Operational Improvement. In this role Grant and his team are responsible for developing and managing asset systems and programs, capital management, asset selection and technology, procurement and disposals across Emeco's global operations. Prior to joining Emeco Grant worked in Ernst & Young's Transaction Advisory practice where he specialised in operational transaction integration. Grant has also brought mining and heavy equipment experience with him to Emeco, gained during his time working in product support management with Caterpillar dealers in Australia and Indonesia. Grant holds a Bachelor of Engineering from the University of Melbourne, a Master of Business Administration from Melbourne Business School and is a graduate of the Australian Institute of Company Directors.

STUART JENNER

EXECUTIVE GENERAL MANAGER, HR, HSE AND IT

Stuart joined Emeco in March 2012 as National HSE Manager for the Australian business. In August 2013, Stuart was appointed as General Manager of HR, HSE & Training Australia before being appointed as global Executive General Manager of HR, HSE and IT in June 2014. Before joining Emeco, Stuart was HSE Manager with St Barbara Limited and prior to that has held senior HSE and HR management positions in both private enterprise and government. Stuart holds a Bachelor of Science in Software Engineering, Advanced Diploma's in management, human resources, training and occupational health and safety. Stuart is a fellow of the Australian Institute of Management and is affiliated with the International Association of Emergency Managers, Safety Institute of Australia, Australian Human Resources Institute, Royal Life Saving Society Australia and Miners Promise.

IAN TESTROW

CHIEF OPERATING OFFICER, AUSTRALIA

Ian joined Emeco in October 2005 and has over 20 years of experience in the mining and civil sectors. Upon joining Emeco he held the position of State Manager Queensland & Northern Territory and in 2007 was appointed General Manager Northern Region which saw him add Emeco's New South Wales business to his responsibilities. In April 2009 Ian relocated to Canada where he first established our Canadian business and then the Chilean business as President, Americas. In 2013 Ian was appointed to the role of President, New & Developing Business and in 2014 became Chief Operating Officer, Australia. Ian has a Diploma in Surveying, a Bachelor of Civil Engineering and a Masters of Business Administration majoring in Finance, with the University of Southern Queensland.

CHRIS HAYMAN

PRESIDENT, AMERICAS

Chris first joined Emeco in 2008 as Chief Financial Officer of the Company's newly established Canadian operation and was involved in establishing the financial and strategic direction for this region at the time. Chris then spent 4 years consulting and leading a number of large financial and structural transactions, returning to Emeco in 2013 as President, Emeco Canada. In February 2014 Chris was appointed President, Americas with responsibility for Emeco's operations in Canada and Chile. Chris has over 25 years' experience as a Chartered Accountant and 15 years operational and financial leadership experience gained in the heavy equipment industry, including 9 years with Finning Canada. Chris has a Bachelor of Commerce, is a member of Financial Executives International, and former president of the Edmonton Chapter, and is a member of the Canadian Institute of Mining.

HOW WE PERFORMED THIS YEAR

WEAKNESS IN THE AUSTRALIAN AND INDONESIAN MINING SECTORS CONTINUED TO DRIVE DOWN OPERATING PERFORMANCE

GROUP OPERATING REVENUE FROM CONTINUING OPERATIONS REDUCED BY 36.5% TO $241.1 MILLION

The Emeco Group supplies safe, reliable and maintained equipment rental solutions to the global mining industry. Established in 1972, the business listed on the ASX in July 2006 and is headquartered in Perth, Western Australia. Emeco currently employs 388 permanent and fixed term staff and owns 432 pieces of earthmoving equipment across Australia, Canada and Chile.

Emeco generates earnings from two primary revenue streams, dry equipment rental and maintenance services. Operating costs principally comprise parts, labour and tooling associated with maintaining earthmoving equipment. Capital expenditure principally comprises the original purchase of equipment and replacement of major components over the asset's life cycle while owned by Emeco.

CHART 1: REVENUE BY REGION

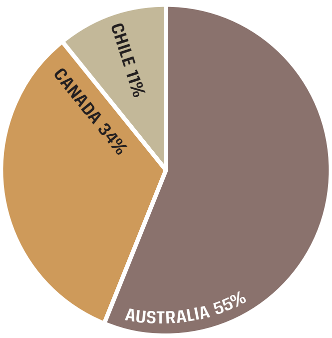


CHART 2: REVENUE BY COMMODITY

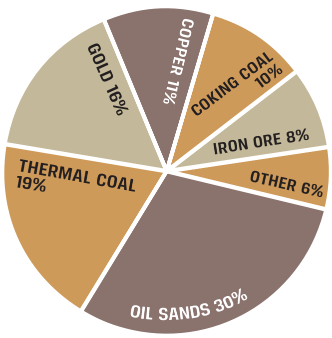
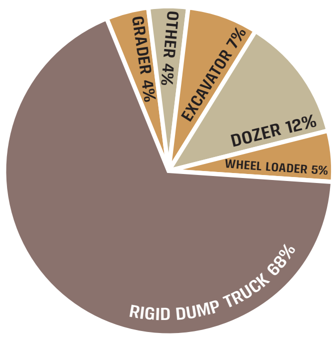


CHART 3: FLEET COMPOSITION BY ASSET CLASS



Note: Above analysis relates to 12 month period to 30 June 2014 and excludes discontinued operations

TABLE 1: GROUP FINANCIAL RESULTS

	OPERATING RESULTS		STATUTORY RESULTS	
A$ MILLIONS	FY14	FY13	FY14	FY13
Revenue	241.1	379.4	241.1	379.4
EBITDA	72.1	160.3	27.2	148.3
EBIT	(6.1)	61.3	(208.8)	32.1
NPAT	(21.6)	28.5	(224.2)	0.0
ROC %	(0.8%)	6.5%	(34.2%)	(3.4%)
EBIT margin	(2.5%)	16.2%	(86.6%)	8.5%
EBITDA margin	29.9%	42.3%	11.3%	39.1%

Note:
1. Significant items have been excluded from the statutory result to aid the comparability and usefulness of the financial information. This adjusted information (Operating Results) enables users to better understand the underlying financial performance of the business in the current period.
2. Operating and statutory results exclude discontinued operations.

TABLE 2: FY14 OPERATING RESULTS TO STATUTORY RESULTS RECONCILIATION

A$ MILLIONS	TANGIBLE ASSET IMPAIRMENTS	INTANGIBLE ASSET IMPAIRMENTS	REDUNDANCY	DEBT ESTABLISHMENT COSTS WRITE-OFF	TAX EFFECT	NPAT
Operating						**(21.6)**
Australia	(39.4)	(151.7)	(1.0)	(19.1)	17.9	(193.3)
Canada	(3.3)	(6.2)	(0.2)	0.0	1.0	(8.6)
Chile	(1.0)	0.0	0.0	0.0	0.3	(0.7)
Statutory	**(43.7)**	**(157.9)**	**(1.2)**	**(19.1)**	**19.2**	**(224.2)**

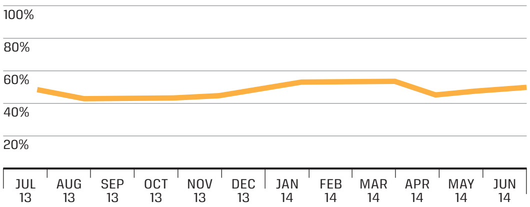
Reconciliation of differences between Operating and Statutory Results:

1. FY14 Operating Results (non-IFRS) excludes the following:
   - Tangible asset impairments: Tangible asset impairments totalling $37.5 million were recognised across the business on assets held for sale, impacting EBITDA, EBIT and NPAT. Inventory write-offs of $6.2 million associated with the wind-down of the Australian parts business were recognised, impacting EBITDA, EBIT and NPAT. Refer to note 8 for further information on tangible asset impairments;
   - Intangible asset impairments: Based on impairment testing conducted for the FY14 interim period ended 31 December 2013 Emeco recognised impairment of goodwill in the Australian CGU and Canadian CGU of $151.7 million and $6.2 million respectively. Adjustment impacts EBIT and NPAT. Refer to note 21 for further information on intangible asset impairments;
   - One-off costs related to redundancies in the Australian and Canadian business segments totalling $1.2 million impacting EBITDA, EBIT and NPAT;
   - Debt establishment cost write-off: In March 2014 Emeco executed a US$335 million 144A Bond Issue using proceeds to repay existing debt. Capitalised borrowing costs on the existing facility totalling $19.1 million were subsequently written off.
2. All reconciling items relating to FY14 operating results are discussed in further detail later in the Operating and Financial Review.

WEAKNESS IN MINING ACTIVITY OVER FY14

Weakness in the Australian and Indonesian mining sectors continued to drive down operating performance with the full year impact of significant contract losses during FY13 only partially offset by new projects commenced over FY14. As a result average utilisation declined to 48% in FY14, down from 67% in FY13. FY14 utilisation was further impacted by delays in the commencement of recent contract wins in Australia and Chile, plus a shortened oil sands winter works period due to warmer weather in Canada and an unplanned plant shut-down at one of our major oil sands customers.

CHART 4: FY14 AVERAGE GROUP UTILISATION[1]



	FY14	FY13
Average	48%	67%
Year-end	50%[2]	50%

Note:

1. Utilisation defined as % of fleet rented to customers (measured by written down value).
2. Excluding non-current assets held for sale FY14 year-end utilisation is 56%.

Group operating revenue from continuing operations reduced by 36.5% to $241.1 million, down from $379.4 million in FY13 as a result of lower utilisation and the full year impact of market wide rental rate reductions over FY13. Rental and Maintenance revenue was down 34.6% to $233.0 million (2013: $356.0m) due to the loss of significant contracts in FY13 which were not replaced over FY14. The Group continued to downsize the sales and parts businesses driving associated revenue down to $8.1 million (2013: $23.4 million).

Despite further cost reductions in FY14, reduced rental margins in Australia combined with declining utilisation across the business resulted in Operating EBITDA margin falling to 29.9% (FY13: 42.3%). Operating EBIT decreased to negative 2.5% (FY13: 16.2%) as idle fleet depreciation increased against a corresponding reduced revenue base.

Lower utilisation and compressed margins resulted in Operating return on capital (ROC) declining to negative 0.8% in FY14, down from 6.5% in FY13.

Refer to the Regional Business Overview on page 20 for further detail on regional operating and financial performance.

FOCUS ON COST REDUCTION

TABLE 3: OPERATING COST SUMMARY (STATUTORY RESULTS)

A$ MILLIONS	2014	2013
REVENUE	**241.1**	**379.4**
OPERATING EXPENSES		
Changes in machinery and parts inventory	(14.4)	(25.8)
Repairs & maintenance	(84.7)	(114.0)
Employee expenses	(42.9)	(45.2)
Hired in equipment & labour	(13.1)	(7.8)
Impairment of tangible assets	(43.7)	(12.0)
Net other expenses	(15.0)	(26.3)
EBITDA	**27.2**	**148.3**
Impairment of goodwill	(157.9)	(17.8)
Depreciation expense	(78.0)	(98.2)
Amortisation	(0.1)	(0.2)
EBIT	**(208.8)**	**32.1**

Lower utilisation and cost reduction initiatives resulted in operating expenses excluding impairment of tangible assets decreasing 22.4% over FY14 to $170.1 million, down from $219.1 million in FY13.

Changes in machinery and parts inventory, which comprises the downsized sales and parts businesses in addition to inventory management supporting third party fleet working along-side our rental units, decreased in line with sales and parts revenue. Repairs and maintenance expense, which primarily comprises parts and maintenance labour associated with our rental fleet, was down 25.7% to $84.7 million (2013: $114.0 million) in line with lower rental and maintenance revenue.

Restructuring of the Group over FY14 focused on resizing lower utilised segments of the business in light of reduced operating performance, with additional resources employed to support our enhanced business and corporate development capabilities to drive future growth. The success of this strategy has been evident over 2HFY14 with recent contract wins expected to result in incremental utilisation improvement in early FY15. Employee expenses reduced year on year to $42.9 million (2013: $45.2 million). Redundancies over FY14 resulted in one-off costs totalling $1.2 million.

Other expenses increased to $71.8 million as a result of higher impairment on tangible assets resulting from idle assets classified as assets held for sale and subsequently disposed. Excluding this item net other expenses totalled $28.1 million, down 17.6% from FY13. Refer to note 8 in the financial statements for further breakdown of net other expenses (page 92).

Depreciation expense fell in line with utilisation to $78.0 million (2013: $98.2 million), however increased as a percentage of rental and maintenance revenue to 33.5% (2013: 27.6%) primarily due to higher depreciation expense associated with a larger portion of idle fleet and fixed operating depreciation expense against declining rental margins.

RESETTING ASSET VALUES

TABLE 4: ASSET IMPAIRMENTS (STATUTORY RESULTS)

A$ MILLIONS	2014	2013
Impairment loss on inventory	6.1	8.6
IMPAIRMENT LOSS ON PPE		
Freehold land & buildings	0.1	3.0
Plant & equipment	37.5	0.4
Impairment of goodwill	157.9	17.8

Total asset impairments increased in FY14 to $201.6 million, up from $29.8 million in FY13.

Impairment loss on inventory fell to $6.1 million in FY14 (2013: $8.6 million), primarily representing further write-offs associated with the wind-down of the Australian parts business.

Impairment loss on property, plant and equipment increased to $37.5 million in FY14, up from $3.4 million in FY13. Over the year the Group classified a portion of idle fleet to non-current assets held for sale with corresponding impairments recognised to represent the expected market value of those assets. Assets held for sale are not marketed for rental and as such are not considered as part of our value in use impairment testing. Non-current assets held for sale at 30 June 2014 totalled $39.9 million.

Impairment testing conducted as at 31 December 2013 identified goodwill impairment in the Australian and Canadian businesses totalling $151.7 million and $6.2 million respectively.

Goodwill arose when Emeco was acquired by two private equity firms in 2005. Despite the Group expecting growth in mining volumes over the long-term and associated improvement in operating performance, Emeco's Board adopted a conservative approach in determining the carrying value of the Group's goodwill. Impairment testing conducted at 30 June 2014 and 31 December 2013 did not identify impairments in the carrying value of Emeco's tangible assets.

CASHFLOW GENERATION SUPPORTING FINANCIAL POSITION

TABLE 5: CASH FLOW SUMMARY

A$ MILLIONS	2014	2013
OPERATING CASH FLOW	**76.3**	**173.8**
Sustaining capital expenditure	(29.7)	(71.8)
Other property, plant & equipment	(13.6)	(16.9)
Disposals	70.8	49.8
Free cash flow post sustaining capital expenditure	103.8	134.9
Growth capital expenditure	(0.9)	(90.2)
Free cash flow post growth capital expenditure	102.9	44.7
Dividends	0.0	(37.1)
Share buy-back	0.0	(16.9)
Debt establishment costs	(17.0)	(4.7)
Free cash flow post shareholder returns	85.9	(14.0)
Net cash flow from discontinued operations	9.8	(0.4)
Free cash flow from continuing operations post shareholder returns	76.1	(13.6)

Free cash flow post shareholder returns increased in FY14 to $85.9 million, up from a net cash outflow in FY13 of $14.0 million. The increase resulted from reduced capital expenditure against capital release from disposals.

Operating cash flow dropped 58.7% to $76.3 million in line with operating EBITDA, which was impacted by lower utilisation and the full year impact of rental rate reductions over FY13. This figure included a tax benefit of $10.2 million.

As a result of lower operating activity the Group reduced capital expenditure on the prior period to $30.6 million. Sustaining capital expenditure was minimised to that required to maintain operating fleet while end of life assets were replaced by idle fleet. The Company will continue this approach in FY15 however will also focus on replacing highly utilised end of life assets with capital recycled from the disposal of assets held for sale.

The successful bond issue executed in March 2014 resulted in establishment fees totalling $17.0 million. These costs included legal, accounting and debt advisor fees.

Net cash flow from the discontinued Indonesian operations totalled $9.8 million in FY14, representing net capital release totalling $39.0 million offset against operating costs of $2.2 million and repayment of debt associated with the Indonesian business totalling $31.3 million.

FREE CASH FLOW POST SHAREHOLDER RETURNS INCREASED IN FY14 TO $85.9 MILLION, UP FROM A NET CASH OUTFLOW IN FY13 OF $14.0 MILLION. THE INCREASE RESULTED FROM REDUCED CAPITAL EXPENDITURE AGAINST CAPITAL RELEASE FROM DISPOSALS.

STABILITY OF FINANCING

TABLE 6: NET DEBT & GEARING SUMMARY

A$ MILLIONS	2014	2013
INTEREST BEARING LIABILITIES (CURRENT & NON-CURRENT)		
144A Bond notes	355.8	0.0
Senior debt facilities	0.0	252.7
USPP notes	0.0	149.6
Working capital facility	0.0	5.3
Lease liabilities	8.8	12.4
Other	0.5	0.5
Cash	41.8	5.8
NET DEBT	**323.3**	**414.7**
Gearing ratio	4.78	2.15
Leverage ratio	43.4%	43.1%
Interest cover ratio	2.83	7.72

Note:
Gearing ratio - Net Debt : Operating EBITDA
Leverage ratio - Net Debt : Net Tangible Assets
Interest cover ratio - Operating EBITDA : Interest Expense

ON 17 MARCH 2014 EMECO REFINANCED ITS EXISTING DEBT FACILITIES WITH THE SUCCESSFUL ISSUE OF A US$335 MILLION BOND IN CONJUNCTION WITH A NEW A$50 MILLION SECURED MULTI-CURRENCY REVOLVING CREDIT FACILITY.

Free cash flow generation over FY14 resulted in net debt decreasing $89.1 million to $323.3 million at 30 June 2014. This represents a 22.0% fall in net debt from 30 June 2013.

On 17 March 2014 Emeco refinanced its existing debt facilities with the successful issue of a US$335 million bond in conjunction with a new A$50 million secured multi-currency revolving credit facility. Emeco announced that its wholly owned subsidiary Emeco Pty Ltd had completed the offering of US$335 million in aggregate principal amount of 9.875% Senior Secured Notes due 2019 in an offering to qualified institutional buyers in the United States pursuant to Rule 144A under the United States Securities Act of 1933, as amended (the 'Securities Act'), and to certain persons outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

The net proceeds of the Notes issue was used to repay Emeco's existing USPP Notes and syndicated debt facilities. Repayment of the USPP Notes incurred make-whole payments of $16.1 million. The revolving credit facility provides funding for general corporate activities and was undrawn at 30 June 2014.

The 144A Notes pay interest on 15 March and 15 September each year, commencing on 15 September 2014. The Notes are secured and guaranteed by Emeco Holdings Limited and its subsidiaries.

The 144A Notes do not include maintenance covenants, the credit facility requires monitoring of the following covenants:

- Liquidity ratio – Net debt: Net Tangible Assets; no greater than 65%
- Interest cover ratio – Operating EBITDA: Interest Expense; no less than 2.25 times

Despite Emeco's covenant light debt structure Management remains conservative in its approach to capital management. Gearing at 30 June 2014 was 4.78 times, Emeco's goal is to reduce gearing below 3.0 times by 30 June 2015 through improved earnings and reducing debt with free cash flow. Assets held for sale at 30 June 2014 are expected to release $39.9 million over FY15 (includes assets held in discontinued operations).

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

NIL DIVIDENDS DECLARED IN FY14

TABLE 7: SHAREHOLDER RETURNS

	2014	2013
DIVIDENDS DECLARED DURING THE PERIOD		
Interim dividend (cents)	0.0	2.5
Final dividend (cents)	0.0	0.0
Total dividend (cents)	0.0	2.5
Dividend payout ratio	*0.0%*	*42.5%*
Value of share buy-back ($ million)	0.0	16.5
Average price of share buy-back (cents)	0.0	53.4
PER SHARE STATISTICS		
Earnings per share (cents)	(3.6)	4.8
NTA per share ($)	0.53	0.76
Closing share price ($)	0.20	0.28

Note: Dividend payout ratio is measured as dividends paid as a percentage of Operating NPAT.

The Board declared a nil interim and final dividend for FY14 as a result of the net operating loss for the period combined with Emeco's focus on capital preservation and maintaining a strong financial position amid poor external market conditions. The Board will assess the ability to pay dividends against earnings and the financial position of the business going forward.

During FY13 the Company completed a 5% share buyback, the Company did not buy back shares during FY14.

STRATEGY FOCUS TO PREPARE EMECO FOR FUTURE GROWTH

During a challenging 12 months the business successfully implemented a number of strategic initiatives including Emeco removing gearing risks, restoring confidence in our financial position and restructuring the business to enhance our business development capability and focus on high demand asset classes. Emeco's strategic efforts over the next twelve months will be to build on progress made during FY14 to position the business for future growth. We will continue to strengthen our customer relationships, improve our financial position and match our fleet to the markets in which we operate.

Emeco will continue to generate cashflow from operations which the Group intends to use to further strengthen our financial position and fund corporate initiatives. Cash release from the disposal of low utilised fleet classes will partially be used to fund asset purchases targeted toward contract awards and replacing end of life assets in fleet classes with high utilisation rates.

As outlined in the Managing Director's Report, our strategic review and development process will continue into 1HFY15. Over the past six months Ken Lewsey has enhanced the Group's corporate development team to identify opportunities to add greater value to our customers and take advantage of any recovery in our operating markets.

Further detail on Emeco's strategy is included in the Regional Business Overview starting on the following page.

OVER THE PAST SIX MONTHS KEN LEWSEY HAS ENHANCED THE GROUP'S CORPORATE DEVELOPMENT TEAM TO IDENTIFY OPPORTUNITIES TO ADD GREATER VALUE TO OUR CUSTOMERS AND TAKE ADVANTAGE OF ANY RECOVERY IN OUR OPERATING MARKETS.

REGIONAL
BUSINESS OVERVIEW

**CHART 5:
RENTAL REVENUE BY REGION**

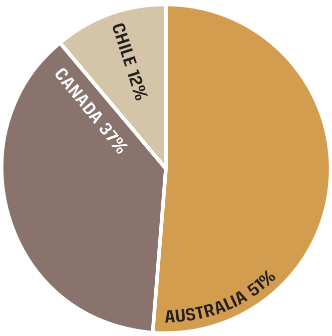


**CHART 6:
EBITDA CONTRIBUTION BY REGION**

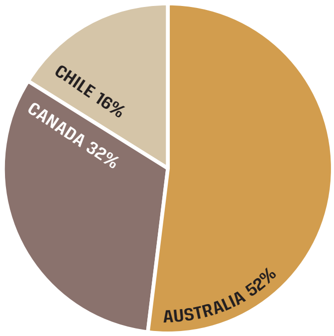
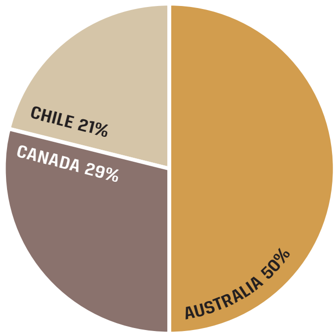


**CHART 7:
FLEET BY REGION**



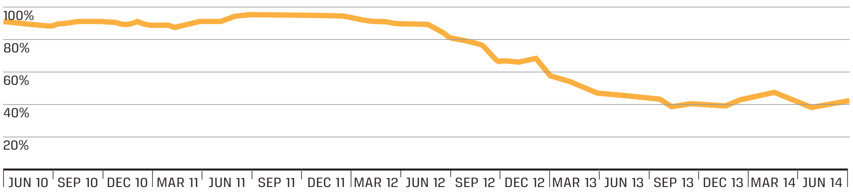
Australia

TABLE 8: PERFORMANCE INDICATORS

OPERATING RESULTS			
A$ MILLIONS	FY14	FY13	VAR %
Revenue	130.0	250.6	(48.1%)
EBITDA	44.8	121.6	(63.2%)
EBIT	(3.5)	53.4	(106.6%)
Funds Employed	374.7	467.5	(19.9%)
ROFE %	(0.9%)	11.4%	(12.3%)
No. workforce	226	286	
LTIFR	1.6	6.5	

Note
- For a reconciliation of statutory to operating results refer to Table 2 on page 15 and accompanying notes
- Utilisation defined as % of fleet rented to customers (measured by written down value)
- Australia results in Table 8 represent the Australian rental segment and do not include the Australian sales and parts results

CHART 8: AVERAGE FLEET UTILISATION



	FY14	FY13
Average	41%	60%
Year-end	41%	41%

MAIN MARKETS

Comprised of three operating units, Western Region (including Western Australia, Northern Territory and South Australia), Queensland and New South Wales, the Australian rental business is well diversified across bulk commodities and metals. The business services high quality customers, primarily blue-chip miners and large contractors, leveraged to the production phase of the mining cycle. Rental revenue commodity mix is weighted toward thermal coal (26%), iron ore (14%), metallurgical coal (19%) and metals (30%).

FY14 PERFORMANCE

Utilisation across FY14 stabilised compared to FY13, however significant contract losses over FY13 were only partially replaced during FY14 resulting in average utilisation decreasing to 41%, down from 60% in FY13. Reduced utilisation combined with nil recovery in rental rates resulted in FY14 operating revenue declining to $130.0 million, down from $250.6 million in FY13. Despite lower financial performance in FY14 an improvement in enquiry levels resulted in several contract wins toward the end of 2HFY14. Long lead times on customers converting enquiries led to these contracts not contributing to FY14 earnings.

Performance of the Australian business varied across each of the business units, ranging from year end utilisation in Queensland of 10% compared to New South Wales of 68% (Western Region year end utilisation of 46%). Our Queensland business has been heavily impacted by the oversupply of mining equipment in this region driving intense competition. We successfully defended our strong presence in New South Wales, growing the business over FY14 with significant contract wins in the gold and coal markets. An increase in activity in Western Australia in 2HFY14 stabilised utilisation and resulted in several project wins toward the end of FY14.

THE YEAR AHEAD

Recent contract wins will drive incremental utilisation growth from the commencement of FY15. A strong project pipeline is expected to drive further improvement in utilisation over FY15 however the Australian market remains competitive. Across the business units Emeco Australia is focused on building market share in Queensland, defending our strong position in New South Wales and converting the current project pipeline in the Western Region.

Given current utilisation of 41% the business will continue to drive cost reduction initiatives, limit capital expenditure to major component replacements, use idle fleet to replace assets which reach end of life and seek opportunities to redeploy or dispose of under-utilised asset classes.

MEDIUM TERM OUTLOOK

The medium term outlook for the Australian mining market remains similar to that 12 months ago, albeit an improvement in the rental market through greater enquiry levels. Low bulk commodity prices combined with the high value of the Australian dollar continue to impact the coal markets, iron ore producers continue to focus on the owner/operator model using their own equipment, while recovery in base metals market appears to be somewhat stifled by limited access to new capital sources.

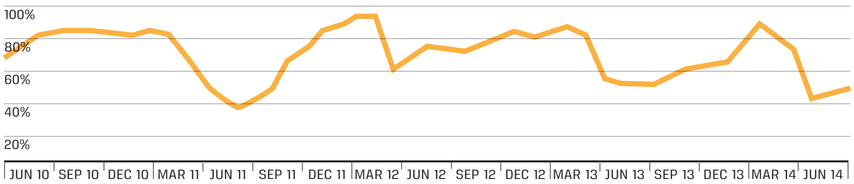
Canada

TABLE 9: PERFORMANCE INDICATORS

OPERATING RESULTS			
A$ MILLIONS	FY14	FY13	VAR %
Revenue	81.5	94.2	(13.5%)
EBITDA	27.6	46.5	(40.6%)
EBIT	8.2	23.4	(65.0%)
Funds Employed	186.5	214.0	(12.9%)
ROFE %	4.4%	10.9%	(6.5%)
No. Employees	96	102	
LTIFR	0.0	4.1	

Note
- For a reconciliation of statutory to operating results refer to Table 2 on page 15 and accompanying notes
- Utilisation defined as % of fleet rented to customers (measured by written down value)

CHART 9: AVERAGE FLEET UTILISATION



	FY14	FY13
Average	64%	75%
Year-end	49%	51%

MAIN MARKETS

The Canadian business is strategically located in the Alberta region to service oil sands and coal projects in Western Canada. The business primarily supplies rental equipment and external maintenance services to oil majors, indigenous and non-indigenous contractors, and coal miners. Rental revenue composition in FY14 remained heavily weighted toward oil sands (86%) with the remainder derived primarily from thermal coal.

FY14 PERFORMANCE

The Canadian business continued to expand its customer base in FY14 signing a third MSA with a major oil producer and partnering with large indigenous contractors. As a result the number of customers for this business increased from eleven to thirteen. Further growth in our external maintenance offering was also driven by an additional customer, driving associated revenues up 106.7% to $6.2 million (2013: $3.0 million).

Despite continuing to expand our Canadian business FY14 revenue of $81.5 million was 13.5% down on FY13 due to warmer weather resulting in the early cessation of the winter oil sands works program and an unplanned temporary plant shut-down at one of our major oil sands customers. The unpredictable nature of these occurrences resulted in EBITDA and EBIT margins declining in FY14 to 33.9% and 10.0% respectively (2013: 49.4% and 24.8% respectively) as revenue decreased against a relatively stable operating cost base.

THE YEAR AHEAD

Over the next 12 months our Canadian business is focused on maintaining a high level of service to our existing customers whilst building business development capability outside the oil sands market. Whilst preserving high utilisation over the winter period, servicing other commodity markets is likely to reduce revenue seasonality and lessen our exposure to the oil sands industry. Growth in our external maintenance services business is reducing the capital intensity of the Canadian business. Similar to our Australian business low utilised asset classes have been targeted for disposal with a number of assets transferred to assets held for sale.

MEDIUM TERM OUTLOOK

Embodied in the Canadian oil sands industry is the seasonal nature of earth works over a year. While this limits visibility on future activity, the installed production capacity in long life oil sands projects underpins significant base load volumes over the medium term.

OVER THE NEXT 12 MONTHS OUR CANADIAN BUSINESS IS FOCUSED ON MAINTAINING A HIGH LEVEL OF SERVICE TO OUR EXISTING CUSTOMERS WHILST BUILDING BUSINESS DEVELOPMENT CAPABILITY OUTSIDE THE OIL SANDS MARKET.

Chile

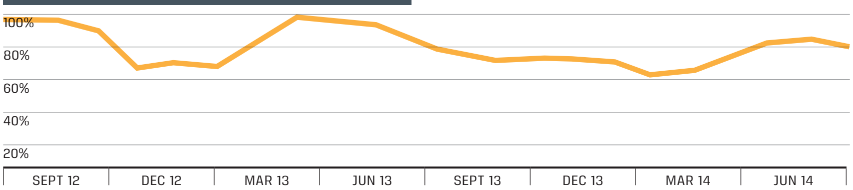
TABLE 10: PERFORMANCE INDICATORS

OPERATING RESULTS

A$ MILLIONS	FY14	FY13	Var %
Revenue	25.1	17.4	44.3%
EBITDA	13.8	11.1	24.3%
EBIT	4.1	6.4	(36.0%)
Funds Employed	138.3	78.5	76.2%
ROFE %	3.0%	8.2%	(5.2%)
No. Employees	16	8	
LTIFR	0.0	0.0	

Note
- For a reconciliation of statutory to operating results refer to Table 2 on page 15 and accompanying notes
- Utilisation defined as % of fleet rented to customers (measured by written down value)

CHART 10: AVERAGE FLEET UTILISATION



	FY14	FY13
Average	74%	86%
Year-end	81%	95%

MAIN MARKETS

Leveraged to the growing copper mining region of Antofagasta, Emeco services large international and domestic blue-chip miners and contractors in Chile. Rental revenue in FY14 was 100% weighted toward the copper industry.

FY14 PERFORMANCE

During FY14 the Group invested a further $25.0 million into the Chilean fleet increasing total fleet to approximately $110 million at 30 June 2014, including $22.2 million of transfers from Canada and Indonesia. The larger fleet combined with high utilisation resulted in revenue growth of 44.3% in FY14 to $25.1 million. Operating expenses increased as further resources were invested in the regional office to build our business development and maintenance capabilities. As a result EBITDA and EBIT margins reduced in FY14 to 55.0% and 16.3% respectively, down from 63.8% and 36.8% in FY13.

THE YEAR AHEAD

Emeco recently announced the Chilean business secured a five year contract in conjunction with Chilean mining contractor Fe Grande, estimated to generate revenue for Emeco between US$27 million and US$32 million annually. Utilising up to US$60 million of the Chilean fleet and representing over 50% utilisation the project provides a base for high utilisation in Chile for FY15 and beyond. Combined with a strong project pipeline Management expects high utilisation in the region over the next five years. Building on this foundation the business will seek opportunities to grow the fleet with a focus on transferring idle fleet from other regions.

MEDIUM TERM OUTLOOK

The Chilean mining industry maintains a strong cost curve position which is expected to underpin activity over the medium term. Greater presence in Chile is providing Emeco new opportunities to expand its customer base, both with contractors and mining companies. On the basis that volumes continue to grow in this market, Emeco is well positioned to maintain and grow earnings in this business in the medium term.

Indonesia

FY14 PERFORMANCE

Following the cessation of its only remaining significant contract with PT Indo Muro Kencana in July 2013 the business focused on cost minimisation and reducing the fleet via disposals and transfers. As mentioned in the Operating and Financial Review (page 17), net cash flow from the discontinued Indonesian operations totalled $9.9 million in FY14.

At 30 June 2013 the Indonesian business held rental assets totalling $108 million. Over FY14 $11.2 million of the Indonesian fleet was transferred to other Emeco businesses, whilst $82.7 million was reclassified as assets held for sales, with disposals of $40.3 million.

DISCONTINUED BUSINESS

Coming into FY14 Emeco announced the downsizing of the Indonesian business subsequent to the loss of a number of significant contracts and a slowdown in Indonesian coal market activity. Following a strategic review of the Indonesian business completed in May 2014 Emeco will exit the market given expected poor earnings from the business over the long-term.

The Indonesian business has been classified as a discontinuing operation for FY14 and the comparative period. As such FY14 financial results of the business have been excluded from operating and statutory results.

The exit of the Indonesian business is expected to remove approximately $3.5 million in operating costs annually.

DURING FY14 THE GROUP INVESTED A FURTHER $25.0 MILLION INTO THE CHILEAN FLEET INCREASING TOTAL FLEET TO APPROXIMATELY $110 MILLION AT 30 JUNE 2014, INCLUDING $22.2 MILLION OF TRANSFERS FROM CANADA AND INDONESIA.

TABLE 11: FIVE YEAR FINANCIAL SUMMARY

		2014	2013	2012	2011	2010
REVENUE						
Revenue from rental income	$'000	205,368	314,068	440,299	386,530	302,355
Revenue from sale of machines and parts	$'000	8,145	23,413	66,689	62,795	64,328
Revenue from maintenance services	$'000	27,582	41,894	58,182	53,170	38,276
Total	$'000	241,095	379,375	565,170	502,495	404,959
PROFIT						
EBITDA	$'000	27,188	148,268	260,507	215,379	167,685
EBIT	$'000	(208,827)	32,075	124,820	93,206	48,510
PBT	$'000	(251,378)	7,459	100,406	70,247	25,785
NPAT from continuing operations	$'000	(224,172)	12	69,972	49,974	12,300
Profit/Loss from discontinued operations	$'000	(51,137)	5,992	(227)	(365)	(61,613)
Profit for the year	$'000	(275,309)	6,004	69,745	49,609	(49,313)
One-off significant items	$'000	(202,629)	(28,487)	(1,375)	(6,395)	(90,456)
Operating profit	**$'000**	**(21,543)**	**28,499**	**71,120**	**56,004**	**41,143**
Basic EPS	cents	(3.6)	4.8	11.3	8.2	2.0
BALANCE SHEET						
Total Assets	$'000	748,362	1,126,022	1,216,116	981,152	1,014,754
Total Liabilities	$'000	424,390	514,846	575,729	378,918	392,011
Shareholders' Equity	**$'000**	**323,972**	**611,176**	**640,387**	**602,234**	**622,743**
Total Debt	$'000	343,774	415,426	459,484	297,005	305,472
CASH FLOWS						
Net cash flows from operating activities	$'000	82,072	181,303	230,467	214,931	147,462
Net cash flows from investing activities	$'000	25,032	(129,124)	(281,817)	(146,088)	(107,527)
Net cash flows from financing activities	$'000	(71,364)	(119,281)	118,958	(68,947)	(45,377)
Free Cash Flow after repayment/(drawdown) of net debt	**$'000**	**35,740**	**(67,102)**	**67,608**	**(104)**	**(5,442)**
Free Cash Flow before repayment/(drawdown) of net debt[1]	**$'000**	**85,889**	**(9,273)**	**(90,958)**	**(17,800)**	**24,900**
DIVIDENDS						
Number of ordinary shares at year end	'000	599,675	599,675	631,238	631,238	631,238
Total Dividends paid in respect to Financial Year	$'000	-	15,109	37,874	63,124	12,625
Ordinary dividends per share declared	**cents**	**0.0**	**2.5**	**6.0**	**5.0**	**2.0**
Special dividends per share declared	**cents**	**0.0**	**0.0**	**0.0**	**5.0**	**0.0**
KEY RATIO'S						
Average fleet utilisation	%	48.0	67.0	86.0	85.0	72.0
EBIT ROC	%	(0.8)	7.1	13.2	11.3	8.3
EBIT ROFE (pre goodwill)	%	(0.9)	8.5	15.7	14.0	10.5
Net Debt to EBITDA	x	4.78	2.15	1.47	1.38	1.82
Total Debt to equity	%	106.1	68.0	71.8	49.3	49.1

Financial information as reported in the corresponding financial year and includes operations now discontinued.
[1] Includes capex funded via finance lease facilities (excluded from statutory cash flow).

SUSTAINABILITY FOR THE FUTURE

TRIFR IMPROVED BY 33% IN FY14

APPOINTMENT OF TWO FEMALE EXECUTIVES TO SENIOR LEADERSHIP ROLES

INDEPENDENT SURVEY OF CUSTOMER SATISFACTION LEVELS

This is Emeco's fourth consecutive global sustainability report covering the financial year ending 30 June 2014. Despite challenging market conditions during the last financial year we maintained our commitment to employee safety, investment in our communities and the responsible stewardship of the physical environment in which we operate.

During the reporting period the mining industry was confronted with many adverse economic and market conditions. As a result of these issues we were forced to make a number of difficult decisions which resulted in the announcements that we would exit our Indonesian operations and commence a redundancy program in Australia. While difficult, we believe these measures were essential to help us transition Emeco through a difficult time and to improve the future sustainability of the Company.

Safety is paramount at Emeco. We had a 33% improvement in our Total Recordable Injury Frequency Rate (TRIFR) and a 74% improvement in our Lost Time Injury Frequency Rate (LTIFR) during FY14 due to a continued focus on lead indicators, improvement of health, safety and environment (HSE) systems and by ensuring that our employees are provided with the HSE training relevant to their role.

In a significant step, we have made good progress to our commitment to gender diversity. We appointed the first female Executive to our leadership team and also appointed our first female General Manager. We have also established a structured mentoring program for our current and future women leaders within the Australian business. In FY15 we will focus on expanding the diversity of our operations.

Continuing to manage our key sustainability risks remains a priority. Throughout FY14 we collected key sustainability metrics for the monthly sustainability report produced for the Emeco Board. This has enabled the Board to track our progress more closely, which has improved performance and accountability levels across the Company. Our annual sustainability reporting process has also become more streamlined and consistent as we collect information on a more regular basis.

ABOUT THIS REPORT

This report has been developed using the Global Reporting Initiative (GRI) framework in accordance with the G3 guidelines. The report has been self-assessed as a C level report and covers our performance in the areas of safety, people, community and environment for the FY14 period across our global operations. In preparing the information disclosed in this report we have applied the GRI principles for the development of report content which help to identify the areas of greatest importance and focus. These principles are: materiality, stakeholder inclusiveness, sustainability context and completeness.

REPORT BOUNDARY

This report covers our global operations in Australia, Indonesia, Canada and Chile. References to Emeco in this report cover all of our operations, except where explicitly stated.

TABLE 12: SUSTAINABILITY PERFORMANCE AND TARGETS

PERFORMANCE AREAS		FY14 PERFORMANCE HIGHLIGHTS	FY15 PERFORMANCE TARGETS
People	**Safety** FURTHER READING PAGE 28	• TRIFR improved by 33% • iSystain system implemented in Australia to improve safety reporting • Improved levels of proactive HSE lead indicators • Canada HSE new hire assessment • Implementation of Canadian 'Life Saving Rules'	• Global implementation of Emeco Safety Health and Environment Management System (ESHEMS) standards • Global implementation of Core Risk Control Protocols & Standard Operating Procedures • Global implementation of iSystain • Increase proactive HSE lead indicators • Reduce injury frequency rates
	Employee Development FURTHER READING PAGE 30	• Global HR Forum established. Four meetings held • Undertook fourth employee culture survey • Progressed consistent on-boarding process for new employees across Australian business • Developed Canadian Project Manager assessment profiling tool	• Undertake fifth annual culture survey • Implement consistent on-boarding process for new employees across the Australian business • Implement values-based employee recognition program • Implement profiling tool for key roles in Australian business • Develop and implement leadership program for frontline leaders
	Diversity FURTHER READING PAGE 29	• Appointment of two female executives to senior leadership roles • FY14 diversity initiatives implemented: – Global gender diversity measurement framework – Structured mentoring program for current and future women leaders within Australia – Emeco Empowered Leaders profile raising	• Conduct global diversity awareness training • Identify and target development of current and future potential women leaders
COMMUNITY	**Community Participation** FURTHER READING PAGE 32	• Ongoing support of Women Building Futures Canada • Participation in Clontarf Foundation Careers Day • Appointment of new community engagement representatives	• Strategic review of global community engagement approach • Increase employee participation in community engagement • Review existing Lifeline Australia and Clontarf partnership agreements in Australia
ENVIRONMENT	**Environmental Management** FURTHER READING PAGE 33	• Improved waste and waste water management practices • Reduced unnecessary idling of equipment in Canada	• Implement consistent approaches to water conservation and recycling across Emeco Group • Global support of national/local clean-ups each quarter

OUR STAKEHOLDERS

Our key stakeholder groups are listed below in table 13. The ways in which we engage with our stakeholders and their main areas of interest are also presented. Where relevant, we have responded to these concerns throughout the report as indicated by the cross-reference in the table below.

We have continued to report the same material issues which we identified in our 2013 report. With the transition to the GRI G4 standard after the end of 2015, we expect to be able to refine our material issues further and ensure that they continue to accurately reflect our key impacts across the business and their level of interest to our stakeholders.

TABLE 13: STAKEHOLDER ENGAGEMENT

STAKEHOLDER GROUP	HOW WE ENGAGE	TOPICS & CONCERNS (FY14)
SHAREHOLDERS	Investor relations team, annual financial performance reporting, annual general meeting, annual meetings with proxy advisory firms and corporate governance meetings.	• Company performance • Value creation • Financial and non-financial risk mitigation • Capital management • Corporate governance
CUSTOMERS	Face to face through tender responses, business development and site managers. In FY14 we undertook an independent customer satisfaction survey. We have improved our approach to managing customer relationships and implemented a multi-level relationship engagement process with our customers.	• Safety • Hire terms and conditions • Equipment supply • Equipment performance • Workforce supply
EMPLOYEES	During the period we engaged with employees directly through face to face interaction as well as through Emeco's intranet, MD newsletter, regional newsletters, employee culture survey, inductions, performance management process, in-house training, community engagement activities and safety meetings.	• Job security • Safety • Communication • Training and development • Work prioritisation • Workplace satisfaction and desired values • Company performance
SUPPLIERS	Supply related enquiries, tender/quote responses.	• Supply chain opportunities and/or issues
COMMUNITY MEMBERS	Community focused sponsorship and partnership activities.	• Social impact of operations • Community investment and support

LISTENING TO OUR CUSTOMERS

As a B2B organisation, we are focused on helping our customers to safely reach their performance and sustainability goals.

Safe employees, customers and suppliers

Our customers have told us that safety is their main priority and this aligns with Emeco's position that the safety of our people and those we work with is paramount. Emeco is committed to maintaining a safe and healthy working environment for our employees, suppliers and customers. To that end we continued to improve our safety systems and processes in FY14 as well as our global safety performance (see page 28-29).

Customer Feedback

We undertook an independent customer satisfaction survey of customers, non-customers and industry participants in FY14. The survey sought to better understand our customers' needs and their level of satisfaction with our products and services.

Approximately 40 respondents from across Latin America, Canada and Australia participated in the survey. The information obtained will be vital as we seek to add greater value to our existing and future customers' operations and as we develop our business strategy for the future.

People

HEALTH AND SAFETY

We take the health and safety of our people very seriously. We are proud of the progress we made in FY14 in formalising a number of systems and standard operating procedures. The Emeco Health, Safety and Environment Risk Matrix and Risk Management Framework are now consistent across the entire Group. Operating, leasing and maintaining heavy vehicles in 24/7 environments can present a risk to our people, but it is also an opportunity to demonstrate leading practice in safety management and behavioural-led safety. We are pleased to report an improvement in total recordable and lost time injury frequency rates during FY14.

Improved systems

A new HSE information and incident management application, iSystain, was rolled out across Australia in FY14. iSystain is supported by the Emeco Safety Health Environmental Management System (ESHEMS) compromising of 16 standards which outline Emeco's HSE requirements at the highest level. Underlying the ESHEMS Standard 10 – Risk Management are core risk control protocols and supporting standard operating procedures.

The iSystain application also has a Vendor Management module which allows us to assess the HSE maturity of our suppliers to ensure that they are able to operate within Emeco's HSE requirements. We constantly seek to improve the health and safety of not only our employees, but also our supply chain. The Vendor Management module will provide automated management of supplier prequalification, assess compliance against Emeco's requirements and assist in the ongoing management of a supplier's services.

A key focus for the coming year will be to implement iSystain across our global operations to Canada and Chile.

Monitoring and audit

The Australian business developed and conducted internal audits of EHSEMS for Western Australian and New South Wales operational sites during the period. Mackay and other Queensland sites were not audited due to the downsizing of our Queensland operations. The Canadian business has undertaken audits to achieve their Certificate of Registration requirements in the province of Alberta. ESHEMS audits for Chile will commence in FY15.

Global knowledge sharing

The Global HSE Forum continued in FY14 and has resulted in greater information sharing across the Emeco Group. The Australian business focused on HSE communication and engagement and has since seen improvements to our Positive Attitude Safety System (PASS). We have implemented an additional level meeting in which operational leaders (including Leading Hands and Supervisors) discuss HSE improvements and provide feedback on a daily basis. By moving from lag indicators for safety to a more proactive HSE lead indicator focus, we believe that we are bringing HSE leadership from the boardroom to the frontline.

During the year our Canadian business rolled out the "Emeco Canada Life Saving Rules" which are positive, proactive guiding principles for all Canadian employees to abide by. There has also been an increased focus on delivering training including topics such as risk tolerance levels, heavy duty mechanic training and administrative training around audits, injury investigations and return to work strategies.

Safety Performance

TABLE 14: FY14 SAFETY PERFORMANCE MEASURES BY REGION[A]

REGION	TRIFR[B]	LTIFR[C]	DIFR[D]	MTIFR[E]
Australia	12.8	1.6	6.4	4.8
Canada	0	0	0	0
Chile	0	0	0	0
Indonesia	0	0	0	0
Emeco Group	**12.8**	**1.6**	**6.4**	**4.8**

TABLE 15: 5 YEAR LTIFR PERFORMANCE

LTIFR	FY14	FY13	FY12	FY11	FY10
Emeco Group	0.9	3.5	1.7	2.4	3.4

[A] First Aid Injuries are not included in the above data as they are not a Recordable Injury
[B] Total Recordable Injury Frequency Rate: a combination of Fatalities, Lost Time, Disabling Injury and Medical Treatment Injury. Frequency Rate (FR) the number or injuries/illness for required indicator multiplied by million hours worked divided by total exposure hours
[C] Lost Time Injury Frequency Rate
[D] Disabling Injury Frequency Rate
[E] Medical Treatment Injury Frequency Rate

TABLE 16: 4 YEAR TRIFR PERFORMANCE

TRIFR	FY14	FY13	FY12	FY11*
Emeco Group	7.1	10.6	17.4	12.4

* Emeco commenced reporting TRIFR in FY11.

During the period, Emeco's global LTIFR decreased by 74% and the Group realised a 33% improvement in TRIFR. Lead indicators such as the reporting of hazards and near misses as well as the number of inspections, audits and safe act observations also continually improved during the year.

Focus on proactive HSE activities

We focused heavily on safety performance and proactive HSE activities during the year. Additionally, we concentrated on a number of lead indicators which are important to help the business identify hazards, prevent injuries and encourage continuous improvement. Each region continued to improve in relation to hazard reporting, safe act observations, risk management tools (Take 5s, Job Safety Environmental Analysis, Safe Work Method Statements, Field Level Risk Assessments, Last Minute Risk Assessments and Team Based Risk Assessments).

As part of our commitment to ensuring our employees are safe at work, we also encourage and empower our employees to be safe outside of the workplace. During the year, Emeco ran four free three-hour child and baby first aid courses for employees and their families in Australia. In FY15 we plan to continue with this initiative.

Diversity

Operating across Australia, Canada and Chile, Emeco's businesses are geographically and culturally diverse and we are focused on developing a workforce which reflects the diversity of the broader communities in which we operate.

Emeco made good progress in its commitment to increasing gender diversity in FY14. The first female Executive was appointed to our leadership team and we also appointed our first female General Manager. In FY14 Emeco increased overall female representation in the workforce (see table 18).

Our executive leadership team participated in gender diversity workshops during FY13 and we now intend to roll this out to the senior regional management teams in FY15. We understand the value of gender diversity and are committed to equality and treating each other with respect.

For the first time in FY14 we piloted a structured mentoring opportunity for current and future women leaders within Western Australia, developed in conjunction with the Australian Institute of Management Western Australia. We will look to expand this program across our other operating regions in FY15 through AIM WA's e-mentoring capabilities and affiliated training organisations dependent on feedback from participants.

Emeco has begun producing and publishing a series of regular articles called 'Empowered Leaders'. These articles showcase Emeco people who lead by example, regardless of their level or role. The articles are communicated through Emeco's intranet (Emnet) and via email.

People data

In FY14 we changed the format of our reporting on gender diversity metrics so we are aligned with the Australian Government's Workplace Gender Equality Agency (WGEA) requirements for job classifications. Our WGEA report is available in the sustainability section of our website: www.emecogroup.com.

As at 30 June 2014, women represent 15.9 per cent of our workforce which is a slight increase from 14.7 per cent at 30 June 2013. Women hold 20.8 per cent of management positions and the majority of women are employed in administrative and business support roles at Emeco.

Avril Banning at work in Mackay, Queensland

CASE STUDY

DEVELOPING EMPOWERED LEADERS

During the year Emeco began producing and publishing a series of regular 'Empowered Leaders' articles. These articles showcase Emeco people who lead by example, regardless of their level or role in the Company. The articles are communicated across Emeco's global operations through the intranet (Emnet) and via email. Avril Banning is one employee who was featured during the year. Avril has been a part of Emeco's Queensland team since May 2012, starting as a Management Trainee. The 18 month Management Trainee program ensured Avril spent time working across many key areas of the business. Avril is now HR Business Partner for our New South Wales and Queensland businesses and with support from Emeco, is working towards attaining a Master of Business Administration.

TABLE 17: EMPLOYEES BY REGION AND CONTRACT

	TOTAL NUMBER OF EMPLOYEES (2014)					
REGION	FULL TIME (PERM)	PART TIME[G] (PERM)	FULL TIME (FIXED TERM)	PART TIME (FIXED TERM)	CASUAL	TOTAL
Australia	212	7	3	0	4	226
Canada	94	1	1	0	0	96
Chile	16	0	0	0	0	16
Indonesia	38	0	12	0	0	50
TOTAL	**360**	**8**	**16**	**0**	**4**	**388**

TABLE 18: GROUP WORKFORCE BY JOB CLASSIFICATION, GENDER AND AGE

		GENDER		AGE			
JOB CLASSIFICATION	TOTAL	FEMALE	MALE	< 30 YRS	31-40	41-50	51+ YRS
CEO	1	0	1	0	0	0	1
Key Management Personnel	7	1	6	0	3	3	1
Other Executives / General Managers	9	1	8	0	2	5	2
Senior Managers	18	5	13	2	8	6	2
Other Managers	13	3	10	0	5	5	3
Professionals	33	11	22	12	11	4	6
Technicians and Trade	208	0	208	70	64	49	25
Community & Personal Service	1	0	1	0	0	1	0
Clerical & Administrative	47	35	12	11	16	12	8
Sales	17	0	17	2	3	8	4
Machinery Operators & Drivers	5	0	5	2	1	2	0
Labourers	2	2	0	1	0	1	0
Other	7	4	3	0	4	3	0
Graduate	0	0	0	0	0	0	0
Apprentice	20	0	20	14	5	1	0
TOTAL	**388**	**62**	**326**	**114**	**122**	**100**	**52**

TABLE 19: FY14 TURNOVER BY REGION

	TURNOVER NUMBER		TURNOVER RATE[H]	
REGION	MALE	FEMALE	MALE	FEMALE
Australia	92	20	35.05%	7.59%
Canada	27	11	25.78%	10.55%
Chile	8	0	48.54%	0.00%
Indonesia	171	19	111.91%	17.04%

[G] Part-time is assessed as anything less than 38 hours week.
[H] Turnover is defined as the number of employees leaving Emeco voluntarily and involuntarily. It is based on a rolling 12 month figure

Managing structural changes

Unfortunately market conditions in Australia required a program of redundancies in FY14. Affected employees, regardless of their level or position, were provided with support and assistance to transition to alternative employment.

In Australia Emeco engages the support of a third-party Employee Assistance Program (EAP). Throughout the FY14 structural changes, Emeco management regularly communicated the EAP services available to employees and in some circumstances family members.

In August 2013 Emeco announced the downsizing of the Indonesian business following a slowdown in Indonesian coal mining activity and a number of significant contract losses. The Indonesian business will not be included in reports going forward and we currently have a limited team of key staff operating at the workshop to assist with the closure of the business.

The decision to exit Indonesia was taken very seriously, weighing up the market conditions as well as the impacts on our employees. Throughout this process we have engaged with the relevant local organisations and authorities to provide support for affected employees and ensure that we comply with the relevant industrial relations regulations.

Employee satisfaction

In 2013 we undertook our fourth annual culture survey with 76% of the global workforce participating. As anticipated, given the challenging market conditions at the time the survey was conducted, employee satisfaction levels were lower than in previous years. This was a clear reflection of the downturn in the market and concerns around job security, particularly in Australia and Indonesia. Pleasingly, our culture survey did reveal that our core values of Accountability, Continuous Improvement, Integrity and Collaboration continue to remain priorities for employees.

EMPLOYEE DEVELOPMENT

Emeco strives to ensure that all employees have Personal Performance Plans (PPP) which include objectives, behavioural assessments and training plans. During the year, 80% of eligible employees (those starting employment prior to 1 April 2014) completed a PPP for the Australian business, 90% of employees for the Canadian business and 25% in Chile. We are in the process of appointing a human resources manager in Chile, which we hope will help to increase the number of performance plans for this region as well as further develop our in-country people systems and processes.

Developing our frontline

A pilot of the Frontline First supervisor training program commenced in February 2014 in Western Australia. The program incorporates a number of targeted modules catering for the specific needs of Emeco's frontline leaders. This program includes modules in safety leadership, proactive HSE tasks, maintenance operations management, communication skills, building and managing teams, contract management and performance management.

Emeco nationally recognised training

Working with a Registered Training Organisation (RTO) in Australia, we have commenced developing in-house, nationally recognised training and assessments in Frontline Management. On successful completion of the training, employees will receive a Certificate IV qualification which is recognised across the industry. This training is also helping to develop empowered Emeco leaders.

We have established a Global Human Resources Forum focused on sharing best practice across the business in relation to our people systems, processes and practises. For example, our Canadian business has developed human resources profiles for strategically critical roles, such as project managers. As the market becomes hyper-competitive in Australia, the skills of our customer facing people have become mission critical to our business. A key human resources initiative for Australia in FY15 is to develop profiles and role scorecards to ensure employees are aware of desired job outcomes, key accountabilities and performance measures, which will assist our people in their career pathways.

TABLE 20: AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE BY REGION

REGION	FY14
Australia	20.25
Canada	15.31
Chile	22.53
Indonesia	10.27
Group average	**17.09**

Community

Emeco strives to positively support the communities of the regions where we operate and create an environment that allows our local workforce to understand the needs of their local communities.
In addition to our national partnerships, dedicated employees in each region have responsibility for managing their local community engagement activities budgets. Community organisations are encouraged to apply for sponsorship from Emeco by following our community sponsorship application process.
All applicants are assessed by our Community Engagement Representatives in accordance with our Sponsorship Guidelines and budget. In the past year, we have supported local community organisations across all regions in which we operate.

Partnering for change

We also have a number of longer term, strategic partnership agreements with community organisations. In FY14 we continued to support Women Building Futures in Canada as well as Lifeline Australia and the Clontarf Foundation in Australia.

TABLE 21: FY14 COMMUNITY ACTIVITY BY REGION

REGION	PARTNERSHIP OR SPONSORSHIP
AUSTRALIA	Lifeline Australia (National Partnership)
	Clontarf (National Partnership)
	Activ Foundation - City to Surf
	Cancer Council WA (Relay for Life Corporate Triathlon & The Biggest Morning Tea)
	Febfast - Youth Support + Advocacy service and Family Drug Support
	HBF Run for a Reason (Lifeline WA)
	Leukaemia Foundation
	Movember Men's Health
	Royal Flying Doctor Service WA
	RSPCA Million Paws Walk
	WA School of Mines
	YMCA Big Brothers Big Sisters
CANADA	Women Building Futures
CHILE	*Community engagement activities not yet commenced.*
INDONESIA	Manggar Youth Organisations
	Youth Pledge Day
	People Empower Council

Environment

Globally, we are committed to responsible environmental practices that aim to reduce any adverse environmental impacts and improve the economic and environmental benefits related with our business activities. In FY13, we developed and implemented a monthly sustainability reporting tool. Over the past two years the tool has been streamlined which has improved the consistency and efficiency of our environmental data collection and reporting processes. We continue to inspect and monitor work areas to identify environmental risks and opportunities for improvement.

WATER AND WASTE WATER MANAGEMENT

In FY14, a number of improvements were initiated in relation to waste water management practices. Following are some examples of the steps taken:

- At our Rutherford workshop in New South Wales we have undertaken recalibration of our water/oil separator and trained employees in the use of this equipment.
- The wash pad facility at our Guildford workshop in Western Australia was redesigned to ensure waste flows correctly into the waste oil area. This improvement was made after the successful redesign of the wash pad facility at our Mackay workshop in Queensland in FY13.
- Also at our Guildford workshop, we recently completed a ground hydrocarbon study and report on hydrocarbon soil contamination for the workshop and yard. This identified that our hydrocarbon management practises were effective in preventing soil and water table contamination.
- Across Australia we installed hydrocarbon traps in all drains to trap any hydrocarbon contaminated water entering after rain events at our workshops.

These initiatives will help ensure increased water holding capacity, improved water recycling, improved safeguards to prevent hydrocarbon contamination of waterways and increased monitoring/sampling of hydrocarbon content across our Australian operations.

In FY14, we have worked towards improving our reporting approaches and continue to monitor water use and management. We are working to improve water management practices across Emeco's global operations in the future.

Across our Australian operations we have invested in vehicles which have an extra quiet (XQ) specification. We offer these machines to our customers in an effort to reduce noise pollution in the areas where we operate. We currently have XQ vehicles operating at customer sites in Western Australia and New South Wales.

ENERGY EFFICIENCY INITIATIVES

Emeco continuously looks to implement initiatives that lessen the impact of our business activities on the environment.

To improve our overall carbon footprint during FY14 we implemented a number of energy efficiency improvements in our offices and sites, including:

- Trialling induction lighting and installing LED lights at our goods inward/outward shed in Guildford, Western Australia. The use of induction and LED lighting has resulted in greater energy efficiencies and utility cost savings for Emeco as induction lighting consumes approximately 50% of what a conventional lighting system consumes.
- Introducing a new environmentally friendly cleaning agent to our parts cleaning process at our Rutherford workshop in New South Wales.
- Identifying ways to reduce the impacts of our vehicles while in use at customer sites. In New South Wales we have installed LED lighting on all fleet vehicles to improve the overall energy efficiency of the vehicles.

Due to the nature of our operations, hazardous waste is an area of concern globally. Emeco has strict guidelines on the safe handling and disposal of environmental waste and hydrocarbons generated by our operations. We engage approved suppliers to handle and dispose of environmental waste and hydrocarbons. In Australia we actively recycle, reuse and reduce the amount of thinners in our paint and blast facilities. This approach has substantially reduced waste solvents onsite and overall waste production and disposal costs.

INCIDENTS AND SPILLS

No significant spills were reported by any of our operations in FY14.

ACROSS AUSTRALIA WE INSTALLED HYDROCARBON TRAPS IN ALL DRAINS TO TRAP ANY HYDROCARBON CONTAMINATED WATER ENTERING AFTER RAIN EVENTS AT OUR WORKSHOPS.

ENERGY AND GREENHOUSE GAS EMISSIONS

Emeco provides safe, reliable and well maintained earthmoving equipment solutions for mining across Australia, Canada and Chile. Due to the nature of our business our customers continue to have sole responsibility for reporting emissions associated with the use of our equipment. Our Australian operations fall below the current emissions reporting thresholds set by the Australian Government's National Greenhouse and Energy Reporting legislation and Energy Efficiency Opportunities legislation and as such, we are not required to report greenhouse gas emissions or energy usage under either of the aforementioned legislations. Nonetheless, we track and report energy usage and greenhouse gas emissions information each year, for the prior financial year, through our voluntary submission to the Carbon Disclosure Project (CDP) www.cdproject.net.

Our most recent CDP submission shows that our FY13 GHG emissions (scopes 1 and 2) were 9,441 tCO2e (see table 23) which represented an increase of 25% on FY12 emissions. The increase in emissions was primarily due to the improved tracking of data in Chile as well as fleet fuel consumption which contributed to a 47% increase year-on-year in vehicle carbon emissions.

In FY14, each region reported regularly on environmental data through our monthly sustainability reporting tool with the aim to improving the accuracy of our emissions data allowing us to respond more effectively to identifying and managing trends.

We strive for continual improvement in our environmental performance in ways that are sustainable, practical, meaningful and cost-effective.

We remain committed to identifying and monitoring the environmental impacts of Emeco's business activities and continue to work with our customers to mitigate these impacts, improve energy efficiencies, manage environmental risks and reduce overall emissions associated with our service offerings.

WE STRIVE FOR CONTINUAL IMPROVEMENT IN OUR ENVIRONMENTAL PERFORMANCE IN WAYS THAT ARE SUSTAINABLE, PRACTICAL, MEANINGFUL AND COST-EFFECTIVE.

TABLE 22: FY13 ENERGY CONSUMPTION BY SOURCE

ENERGY CONSUMPTION	DIRECT ENERGY (GJ) (SCOPE 1 & 2)	tCO2-e (SCOPE 1 & 2)
Electricity	12,760	3,331
Natural Gas	11,303	580
Fleet Fuel	80,486	5,530
TOTAL ENERGY CONSUMED	**104,548**	**9,441**

TABLE 23: 2010-13 GROUP EMISSIONS (SCOPE 1 & 2)

YEAR	tCO2-e[1]
2010	7,397
2011	6,447
2012	7,543
2013	9,441

TABLE 24: 2013 GROUP ENERGY CONSUMPTION AND GHG EMISSIONS BY REGION

REGION	DIRECT ENERGY (GJ) (SCOPE 1 & 2)	tCO2-e (SCOPE 1&2)
Australia	34,085	4,557
Canada	28,102	1,815
Chile	34,977	2,380
Indonesia	7,384	689
TOTAL	**104,548**	**9,441**

[1] Carbon footprint is calculated using the international best practice Greenhouse Gas Protocol.
National Greenhouse Accounts (NGA) Factors July 2010 – Department of Climate Change and Energy Efficiency
National Greenhouse and Energy Reporting (Measurement) Determination 2008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FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2014

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2014

This Corporate Governance Statement sets out the extent to which Emeco has followed each of the Corporate Governance Principles and Recommendations with 2010 Amendments set by the ASX Corporate Governance Council (**ASX Principles and Recommendations**) during FY14.

PRINCIPLE 1 LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

ROLES AND RESPONSIBILITIES OF THE BOARD AND SENIOR EXECUTIVES

The Company's Board charter, which has been adopted by the Board, sets out the functions and responsibilities of the Board, each Director and the Chair.

Under the charter, the Board is accountable to shareholders for the overall performance of the Company and management of its affairs. Key responsibilities of the Board include:

- developing, providing input into and final approval of, corporate strategy;
- evaluating, approving and monitoring the strategic and financial plans and performance objectives of the Company;
- determining the dividend policy and the amount and timing of all dividends;
- evaluating, approving and monitoring major capital expenditure, capital management and all major acquisitions, divestitures and other corporate transactions, including the issue of securities;
- reviewing, ratifying and monitoring systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- evaluating and monitoring annual budgets and business plans;
- ensuring appropriate resources are available to senior executives;
- approving all accounting policies, financial reports and external communications by the Group;
- appointing, re-appointing or removing the Company's external auditors (on recommendation from the Audit and Risk Committee); and
- appointing, monitoring and managing the performance and remuneration of Executive Directors.

The charter sets a minimum number of Board meetings and provides for the establishment of the Audit and Risk Committee and the Remuneration and Nomination Committee. The charter also sets minimum standards of ethical conduct of the Directors, which are further elaborated on in the Company's code of conduct, and specifies the terms on which Directors are able to obtain independent professional advice at the Company's expense.

A copy of the Board charter and the Company's code of conduct is available on the Emeco website.

Under the terms of the Board charter, the Chief Executive Officer is responsible to the Board for the day-to-day management of the Group. The Board has formally adopted a structured delegated financial authority (**DFA**) which outlines the specific financial authority limits delegated to the Chief Executive Officer. The Board approves and monitors this delegation of financial authority.

The DFA ensures that contract commitments and expenditure is limited to:

- contractual commitments in the ordinary course of business;
- operational expenditure incurred in the day-to-day running of the business; and
- capital expenditure, being the purchase of assets for the purpose of deriving income.

The DFA also sets levels of permitted contractual and expenditure commitment delegated by the Chief Executive Officer to employees across the Group. Authority limits have been set as a risk management tool to ensure adequate controls are in place when committing the Group to a contract or incurring costs.

The Company has written agreements with each Director and Senior Executive setting out the terms of their appointment.

EVALUATING THE PERFORMANCE OF EXECUTIVES

The performance of the Chief Executive Officer is regularly monitored by the Non-Executive Directors.

Formal reviews of the performance of each Senior Executive within the Emeco Group are conducted by the Chief Executive Officer in July/August each year. These performance reviews provide the Chief Executive Officer and each Senior Executive with the opportunity not only to review the Senior Executive's performance against a range of financial and operational benchmarks but also to review and assess the Senior Executive's personal and professional development objectives. A review of the performance of each Senior Executive as at July was undertaken during FY14.

The Group has formal induction procedures in place to introduce new senior executives to the Group and gain an understanding of the Group's financial position, strategies, operations, risks and other policies and responsibilities.

PRINCIPLE 2 STRUCTURE THE BOARD TO ADD VALUE

BOARD MEMBERSHIP

With the retirement of Mr Bishop effective from 30 June 2014, the Board is currently comprised of five Directors. Of these, four, including the Chair, are independent Non-Executive Directors.

Independent Directors are expected to bring independent views and judgement to the Board's deliberations. All of the Company's independent Directors satisfy the criteria for independence set out in the ASX Principles and Recommendations. In considering whether a Director is independent, the Board has regard to the relationships affecting his or her independent status and other facts, information and circumstances that the Board considers to be relevant.

The Board assesses the independence of new Directors upon appointment and reviews the independence of the Directors annually and as appropriate. The test of whether a relationship is material is based on the nature of the relationship and the circumstances of the Director. Materiality is considered from the perspective of the Company, the Director, and the person or entity with which the Director has a relationship.

The one Director, who is not considered to be independent due to his involvement in the management and operations of the Group, is Mr Lewsey, the Chief Executive Officer and Managing Director.

The table below sets out details of the status of each of the current Directors:

Table 25: Status of Current Directors

DIRECTOR	DATE OF APPOINTMENT	INDEPENDENT?	NON-EXECUTIVE?	SEEKING RE-ELECTION AT 2014 AGM?
Alec Brennan	16/08/2005	Yes	Yes	Yes
John Cahill	15/09/2008	Yes	Yes	Yes
Kenneth Lewsey	4/11/2013	No	No	No
Peter Richards	14/06/2010	Yes	Yes	No
Erica Smyth	15/12/2011	Yes	Yes	No

The biographical details of the Directors are set out on pages 46 to 47.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2014

DIRECTOR SKILLS, EXPERIENCE AND EXPERTISE

The following table sets out the key skills and experience of the Directors and the extent to which they are represented on the Board and its Committees:

Table 26: Skills and Experience

SKILLS AND EXPERIENCE		BOARD (TOTAL 5 DIRECTORS)	AUDIT & RISK COMMITTEE (TOTAL 3 DIRECTORS)	REMUNERATION & NOMINATION COMMITTEE (TOTAL 3 DIRECTORS)
Strategy & Sustainability	Strategic skills. Contributes to the formulation, testing and approval of a business strategy. Alert to opportunities, risks and trends.	5 Directors	3 Directors	3 Directors
Finance	Financial skills and credentials. Aware of financial risk. Understands financial reporting requirements and financial regulations.	5 Directors	3 Directors	3 Directors
Marketing & Growth	Understands growth and marketing strategies or has marketing skills.	5 Directors	3 Directors	3 Directors
Corporate Governance	Background in corporate governance and compliance. Familiar with corporate legislation and statutory requirements.	4 Directors	2 Directors	3 Directors
Operations & Asset Optimisation	Understands operational improvements and extracting maximum value from existing assets.	5 Directors	3 Directors	3 Directors
Human Capital	Experience in setting management performance goals, overseeing and managing performance, developing executive bench strength and succession plans.	5 Directors	3 Directors	3 Directors
External Engagement	Experience with external stakeholder groups (community, regulators, government), including networks and ability to exert influence.	4 Directors	2 Directors	3 Directors
Industry Knowledge	Expertise and knowledge pertinent to the industries or environments in which the Company operates.	4 Directors	2 Directors	2 Directors
Technical Knowledge	Skills and expertise in products or technologies relevant to the Company.	3 Directors	1 Director	2 Directors
Corporate Finance	Experience and skills associated with mergers, acquisitions, demergers, capital raising and debt financing.	4 Directors	3 Directors	2 Directors
Legal	Expertise in corporate law or legislation relevant to the Company.	1 Director	1 Director	1 Director
International Business	International business experience from working with multinational companies and international expansion.	3 Directors	3 Directors	2 Directors
Information Technology	Expertise in IT strategy and system design, procurement and implementation and understands associated risks.	2 Directors	2 Directors	2 Directors

The Directors consider that collectively they have the relevant skills, experience and expertise to fulfil their obligations to the Company, its shareholders and other stakeholders.

All Directors are expected to maintain the skills required to discharge their duties to the Company. Directors are provided, on an "as needed" basis, with papers, presentations and briefings on Group businesses and on matters which may affect the operations of the Group.

The Directors and a brief description of their skills, experience and expertise are set out at pages 46 to 47 of this report.

SEEKING INFORMATION AND INDEPENDENT PROFESSIONAL ADVICE

Under the Board charter, a Director is entitled to seek professional advice at the Company's expense on any matter connected with the discharge of his or her duties in accordance with the procedure set out in the charter, a copy of which is available on the Emeco website.

All Directors have unrestricted access to the General Counsel and Company Secretary and employees of the Group as and when required. Subject to law, the Directors also have access to all records of the Company and information held by Group employees and external advisors. The Board receives regular detailed financial and operational reports from Senior Executives to enable it to carry out its duties.

REMUNERATION AND NOMINATION COMMITTEE

The Board has established a Remuneration and Nomination Committee, whose responsibilities include the following:

- Critically reviewing the performance and effectiveness of the Board and its individual members.
- Periodically assessing the skills required to discharge the Board's duties, having regard to the strategic direction of the Company.
- Reviewing the membership and performance of the Committees and making recommendations to the Board.

The Members of the Remuneration and Nomination Committee are Mr Brennan (Chair), Mr Cahill and Ms Smyth. Each Member's attendance at the three meetings held by the Committee in FY14 is set out at page 48.

The charter of the Remuneration and Nomination Committee is available on the Emeco website.

DIRECTOR SELECTION

The Board aims to achieve a mix of skills and diversity in its Members. Candidates recommended for appointment as new Directors are considered by the Board as a whole. If it is necessary to appoint a new Director to fill a vacancy on the Board or to complement the existing Board, a wide potential base of possible candidates is considered. The Board has established the following criteria for the appointment of Directors of the Company:

- No actual or potential conflicts of interest at the time of appointment.
- No prior adverse history, including bankruptcy, conviction for an offence of dishonesty or any other serious criminal conviction, ASIC or APRA disqualification.
- Deserved reputation for honesty, integrity and competence.
- Extensive experience at a senior executive level in a field relevant to the Group's operations and preferably with a listed company.
- High level strategic, financial and commercial capability.
- Available and willing to devote the time required to meetings and Company business and a real commitment to the Group and its success.
- Able to work harmoniously with fellow Directors and management.
- Skills, experience and knowledge which complement the skills, experience and knowledge of incumbent Directors.

The Company has formal induction procedures in place to introduce new Directors to the Group and gain an understanding of the Group's financial position, strategies, operations, risks and other policies and responsibilities.

DIRECTOR RE-ELECTION

Under the terms of the Company's constitution, a Director other than the Managing Director must retire from office or seek re-election by no later than the third annual general meeting after his or her election or three years, whichever is the later. Further, at least one Director must retire from office at each annual general meeting, unless determined otherwise by a resolution of the Company's shareholders. Messrs Alec Brennan and John Cahill will seek re-election at the 2014 annual general meeting under these provisions.

Under the Company's constitution the Directors have the power to appoint Directors to fill a vacancy or as an addition to the Board. Any Director, except a Managing Director, appointed in this way must retire from office, and is eligible for re-election, at the next annual general meeting following his or her appointment.

The Company provides shareholders with the following material information in its possession relevant to a decision on whether or not to elect or re-elect a Director in its notice of meeting:

- The Director's biographical details, including relevant qualifications, skills and experience.
- Other material directorships held by the Director.
- The term of office currently served by the Director.
- Whether the Board considers the Director to be an Independent Director.
- Whether the Board supports the election or re-election of the Director.

BOARD, COMMITTEE AND DIRECTOR EVALUATION

Generally, a review of the performance of the Board is completed annually by the Chair with the assistance of the Remuneration and Nomination Committee. The review is undertaken in accordance with the charter of the Remuneration and Nomination Committee using a questionnaire, the scope of which covers the performance of the Board, its Committees, the Chair and individual Directors. Directors' questionnaire responses are collated and analysed by the Chair and then presented to, and discussed with, the Board. A performance evaluation for the Board, its Committees, the Chair and individual Directors took place in FY14 in accordance with this process.

PRINCIPLE 3 PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

The Company considers that confidence in its integrity can only be achieved if its employees and officers conduct themselves ethically in all of their commercial dealings on the Company's behalf. The Company has therefore recognised that it should actively promote ethical conduct amongst its employees, officers and contractors.

The Company has adopted a code of conduct, share trading policy, diversity policy, gifts and entertainment policy and whistle blower policy, which apply to all Directors, officers, employees, consultants and contractors of the Group.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2014

THE CODE OF CONDUCT

The objectives of the code of conduct are to ensure that:

- high standards of corporate and individual behaviour are observed by all employees in the context of their employment with the Group;
- employees are aware of their responsibilities under their contract of employment and always act in an ethical and professional manner; and
- all persons dealing with the Group, whether it be employees, shareholders, suppliers, clients or competitors, can be guided by the stated values and practices of Emeco.

Under the code of conduct, employees of the Group must, amongst other things:

- act honestly and in good faith at all times and in a manner which is in the best interests of the Company as a whole;
- conduct their personal activities in a manner that is lawful and avoids conflicts of interest between the employee's personal interests and those of the Company;
- always act in a manner that is in compliance with the laws and regulations of the country in which they work;
- report any actual or potential breaches of the law, the code of conduct or the Company's other policies to the Company Secretary; and
- not permit or condone the making of payments, gifts, favours, bribes, facilitation payments or kick-backs in the expectation of preferred treatment for themselves or the Company.

The Company actively promotes and encourages ethical behaviour and protection for those who report violations of the code of conduct or other unlawful or unethical conduct in good faith. The Company ensures that employees are not disadvantaged in any way for reporting violations of the code of conduct or other unlawful or unethical conduct and that matters are dealt with promptly and fairly.

Directors are required to avoid conflicts of interest and immediately inform their fellow Directors should a conflict of interest arise. Directors are also required to advise the Company of any relevant interests that may result in a conflict.

The Board has adopted the use of formal standing notices in which Directors disclose any material personal interests and the relationship of these interests to the affairs of the Company. A Director is required to notify the Company of any new material personal interests or if there is any change in the nature or extent of a previously disclosed interest.

Where a matter in which a Director has a material personal interest is being considered by the Board, that Director must not be present when the matter is being considered or vote on the matter, unless all of the other Directors have passed a resolution to enable that Director to do so or the matter comes within a category of exception under the *Corporations Act 2001*.

The Company will only use an employee's personal information for the purposes for which it has been disclosed (unless it is necessary to protect health and safety, or as required by law).

The Company's approach to community investments (for example sponsorships and donations) is approved and managed at a corporate level with input from the business. The Company seeks to conduct its operations in a sustainable manner, and with due consideration of its social, environmental and economic impacts. Further, the Company is committed to establishing and maintaining mutually beneficial and sustainable relationships with the indigenous communities in regions where the Company operates.

A copy of the code of conduct is available on the Emeco website.

THE SHARE TRADING POLICY

The principal objective of the share trading policy is to raise awareness, and minimise any potential for breach, of the prohibitions on insider trading contained in the *Corporations Act 2001*. The policy is also intended to minimise any possible misunderstandings or suspicions arising from employees and officers trading in the Company's shares by limiting trading to fixed periods commencing after the release of half and full year results and after the annual general meeting.

The Company has appropriate compliance standards and procedures in place to ensure the policy is properly adhered to. Employees are advised of the opening and closing dates of each trading period after the release of half and full year results and after the annual general meeting. Employees are reminded of the relevant dates for these trading periods and a copy of the share trading policy accompanies these reminder notifications.

A copy of the share trading policy is available on the Emeco website.

THE DIVERSITY POLICY

The principal objective of the diversity policy is to support a corporate culture of workplace diversity, and to work towards establishing a framework for diversity awareness and reporting. A copy of the diversity policy is available on the Emeco website.

The diversity policy requires the Board to establish measureable objectives for achieving gender diversity. The Remuneration and Nomination Committee is responsible for assessing and reporting to the Board on the Company's progress towards achieving its measurable diversity objectives on an annual basis.

Further details regarding:

- the Company's annual measureable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them; and
- the proportion of women employees in the Group, in senior executive positions and on the Board, are included in the Sustainability Report at pages 29 to 30.

The Company's most recent gender equality indicators, as defined in and published under the *Workplace Gender Equality Act 2012*, can be found in Emeco's Australian Workplace Gender Equality Agency Report, which is available on the Emeco website.

THE GIFTS AND ENTERTAINMENT POLICY

The objective of the gifts and entertainment policy is to provide guidance to employees when offering or accepting gifts in order to:

- protect the reputation of employees and the Company against allegations of improper behaviour;
- ensure that bribery and corruption laws are not breached; and
- demonstrate the Company's commitment to treating all parties impartially.

A copy of the gift policy is available on the Emeco website.

THE WHISTLE BLOWER POLICY

The objective of the whistle blower policy is to encourage employees to report misconduct without reprisal, dismissal or victimisation. The policy establishes processes for managing and investigating such reports to ensure misconduct is identified and appropriately dealt with. The policy affords the whistle blower anonymity and protection against penalty or personal disadvantage.

A copy of the whistle blower policy is available on the Emeco website.

PRINCIPLE 4 SAFEGUARD INTEGRITY OF FINANCIAL REPORTING

AUDIT AND RISK COMMITTEE

The Board has established an Audit and Risk Committee to support and advise the Board in fulfilling its responsibilities to shareholders, employees and other stakeholders of the Company in connection with:

- the financial reporting process, the system of internal control relating to all matters affecting the Company's financial performance, the audit process, and the Company's process for monitoring compliance with laws and regulations and the code of conduct; and
- implementing and supervising the Company's risk management framework.

During FY14, the Committee comprised of four Independent Non-Executive Directors, all of whom have financial expertise. Members of the Audit and Risk Committee are Mr Cahill (Chair), Mr Bishop, Mr Brennan and Mr Richards. The qualifications of the Audit and Risk Committee Members are set out at pages 46 to 47 of this report.

The Audit and Risk Committee charter sets out the role and responsibilities of the Committee and is available on the Emeco website.

In FY14, the Audit and Risk Committee held five meetings. Each Committee Member's attendance at these meetings is set out at page 48. The Managing Director and Chief Executive Officer, Chief Financial Officer, Company Secretary and any other persons considered appropriate may attend the meetings of the Audit and Risk Committee by invitation. The Committee also meets from time to time with the external auditor in the absence of management.

EXTERNAL AUDITOR

The Company's external auditor is KPMG. Mr Graham Hogg is the lead audit partner for KPMG in relation to the audit of the Company. Mr Hogg was first appointed as the lead partner responsible for Emeco for the 30 June 2014 year end audit. The lead audit partner of KPMG attends and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the independent auditor's report at the Company's annual general meeting.

The effectiveness, performance and independence of the external auditor are reviewed by the Audit and Risk Committee. If it becomes necessary to replace the external auditor for performance or independence reasons, the Audit and Risk Committee will formalise a procedure and policy for the selection and appointment of a new auditor.

Section 307C of the *Corporations Act 2001* requires the external auditor to make an annual independence declaration addressed to the Board declaring that the auditor has maintained its independence in accordance with the *Corporations Act 2001* and the rules of the professional accounting bodies. KPMG has provided an independence declaration to the Board for FY14. This independence declaration forms part of the Directors' report and is provided on page 64 of this annual report.

During the year, KPMG, the Group's auditor, has performed certain other services in addition to their statutory duties.

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

- All non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit and Risk 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, KPMG and its network firms, for audit and non-audit services provided during the year are found in Note 9 of the Notes to the Financial Statements.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2014

PRINCIPLE 5 MAKE TIMELY AND BALANCED DISCLOSURE

The Company is committed to complying with its continuous disclosure obligations under the ASX Listing Rules and disclosing to investors and other stakeholders all material information about the Company in a timely and responsive manner.

The Company has adopted a continuous disclosure policy which is available on the Emeco website.

The continuous disclosure policy specifies the processes by which the Company ensures compliance with its continuous disclosure obligations. The policy sets out the internal notification and decision making procedures in relation to these obligations, and the roles and responsibilities of the Company's officers and employees in the context of these obligations. It emphasises a proactive approach to continuous disclosure and requires the Company to comply with the spirit as well as the letter of the ASX continuous disclosure requirements. The Company Secretary is responsible for overseeing and coordinating the disclosure of information by the Company to the ASX and for administering the policy.

The policy specifies the Company representatives who are authorised to speak publicly on behalf of the Company and procedures for dealing with analysts. It also sets out how the Company deals with market rumour and speculation. Compliance with the policy is reviewed and monitored by the Audit and Risk Committee, and also by the Board.

PRINCIPLE 6 RESPECT THE RIGHTS OF SHAREHOLDERS

The Company has designed and implemented an investor relations program through its adoption of a formal communications policy which describes the processes and systems implemented by the Company to facilitate effective two-way communication between the Company, its shareholders and investors. The communications policy is available on the Emeco website.

The Company acknowledges the importance of effective communication with its shareholders. The Company provides information about itself and its governance via its website. All public announcements are posted on the Company's website after they have been released to the ASX. The Company also places the full text of notices of meetings and explanatory material on its website, as well as copies of its annual report and the Chair's address at the annual general meeting.

The Company offers to shareholders a number of options to receive electronic communications. Shareholders can elect to receive notification by email when payment advices, annual reports, notices of meetings and proxy forms are available online. They can also elect to receive email notification of important announcements.

The Company also encourages effective shareholder participation at general meetings, which is the major forum for shareholders to ask questions of the Directors about the performance of the Group. The Company provides its external auditor with notice of general meetings of the Company, as required by section 249K of the *Corporations Act 2001,* and ensures that its external auditor attend its annual general meetings to answer shareholder questions about the conduct of the audit and the preparation and content of the Independent Auditor's Report.

PRINCIPLE 7 RECOGNISE AND MANAGE RISK

RISK MANAGEMENT POLICY

The Board believes that risk management is fundamental to sound management and that oversight of such matters is an important responsibility of the Board. The Board, with assistance from the Audit and Risk Committee, is responsible for ensuring there are adequate processes and policies in place to identify, assess and mitigate risk.

Emeco has adopted a risk management policy which is available on the Emeco website.

Emeco has also implemented a formal enterprise risk management program to ensure that risk management concepts and awareness are embedded into the culture of the Group. This program includes the involvement of senior executives and senior operational management. The key elements of Emeco's enterprise risk management programme are as follows:

- Classification of risk into strategic, operational, financial and compliance risks.
- Quantification and ranking of risk consequences and likelihood.
- Identification of strategic risk issues.
- Identification of operational risk issues through formalised regional-based risk workshops.
- Development of a Company database for communicating and updating activity and progress on risk matters and maintaining risk registers.
- Identification, enhancement and development of key internal controls to address risk issues, including risk treatment plans and assigning accountabilities for identified risks to senior Emeco employees.
- Comprehensive insurance program.

The Audit and Risk Committee is responsible for reviewing the effectiveness of the overall risk management framework. It is also required to review the risk management policy on an annual basis. In respect of FY14, the review of the risk management policy was deferred and, therefore, was not reviewed. This was due to the pending commencement of the new Chief Financial Officer on 1 July 2014.

INTERNAL ASSURANCE

In May 2010, the Board approved the appointment of Ernst & Young as a supplier of internal audit services. The Company considered there was a clear link between the internal audit function and delivering business improvement outcomes (noting that the focus of assurance also remains central to this function). Management formally reviews the performance of the internal auditor on an annual basis and reports its findings to the Audit and Risk Committee.

The overall internal assurance process is overseen by the Chief Financial Officer who manages the process, and reports to the Audit and Risk Committee and the Board on the effectiveness of the Emeco Group's risk management, governance and control frameworks.

In respect of FY14, the Board has received an assurance from the Managing Director and the Chief Financial Officer that the declaration provided in accordance with section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. Management has also reported to the Board that the Group's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

PRINCIPLE 8 REMUNERATE FAIRLY AND RESPONSIBLY

The Board has established a Remuneration and Nomination Committee. The Committee is currently comprised of three Independent Non-Executive Directors. Details regarding membership of the Committee are set out under Principle 2.

Each Member's attendance at the three meetings held by the Committee in FY14 is set out at page 48.

The Emeco Group remuneration policy is substantially reflected in the objectives of the Remuneration and Nomination Committee. The Committee's remuneration objectives are to endeavour to ensure that:

- the Directors and Senior Executives of the Group are remunerated fairly and appropriately;
- the remuneration policies and outcomes strike an appropriate balance between the interests of the Company's shareholders, and rewarding and motivating the Group's executives and employees in order to secure the long term benefits of their energy and loyalty; and
- the human resources policies and practices are consistent with and complementary to the strategic direction and human resources objectives of the Company as determined by the Board.

Under its charter, the Remuneration and Nomination Committee is required to review and make recommendations to the Board about:

- the general remuneration strategy for the Group so that it motivates the Group's Executives and employees to pursue the long term growth and success of the Group and establishes a fair and transparent relationship between individual performance and remuneration;
- the terms of remuneration for the Executive Directors and other Senior Executives of the Group from time to time including the criteria for assessing performance;
- diversity policy compliance and reporting;
- remuneration reviews for Executive and Non-Executive Directors;
- the outcomes of remuneration reviews for Executives collectively, individual Executive Directors and other Senior Executives of the Group;
- changes in remuneration policy and practices, including superannuation and other benefits;
- employee equity plans and allocations under those plans; and
- the disclosure of remuneration requirements in the Company's public materials including ASX filings and the annual report.

The charter of the Remuneration and Nomination Committee is available on the Emeco website.

Emeco clearly distinguishes the structure of Non-Executive Directors' remuneration from that of Executive Directors and Senior Executives. Non-Executive Directors are remunerated by way of fees in the form of cash benefits and superannuation contributions. They do not receive options or bonus payments, or retirement benefits other than superannuation.

A remuneration report detailing the information required by section 300A of the *Corporations Act 2001* in relation to FY14 is included in the Directors' report on pages 50 to 63.

The Company has an equity-based remuneration scheme (see section 3.3.2 of the remuneration report for more information) and, through its share trading policy, prohibits participants from entering into transactions which limit the economic risk of participating in the scheme. A summary of the share trading policy is set out on page 42.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

The Directors of Emeco Holdings Limited (**Emeco** or **Company**) present their report together with the financial reports of the consolidated entity, being Emeco and its controlled entities (**Group**) for the financial year ended 30 June 2014 (**FY14**) and the auditor's report thereon.

DIRECTORS

The Directors of the Company during FY14 were:

ALEC BRENNAN

AM, BSc Hons, MBA, FAICD, 67

Appointment: Independent Non-Executive Director since August 2005. Chairman since November 2006.

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

Skills and experience: Alec was Chief Executive Officer of CSR from April 2003 until March 2007, prior to which he held a range of positions with CSR and related companies, including time as Director of Finance and of Strategy for the group. He was Chief Executive Officer of a number of group companies including Readymix Group, Bradford Insulation and Gove Aluminium. Alec has been a public company Director for more than 20 years. Alec is a Member of the Order of Australia for significant service to business and commerce, tertiary education administration and to the community.

Current Appointments:
- Director of the New South Wales Environment Protection Authority (since 2012).
- Pro-Chancellor of the Senate of Sydney University. Chair of the University's Finance and Human Resources committees (since 2006).

KENNETH LEWSEY

BBus, MAICD, 51

Appointment: Managing Director since November 2013.

Skills and experience: Prior to Emeco, Ken served as Executive Vice President - Business Development at Aurizon Holdings Limited from 2011 to 2013. This included responsibility for business development, major projects, mergers and acquisitions, as well as profit and loss responsibility for Aurizon's iron ore and intermodal business units. Ken was Aurizon's Chief Executive Officer - Freight Group from 2009 to 2011 and Chief Executive Officer of Aurizon's subsidiary, ARG, from 2007 to 2011. Ken was previously Managing Director of Cleanaway Industrial, Regional Director of Brambles Industrial Services, and held senior and general management roles in the steel industry with Smorgon Steel and BHP Steel.

Current Appointments:
- Board member of Lifeline WA (since 2014)

KEITH GORDON

BSc (Agric) Hons, MBA, MAICD, 50

Appointment: Managing Director since December 2009. Resigned as Managing Director on 4 November 2013.

Skills and experience: Keith has had an extensive career in the industrials sector and joined Emeco after a decade with Wesfarmers Limited, where he held a number of senior roles and was heavily involved in major corporate transactions.

Current Appointments:
- Chairman of EDGE Employment Solutions (since 2012, Director since 2009).

ROBERT BISHOP

BSc, MSc Eng, FAICD, MIEAust, MIET(UK), 69

Appointment: Independent Non-Executive Director since June 2009. Retired as a Director on 30 June 2014.

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

Skills and experience: Bob has extensive international business experience having worked in the United Kingdom, South Africa and Europe with particular focus on mergers and acquisitions, new business start-ups and international business development in the manufacturing and mining sectors.

Current Appointments:
- Director of Newcastle Regional Art Gallery and a member of its Investment Committee (since 2011).

JOHN CAHILL

BBus, Grad Dip Bus, FCPA, GAICD, 58

Appointment: Independent Non-Executive Director since September 2008.

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

Skills and experience: John has over 25 years' experience working in senior treasury, finance, accounting and risk management positions, predominantly in the energy utility sector. John was previously Non-Executive Director (2007 to 2013) and President and Chairman (2011 to 2013) of CPA Australia Ltd.

Current Appointments:
- Non-Executive Director (since 2009) and Deputy Chairman (since 2010) of Electricity Networks Corporation, Western Australia (trading as Western Power). Chair of its Finance and Risk Committee and a member of its People and Performance Committee.
- Councillor of Edith Cowan University and Chair of the University's Resources Committee (since 2011).
- Non-Executive Director of Accounting Professional & Ethical Standards Board (since February 2014).

PETER RICHARDS

BCom, 55

Appointment: Independent Non-Executive Director since June 2010.

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

Skills and experience: Peter has over 30 years of international business experience with global companies including British Petroleum (including its mining arm Seltrust Holdings), Wesfarmers Limited and Dyno Nobel 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 previously Chairman of Kangaroo Resources Limited (2010 to 2013) Non-Executive Director (2010 to 2013) and Managing Director (February 2013 to July 2013) of Norfolk Group Limited and Chairman of Minbos Resources Limited (2010 to 2014).

Current Appointments:
- Chairman of Cockatoo Coal Ltd (since 2014).
- Chairman of NSL Consolidated Limited (since 2014, Non-Executive Director since 2009).
- Non-Executive Director of Sedgman Limited (since 2010).
- Non-Executive Director of Bradken Limited (since 2009).

ERICA SMYTH

MSc, FAICD, FTSE, 62

Appointment: Independent Non-Executive Director since December 2011.

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

Skills and experience: With over 30 years' experience in the mineral and petroleum industries, Erica's career highlights include her positions as Manager of BHP - Utah Minerals International's Beenup Project, Manager - Gas Market Development WA for BHP Petroleum and General Manager - Corporate Affairs with Woodside Petroleum Limited. The Chamber of Mines & Energy Western Australia awarded Erica a Lifetime Achievement Award for her contribution to the industry as part of the Women in Resources Awards 2010 and in 2012 Erica was elected as a Fellow of the Academy of Technological Science and Engineering.

Current Appointments:
- Chair of Diabetes Research Foundation of Western Australia (since 2007).
- Chair of Toro Energy Limited (since 2009).
- Director of the Australian Nuclear Science and Technology Organisation (since 2009).
- Director of the Royal Flying Doctor Service Western Operations (since 2010).
- Director of the Deep Exploration Technologies CRC (since 2013).
- Director of the Harry Perkins Institute of Medical Research (since 2013).

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

COMPANY SECRETARY

The Company Secretary of the Company during FY14 was:

MICHAEL KIRKPATRICK

BA, BEc, LLB (Hons)

Michael was appointed as Company Secretary to the Emeco Board in April 2005. Prior to joining Emeco, Michael was a corporate lawyer with several Australian law firms and the Legal Counsel and Company Secretary of a large industry superannuation fund. Michael is admitted to practice as a barrister and solicitor of the Supreme Court of Western Australia. In his capacity as General Manager Corporate Services for Emeco, Michael was responsible for the Company's in-house Legal Counsel, global human resources and corporate affairs functions. Michael has been a member of the Law Society of Western Australia since 2002.

The current Company Secretary of the Company is:

THAO VANDERPLANCKE

LLB (Hons), BCom

Thao was appointed to the position of Company Secretary to the Emeco Board effective 1 July 2014. Thao joined Emeco as Legal Counsel in May 2011 and became Senior Legal Counsel in October 2012. Prior to joining Emeco, Thao spent several years as a corporate/commercial lawyer with an Australian law firm.

DIRECTORS' MEETINGS

The number of Board and Committee meetings held and attended by each Director in FY14 is outlined in the following table below:

Table 27: Board and Committee Meetings Held and Director Attendance

DIRECTOR	BOARD MEETINGS		AUDIT & RISK COMMITTEE MEETING		REMUNERATION & NOMINATION COMMITTEE MEETING	
	A	B	A	B	A	B
Robert Bishop	18	20	5	5	2*	3
Alec Brennan	20	20	5	5	3	3
John Cahill	19	20	5	5	3	3
Keith Gordon	7	7	2*	2	1*	1
Kenneth Lewsey [1]	14	13	4*	3	2*	2
Peter Richards	20	20	5	5	3*	3
Erica Smyth	19	20	5*	5	3	3

A Number of meetings attended
B Number of meetings held during the time the Director held office during the year
* Not a member of this Committee
[1] Mr Kenneth Lewsey attended a Board meeting and an Audit and Risk Committee meeting by invitation prior to his appointment as Director

PRINCIPAL ACTIVITIES

The principal activity during FY14 of the Group was the provision of heavy earthmoving equipment rental solutions to mining companies and contractors.

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

OPERATING AND FINANCIAL REVIEW

A review of Group operations, and the results of those operations for FY14, is set out in the operating and financial review section at pages 14 to 19 and in the accompanying financial statements.

DIVIDENDS

No dividends were declared or paid during FY14. No dividends have been declared or paid since the end of FY14.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

EVENTS SUBSEQUENT TO REPORT DATE

On 1 July 2014, Mr Stephen Gobby resigned as Chief Financial Officer and Mr Gregory Hawkins commenced as the Chief Financial Officer.

On 1 July 2014, Mr Michael Kirkpatrick resigned as Executive General Manager Corporate Services and Ms Thao Vanderplancke commenced as General Counsel and Company Secretary.

LIKELY DEVELOPMENTS

Likely developments in, and expected results of, the operations of the Emeco Group are referred to in the operating and financial review section at pages 14 to 19. This report omits information on likely developments in the Emeco 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 Emeco Group.

DIRECTORS' INTEREST

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

Table 28: Directors' Interests

DIRECTOR	ORDINARY SHARES	OPTIONS OR RIGHTS
Robert Bishop	789,000	-
Alec Brennan	2,081,700	-
John Cahill	120,000	-
Keith Gordon	1,125,000 [A]	-
Kenneth Lewsey	315,000	- [B]
Peter Richards	40,000	-
Erica Smyth	71,049	-

[A] Mr Keith Gordon resigned as a Director on 4 November 2013. This is Mr Gordon's interest in the Company as at his resignation date.
[B] Mr Kenneth Lewsey has LTI entitlements, which is subject to shareholder approval at the Company's 2014 annual general meeting. The performance shares have not been issued as this approval has not yet been sought as at the date of this report.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

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

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

The Group has not indemnified its auditor, KPMG.

NON-AUDIT SERVICES

During the year, KPMG, the Group's auditor, has performed certain other services in addition to their statutory duties.

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

- All non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit and Risk 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, KPMG and its network firms, for audit and non-audit services provided during the year are found in Note 9 of the Notes to the Financial Statements.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

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 64 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 under ASIC Class Order 98/100 dated 10 July 1998. The Company is an entity to which the Class Order applies.

REMUNERATION REPORT (AUDITED)

REMUNERATION REPORT CONTENTS

This report covers the following matters:

1. Introduction
2. Remuneration Governance
3. Executive Remuneration
4. Non-Executive Director Remuneration
5. Details of Remuneration
6. Details of Share-Based Payments
7. Service Contracts

1. INTRODUCTION

This report details the Emeco Group's remuneration objectives, practices and outcomes for key management personnel (**KMP**), which includes Directors and senior executives, for the year to 30 June 2014. Any reference to "Executives" in this report refers to KMP who are not Non-Executive Directors.

1.1 Emeco's KMP

The following persons were Directors of the Company during FY14:

Table 29: Emeco Directors

NON-EXECUTIVE DIRECTORS
Alec Brennan
Robert Bishop (ceased Directorship on 30 June 2014)
John Cahill
Peter Richards
Erica Smyth
EXECUTIVE DIRECTORS
Kenneth Lewsey, Managing Director & Chief Executive Officer (commenced role on 4 November 2013)
Keith Gordon, Managing Director & Chief Executive Officer (ceased role on 4 November 2013)

The following persons were also employed as Executives of the Company during FY14:

Table 30: Emeco Executives

OTHER EXECUTIVES	
Kellie Benda	Executive General Manager Strategy & Corporate Development (commenced role on 24 February 2014)
Stephen Gobby	Chief Financial Officer
Anthony Halls	General Manager Australian Rental (ceased role on 17 February 2014)
Christopher Hayman	President Americas (commenced role on 17 February 2014), previously President Canada (commenced role on 8 July 2014 and ceased role on 17 February 2014)
Benny Joesoep	President Director Indonesia (commenced role on 9 December 2013 and ceased role on 13 May 2014)
Michael Kirkpatrick	Executive General Manager Corporate Services
Grant Stubbs	Executive General Manager Asset Strategy & Operational Improvement
Ian Testrow	Chief Operating Officer Australia (commenced role on 17 February 2014), previously President New & Developing Business (ceased role on 17 February 2014)

2. REMUNERATION GOVERNANCE

2.1 The Role of the Board and the Remuneration and Nomination Committee

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

- rewarding Executives for the achievement of the Company's short and long term financial, strategic and safety goals; and
- aligning the interests and expectations of Executives, shareholders and other stakeholders.

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

The Remuneration and Nomination Committee is responsible for reviewing and suggesting recommendations to the Board in relation to:

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

The members of the Remuneration and Nomination Committee in FY14 were Mr Alec Brennan (Chair), Mr John Cahill and Ms Erica Smyth.

3. EXECUTIVE REMUNERATION

3.1 Remuneration policy

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

Table 31: Summary of Group Remuneration Objectives

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

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

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

3.2 Fixed remuneration

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

Each Executive's fixed remuneration is reviewed and benchmarked annually in September.

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

Fixed remuneration for Executives has previously been set by reference to the fixed remuneration of comparable positions in comparable sized companies in the mining and mining services sectors. These sectors are considered to be appropriate as they are the key source of talent for the Company. The Company's policy is to set the fixed remuneration for Executive positions at or near the 75th percentile of the fixed remuneration for the relevant comparable position in these sectors.

However, the fixed remuneration of the new Managing Director and Chief Executive Officer, Mr Kenneth Lewsey, is 7.5% lower than that of his predecessor, Mr Keith Gordon, and the fixed remuneration of the new Chief Financial Officer, Mr Greg Hawkins (appointed 1 July 2014), is 20% lower than that of his predecessor, Mr Stephen Gobby.

3.3 Variable remuneration

Variable remuneration is performance linked remuneration which consists of short term incentives (**STIs**) and long term incentives (**LTIs**).

STI entitlements are for performance assessed over one year. See section 3.3.1 for more information.

LTI entitlements are for performance over a three year period. See section 3.3.2 for more information.

If maximum performance is achieved, the maximum remuneration attributable to each incentive component as a percentage of total fixed remuneration (**TFR**) for each Executive is shown in the following table:

Table 32: Components of Variable Remuneration

EXECUTIVE [A]	MAXIMUM STI CASH COMPONENT (% OF TFR)	MAXIMUM STI EQUITY COMPONENT (% OF TFR)	MAXIMUM STI (% OF TFR)	MAXIMUM LTI (% OF TFR)	MAXIMUM TOTAL VARIABLE REMUNERATION (% OF TFR)
Kenneth Lewsey, Managing Director & Chief Executive Officer [B]	75	25	100	75	175
Kellie Benda, Executive General Manager Strategy & Corporate Development [C]	0	0	0	40	40
Stephen Gobby, Chief Financial Officer	50	10	60	50	110
Anthony Halls, General Manager Australian Rental	40	20	60	40	100
Christopher Hayman, President Canada / President Americas	40	20	60	40	100
Michael Kirkpatrick, Executive General Manager Corporate Services	40	20	60	40	100
Grant Stubbs, Executive General Manager Asset Strategy & Operational Improvement	40	20	60	40	100
Ian Testrow, Chief Operating Officer Australia / President New & Developing Business	50	10	60	50	110

[A] Mr Keith Gordon announced his intention to step down as Managing Director and Chief Executive Officer on 30 July 2013. Mr Gordon had no FY14 STI or LTI entitlements. Mr Benny Joesoep was appointed as an Executive on 9 December 2013. Mr Joesoep had no FY14 STI or LTI entitlements as an Executive.

[B] Mr Kenneth Lewsey has an LTI entitlement of 75% of his fixed remuneration for FY14 which is subject to shareholder approval at the Company's 2014 annual general meeting. As this approval had not been sought as at 30 June 2014, the relevant LTI Securities have not been issued.

[C] Ms Kellie Benda was appointed as an Executive on 24 February 2014. Ms Benda had no FY14 STI entitlement.

3.3.1 STI remuneration

Cash and Equity

STIs are used to reward the performance of Executives over a full financial year. The actual amount of STI granted is determined at the end of the financial year in light of the Executive's performance against agreed key performance indicators (**KPIs**). An Executive's maximum STI entitlement is set as a percentage of TFR (refer to table 32 above for details).

For the Managing Director and Chief Executive Officer, STI entitlements are made 25% in equity and 75% in cash. Any equity awards are subject to shareholder approval at the Company's 2014 annual general meeting.

For all other Executives, STI entitlements are made in cash up to the maximum STI cash component of TFR. Any STI entitlements above the maximum STI cash component are made in equity.

STI entitlements are made after the financial year audit is completed and following review and approval by the Remuneration and Nomination Committee and the Board.

In respect of FY14, STI entitlements made in equity are based on the Company's June 2014 VWAP. For the Managing Director and Chief Executive Officer, STI entitlements made in equity will be issued after its approval at the Company's 2014 annual general meeting and are escrowed for a period of two years until the announcement of the Company's annual results in 2016. For all other Executives, the grant of the shares is deferred to, and is subject, to the Executive remaining employed by the Group the day after the announcement of Emeco's annual results in 2015.

Key performance indicators

The STI KPIs are chosen to ensure that important non-financial metrics which are aligned with the long term sustainability and strategic success of the Company are included, along with financial performance indicators.

Table 33 below sets out the KPIs for the FY14 STI plan and the weightings attributable to each of them. In the Board's view, these KPIs align the reward of Executives with the interests of shareholders.

Table 33: FY14 STI Plan KPI Weightings and Entitlements

KPI		WEIGHTING	ENTITLEMENT	RATIONALE	OUTCOMES
EBITDA	[A]	60%[B]	0% if EBITDA is less than $90 million. 25% if EBITDA is between $90 million and $95 million. 50% if EBITDA is between $95 million and $100 million. 75% if EBITDA is between $100 million and $105 million. 100% if EBITDA is greater than $105 million. Pro-rata payments between these levels.	This profit figure quantifies the Company's financial performance and was the guidance measure released to the market immediately prior to this STI KPI being set for Mr Kenneth Lewsey who commenced his role with the Company part way through the financial reporting period.	0%
Group Net Profit After Tax (NPAT)	[A]	25%[C]	0% if NPAT is less than 120% of budgeted outcomes. 25% if NPAT is equal to 120% of budgeted outcomes. 50% if NPAT is equal to 140% of budgeted outcomes. 75% if NPAT is equal to 160% of budgeted outcomes. 100% if NPAT is greater than or equal to 180% of budgeted outcomes. Pro-rata payments between these levels.	This profit figure quantifies the Company's financial performance.	0%
Operating Cash Flow (OCF)	[A]	35%[C]	0% if OCF is less than 85% of budgeted outcomes. 25% if OCF is equal to 90% of budgeted outcomes. 50% if OCF is equal to 100% of budgeted outcomes. 75% if OCF is equal to 110% of budgeted outcomes. 100% if OCF is greater than or equal to 120% of budgeted outcomes. Pro-rata payments between these levels.	OCF was chosen to reflect the Company's focus on maintaining strong cash flow in order to reduce debt and ensure that the balance sheet remains robust.	0%

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

Table 33: FY14 STI Plan KPI Weightings and Entitlements (continued)

KPI		WEIGHTING	ENTITLEMENT	RATIONALE	OUTCOMES
Sale of Idle Assets		15%	0% if revenue is less than 90% of budget 25% if revenue is equal to 90% of budget 50% if revenue is equal to 100% of budget 75% if revenue is equal to 110% of budget 100% if revenue is greater than or equal to 120% of budget Pro rata payments between these levels.	The objective of the sale of idle assets is to liquidate capital not used to generate earnings and enables the application of the proceeds from these asset sales to debt reduction.	12.3%
Safety	TRIFR [D]	7.5%	0% if the TRIFR as at 30 June 2014 is up to 10% lower than the TRIFR as at 30 June 2013. 7.5% if the TRIFR as at 30 June 2014 is 20% lower than the TRIFR as at 30 June 2013. Pro-rata payments between these levels. Notwithstanding the above, no entitlement if there is a serious, permanently disabling injury or a fatality.	The Board reviews the Company's safety performance in detail at each Board meeting and is striving to achieve a "zero-harm" workplace at Emeco. TRIFR measures progress towards this aspiration.	7.5%
	Positive Initiatives	7.5%	4.5% for the attendance at, and report of, up to four operational safety meetings. 3% for the conduct and reporting of up to three safety act observations.	The participation in behavioural based safety programs encourages safety leadership and promotes safety throughout the workplace.	2.1% - 7.5%
Personal Goals		10%	Managing Director's entitlement is assessed by the Board. Executives' entitlement is assessed by the Managing Director and approved by the Board.	The Board recognises that each Executive contributes to the Company's business strategy differently. Progress of each Executive's personal set goals is monitored by the Board and ensures that an appropriate balance is maintained between the Company's short term and long term objectives. Executive personal goals include the Indonesian business strategy, global HR initiatives and programs, the Company's debt strategy and expanding the Company's service offering.	3.7% - 10%

[A] The Board has discretion to adjust EBITDA, NPAT and OCF for abnormal items. Any such adjustment may have a positive or negative impact on the EBITDA, NPAT and OCF outcomes used by the Board to assess STI entitlements. In FY14 there was no award in respect of the EBITDA, NPAT and OCF components of the STI.
[B] This KPI applies to Mr Kenneth Lewsey only.
[C] This KPI applies to all Executives except Mr Kenneth Lewsey.
[D] TRIFR = $\frac{\text{Number of recordable injuries x 1,000,000 hours}}{\text{Total hours worked in 12 months}}$

3.3.2 LTI remuneration

Performance Shares and Performance Rights

Emeco has established an equity-based LTI plan that provides for a reward that varies with Company performance over a three year period (**Vesting Period**). The LTI plan applies to the Company's senior managers (which includes Executives).

LTI remuneration aligns the interests of Emeco's senior managers with the long term interests of its shareholders by providing Emeco's senior managers with an ongoing incentive to deliver the long term objectives of the Emeco Group.

LTI remuneration is in the form of performance shares or performance rights (**LTI Securities**).

A performance share is a fully paid ordinary Emeco share, the vesting of which is subject to the performance condition described below being met. A performance right is a right to receive a fully paid ordinary Emeco share, the vesting of which is subject to the performance condition being met.

Australian-based Executives

In FY14, performance shares were granted to Australian-based Executives, with the number of shares granted being determined by reference to the Executive's maximum LTI entitlement and the fair value of the share as at the commencement of the Vesting Period. Performance shares were granted at no cost to the Executive.

Executives based outside Australia

In FY14, Emeco Executives who were resident outside Australia were issued performance rights instead of performance shares due to the complexity and cost of compliance issues associated with the issue of shares in the relevant foreign jurisdictions. These grants were on substantially identical terms to that of the performance shares issued to Australian-based Executives.

Performance condition

The performance condition for the vesting of LTI Securities under the FY14 LTI plan (and the FY13 and FY12 LTI plans) is based on the relative total shareholder return (**TSR**) of the Company measured against a peer group (**Peer Group**) over the Vesting Period.

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

At the time of the FY14 LTI grant, the Peer Group comprised a total of 99 companies from the S&P/ASX Small Industrials (excluding banks, insurance companies, property trusts/companies and investment property trusts/companies and other stapled securities) as set out in the table below. 18 companies that were considered direct peers to Emeco are shaded.

Table 34: Peer Group of Companies

Acrux Limited	Forge Group Limited	Qube Holdings Limited
Ainsworth Game Technology Limited	G.U.D. Holdings Limited	RCR Tomlinson Limited
Amcom Telecommunications Limited	G8 Education Limited	REA Group Ltd
APN News & Media Limited	Goodman Fielder Limited	Retail Food Group Limited
ARB Corporation Limited	GWA Group Limited	Ridley Corporation Limited
Ardent Leisure Group	Hills Holdings Limited	SAI Global Limited
Ausdrill Limited	iiNet Limited	Sedgman Limited
Ausenco Limited	IMF (Australia) Ltd	Seven Group Holdings Limited
Austin Engineering Limited	Infigen Energy	Seven West Media Limited
Australian Agricultural Company Limited	InvoCare Limited	Sigma Pharmaceuticals Limited
Automotive Holdings Group Limited	IOOF Holdings Limited	Silex Systems Limited
Billabong International Limited	IRESS Limited	Singapore Telecommunications Limited
Boart Longyear Limited	JB Hi-Fi Limited	Sirtex Medical Limited
Bradken Limited	Kathmandu Holdings Limited	Skilled Group Limited
Breville Group Limited	M2 Telecommunications Group Limited	SMS Management & Technology Limited
Cabcharge Australia Limited	MACA Limited	Southern Cross Media Group Limited
Cardno Limited	Macmahon Holdings Limited	Starpharma Holdings Limited
Cash Converters International	Macquarie Atlas Roads Group	STW Communications Group Limited
Chorus Limited	Magellan Financial Group Limited	Super Retail Group Limited
Clough Limited	McMillan Shakespeare Limited	Telecom Corporation of New Zealand Limited
Codan Limited	Mermaid Marine Australia Limited	Ten Network Holdings Limited
Credit Corp Group Limited	Mesoblast Limited	The Reject Shop Limited
CSG Limited	Navitas Limited	Thorn Group Limited
CSR Limited	Nextdc Limited	Tox Free Solutions Limited
Decmil Group Limited	NRW Holdings Limited	Tpg Telecom Limited
Domino's Pizza Enterprises Limited	Nufarm Limited	Trade Me Group Limited
Dulux Group Limited	Oroton Group Limited	Transfield Services Limited
Energy World Corporation Ltd	Pacific Brands Limited	Transpacific Industries Group Ltd
Envestra Limited	Perpetual Limited	UXC Limited
Fairfax Media Limited	Pharmaxis Ltd	Virgin Australia Holdings Limited
Fleetwood Corporation Limited	Platinum Asset Management Limited	Webjet Limited
Fletcher Building Limited	Premier Investments Limited	Wotif.com Holdings Limited
FlexiGroup Limited	Prima Biomed Ltd	
	Programmed Maintenance Services Limited	

At the end of the Vesting Period, the TSR for each company in the Peer Group and Emeco will be measured and ranked. Emeco will be allocated a percentile rank accordingly, which represents the percentage of companies in the Peer Group that has a lower TSR than Emeco (**Percentile Rank**).

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

Table 35: TSR Vesting Schedule

PERCENTILE RANK	PERCENTAGE OF LTI SECURITIES THAT VEST
50% or lower	Nil
Between 50% and 75%	50% plus 2% for each Percentile Rank over 50%
75% or higher	100%

LTI Securities that do not vest at the end of the Vesting Period will lapse. The shares associated with these LTI Securities will be transferred to a nominee of the Company and held on trust for subsequent re-allocation.

Performance shares which vest will automatically be transferred into the name of the participant. Performance rights which vest will automatically be converted into shares on the vesting date and transferred into the name of the participant.

Vesting on involuntary termination

If an Executive's employment is terminated due to death, total and permanent disability, retrenchment or retirement then the TSR of the Executive's unvested LTI Securities will be tested at the date of termination. If the performance condition has been met then the LTI Securities will vest based on the vesting schedule. The actual amount of LTI Securities that vest will be pro-rated based on the period that the Executive has been employed with Emeco during the Vesting Period.

All unvested LTI Securities lapse if an Executive resigns or is terminated for cause.

Prohibition of hedging LTI Securities

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

3.4 Relationship between Remuneration and Company Performance

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

This has been achieved by ensuring that a significant proportion of Executives' remuneration is "at risk" in the form of STI and LTI components. STI awards are linked to the achievement of financial measures of the Company's profitability and cash generating performance, and non-financial measures of operational and strategic outcomes. LTI awards are linked to total shareholder return relative to a comparator group of similar companies.

Details of the KPIs for the FY14 STI and LTI plans are set out in the following table:

Table 36: Financial and Non-Financial LTI and STI Measures

	LTI	STI
Financial	Total shareholder return	Budgeted EBITDA
		Budgeted NPAT
		Budgeted OCF
		Budgeted sale of idle assets
Non-financial	Not Applicable	Safety
		Personal goals

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

The extent to which Emeco has set financial KPIs which are genuinely challenging, and which entail that STI entitlements are genuinely at risk, is highlighted by the fact that no Executive received a STI payment in FY10. In FY11, all Executives received a STI payment in line with the improved performance of the Group and the successful execution of its strategy. STI payments to Executives in FY12 decreased from the amounts paid in FY11, with a further decrease in FY13, principally because FY12 and FY13 financial KPIs were not met to the same extent as they were in FY11. In FY14, the STI awards increased slightly from FY13 due to safety, personal goals and the sale of idle assets KPIs being met - EBITDA, NPAT and OCF KPIs were not met in FY14. Details of these KPIs are set out above in section 3.3.1.

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

Table 37: Consequences of Performance on Shareholder Wealth

	FY14	FY13	FY12	FY11	FY10
Profit/Loss from Continuing Operations ($m)	(224.2)	(0.0)	70.0	50.0	12.3
Profit/Loss from Discontinued Operations ($m)	(51.1)	6.0	(0.2)	(0.4)	(61.6)
Statutory Profit ($m)	(275.3)	6.0	69.7	49.6	(49.3)
Total Dividends Declared ($m)	0	15.0	37.9	63.1	12.6
Statutory Return on Capital Employed	(30.7%)	4.2%	13.0%	10.3%	(1.1%)
Closing Share Price as at 30 June	$0.20	$0.28	$0.87	$1.13	$0.58

In FY14, the primary focus of the Company was to strengthen its balance sheet, exit the under-performing Indonesian business and improve utilisation through new projects and the disposal of idle fleet. Strategic achievements over FY14 were executed to drive the Emeco business through this current downturn in the Australian market and position the business for future growth, and hence greater shareholder returns.

The Company's share price declined significantly in FY10 before increasing nearly 100% from 58 cents at close of trading on 30 June 2010 to $1.13 at close of trading on 30 June 2011, which resulted in a complete vesting of LTI Securities. During FY12 the Company's share price peaked at $1.18 and ended the financial year at 87 cents, which led to a partial vesting of LTI Securities. A factor which was a primary cause of the volatility in the Company's share price during FY12 was the uncertainty in the global macroeconomic environment. In FY13 and FY14, continued macroeconomic uncertainty, a downturn in the resources sector globally, difficult trading conditions in Emeco's markets and a resultant decline in the Company's earnings saw the Company's share price close at 28 cents and 20 cents on 30 June 2013 and 30 June 2014 respectively. No LTI Securities vested following the Company's performance in FY13. This highlights the genuinely challenging nature of the LTI KPI.

The Company's dividend policy (which was amended in FY12) is to pay shareholders between 40% and 60% of the Company's profit (Net Profit After Tax), franked to the fullest extent possible. As the business achieved a net loss in FY14 no dividends were declared or paid.

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

4. NON-EXECUTIVE DIRECTOR REMUNERATION

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

Non-Executive Director fees are reviewed and benchmarked annually in September. In FY14, this process did not result in any change in Non-Executive Director fees.

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

The allocation of fees to Non-Executive Directors within this cap has been determined after consideration of a number of factors including the time commitment of Directors, the size and scale of the Company's operations, the skillsets of Board Members, the quantum of fees paid to Non-Executive Directors of comparable companies and participation in Board Committee work.

The Chairman is entitled to an annual fee of $197,798. All other Non-Executive Directors receive an annual base fee of $113,027. An additional annual fee of $8,477 is paid to a Director who is a member of a Board Committee. This fee is increased to $11,303 for a Director who chairs a Committee. All amounts specified in this section are inclusive of superannuation contributions.

In May 2014, the Board resolved to reduce the fixed remuneration for Non-Executive Directors by 20% with effect from 1 July 2014.

5. DETAILS OF REMUNERATION

5.1 Remuneration received in relation to FY14

Details of the elements comprising the remuneration of the Group's KMP in FY14 are set out in Table 38 below. The table does not include the following components of remuneration because they were not provided to KMP during FY14:

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

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Also, payments made in respect of a period before the appointment, or after the cessation, of the person as KMP are not included in Table 38.

Table 38: FY14 KMP Remuneration (Company and Consolidated)

	SHORT-TERM EMPLOYEE BENEFITS			POST-EMPLOYMENT BENEFITS			SHARE BASED PAYMENTS					
	SALARY AND FEES	STI CASH BONUSES [1]	NON-MONETARY [2]	SUPER-ANNUATION BENEFITS	OTHER LONG TERM BENEFITS	TERMIN-ATION BENEFITS	LTIP	MISP	STI	TOTAL	% OF REMUN-ERATION PERFOR-MANCE RELATED	VALUE OF OPTIONS AS A % OF TOTAL REMUN-ERATION
	$	$	$	$	$	$	$	$	$	$	%	%
Non-Executive Directors												
Alec Brennan	199,155	-	-	18,422	-	-	-	-	-	**217,577**	-	-
Robert Bishop	115,173	-	-	6,331	-	-	-	-	-	**121,504**	-	-
John Cahill	121,562	-	-	11,244	-	-	-	-	-	**132,806**	-	-
Peter Richards	111,217	-	-	10,287	-	-	-	-	-	**121,504**	-	-
Erica Smyth	111,217	-	-	10,287	-	-	-	-	-	**121,504**	-	-
Executive Director												
Ken Lewsey [A]	487,252	197,625	-	19,478	-	-	170,759	-	65,875	**940,989**	46.15	-
Keith Gordon [B]	425,877	-	-	25,000	-	205,560	(541,227)	-	-	**115,210**	(469.77)	-
TOTAL ALL DIRECTORS	**1,571,453**	**197,625**	**-**	**101,050**	**-**	**205,560**	**(370,468)**	**-**	**65,875**	**1,771,095**	**(9.8)**	**-**
Executives												
Kellie Benda [C]	90,769	-	-	8,396	-	-	11,237	-	-	**110,402**	10.18	-
Stephen Gobby	572,310	114,912	-	25,000	-	-	271,729	-	-	**983,951**	39.29	-
Anthony Halls [D]	423,749	-	-	25,000	-	-	(151,315)	-	-	**297,434**	(50.87)	-
Chris Hayman [E]	329,234	72,458	16,847	-	-	-	37,011	-	-	**455,550**	24.47	-
Benny Joesoep [F]	182,326	-	8,831	-	-	88,306	-	-	-	**279,463**	-	-
Michael Kirkpatrick	344,687	61,673	-	27,442	-	-	155,098	-	-	**588,900**	36.81	-
Grant Stubbs	325,450	80,669	-	27,348	-	-	79,249	-	-	**512,716**	31.19	-
Ian Testrow [G]	507,529	98,487	72,100	12,908	-	-	196,464	-	-	**887,488**	33.23	-
TOTAL ALL EXECUTIVES	**2,776,054**	**428,199**	**97,778**	**126,093**	**-**	**88,306**	**599,473**	**-**	**-**	**4,115,903**	**24.97**	**-**
TOTAL	**4,347,507**	**625,824**	**97,778**	**227,143**	**-**	**293,866**	**229,005**	**-**	**65,875**	**5,886,998**	**14.52**	**-**

[1] The amount awarded to each Executive under the FY14 STI plan was finally determined on 13 August 2014 and 20 August 2014 after completion of performance reviews (refer to Table 40).
[2] Non-monetary benefits include housing, vehicle and health benefits.
[A] Mr Kenneth Lewsey commenced employment with Emeco on 4 November 2013. Mr Lewsey was entitled to receive LTI Securities and an STI equity award in FY14 subject to shareholder approval at the Company's 2014 annual general meeting. As this approval had not been sought as at 30 June 2014, the LTI Securities and STI equity awards have not been issued but their fair value has been included in the remuneration disclosed. Mr Lewsey's FY14 STI bonus entitlement was not pro-rated in accordance with the terms and conditions of his employment contract.
[B] Mr Keith Gordon ceased employment with Emeco on 4 November 2013. Mr Gordon's salary and fees includes accrued annual leave of $96,466 which was paid out upon the cessation of Mr Gordon's employment. All unvested LTI Securities granted to Mr Gordon were forfeited in accordance with the terms of the respective grants and reversed through the income statement.
[C] Ms Kellie Benda commenced her role as KMP on 24 February 2014.
[D] Mr Anthony Halls ceased his role as KMP on 17 February 2014. Mr Halls' salary and fees includes accrued annual leave of $102,521 and long service leave of $46,614 which was paid out upon the cessation of Mr Halls' employment. All unvested LTI Securities granted to Mr Halls were forfeited in accordance with the terms of the respective grants and reversed through the income statement.
[E] Mr Christopher Hayman commenced his role as KMP on 8 July 2013. Mr Hayman's remuneration has been converted to Australian dollars on the basis of an AUD/CAD exchange rate of 0.98229.
[F] Mr Benny Joesoep commenced and ceased his role as KMP on 9 December 2013 and 13 May 2014 respectively. Mr Joesoep's remuneration has been converted to Australian dollars on the basis of an AUD/USD exchange rate of 0.905937.
[G] Part of Mr Ian Testrow's remuneration has been converted to Australian dollars on the basis of an AUD/CAD exchange rate of 0.964462. Mr Testrow's salary and fees includes accrued annual leave of $47,938 which was paid out upon the transfer of Mr Testrow's employment from the Canadian Emeco entity to the Australian Emeco entity.

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

Table 39: FY13 KMP Remuneration (Company and Consolidated)

	SHORT-TERM EMPLOYEE BENEFITS			POST-EMPLOYMENT BENEFITS			SHARE BASED PAYMENTS				
	SALARY AND FEES	STI CASH BONUSES [1]	NON-MONETARY	SUPER-ANNUATION BENEFITS	OTHER LONG TERM BENEFITS	TERMINA-TION BENEFITS	LTIP	MISP	TOTAL	% OF REMUN-ERATION PERFOR-MANCE RELATED	VALUE OF OPTIONS AS A % OF TOTAL REMUN-ERATION
	$	$	$	$	$	$	$	$	$	%	%
NON-EXECUTIVE DIRECTORS											
Alec Brennan	199,612	-	-	17,965	-	-	-	-	**217,577**	-	-
Robert Bishop	119,189	-	-	2,315	-	-	-	-	**121,504**	-	-
John Cahill	121,841	-	-	10,966	-	-	-	-	**132,807**	-	-
Peter Johnston	111,472	-	-	10,032	-	-	-	-	**121,504**	-	-
Peter Richards	111,472	-	-	10,032	-	-	-	-	**121,504**	-	-
Erica Smyth	106,327	-	-	9,569	-	-	-	-	**115,896**	-	-
EXECUTIVE DIRECTOR											
Keith Gordon	894,360	228,691	-	25,000	-	-	509,113	-	**1,657,164**	44.5	-
TOTAL ALL DIRECTORS	**1,664,273**	**228,691**	**-**	**85,879**	**-**	**-**	**509,113**	**-**	**2,487,956**	**29.7**	**-**
EXECUTIVES											
Stephen Gobby	464,276	74,229	-	25,000	-	-	180,058	-	**743,563**	34.2	-
Anthony Halls	363,960	59,511	-	25,000	-	-	113,714	-	**562,185**	30.8	-
Michael Kirkpatrick	342,212	55,561	-	21,788	-	-	106,977	-	**526,538**	30.9	-
Christopher Mossman [A]	312,162	49,344	117,729	-	-	-	(62,128)	-	**417,107**	(3.1)	-
Grant Stubbs [B]	58,493	-	-	-	-	-	5,330	-	**63,823**	-	-
Ian Testrow [C]	464,398	82,617	80,807	-	-	-	112,667	-	**740,489**	26.4	-
Michael Turner [D]	209,633	26,735	-	18,867	-	-	74,635	-	**329,870**	30.7	-
TOTAL ALL EXECUTIVES	**2,215,134**	**347,997**	**198,536**	**90,655**	**-**	**-**	**531,253**	**-**	**3,383,575**	**26.0**	**-**
TOTAL	**3,879,407**	**576,688**	**198,536**	**176,534**	**-**	**-**	**1,040,366**	**-**	**5,871,531**	**27.5**	**-**

[1] The amount awarded to each Executive under the FY13 STI plan was finally determined on 21 August 2013 after completion of performance reviews
[A] Mr Christopher Mossman's remuneration has been converted to Australian dollars on the basis of an AUD/USD exchange rate of 1.0334. Mr Mossman ceased employment with Emeco on 31 May 2013.
[B] Mr Grant Stubbs commenced his role as KMP on 1 May 2013.
[C] Mr Ian Testrow's remuneration has been converted to Australian dollars on the basis of an AUD/CAD exchange rate of 1.0306.
[D] Mr Michael Turner ceased his role as KMP on 31 December 2012.

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5.2 FY14 STI grants

The terms of the FY14 STI plan are discussed at pages 53 to 54.

Details of the vesting profile of the STI grants awarded to Executives in respect of FY14 are set out below:

Table 40: FY14 Executive STI Vesting Information

EXECUTIVE [A]	MAXIMUM STI VALUE [1] $	STI CASH AWARDED [2] $	STI EQUITY AWARDED $	% OF STI AWARDED %	% OF STI FORFEITED [3] %
Kenneth Lewsey [B]	850,000	197,625	65,875	31.00	69.00
Stephen Gobby	360,000	114,912	-	31.92	68.08
Anthony Halls [C]	243,000	-	-	-	-
Michael Kirkpatrick	224,921	61,673	-	27.42	72.58
Christopher Hayman [D]	194,258	72,458	-	37.30	62.70
Grant Stubbs	216,270	80,669	-	37.30	62.70
Ian Testrow	279,000	98,487	-	35.30	67.40

[1] The minimum STI value for each KMP is zero.
[2] These awards are in respect of FY14 and were approved on 13 August 2014 and 20 August 2014 based on the achievement of KPIs.
[3] Amounts forfeited were due to KPIs not being met.
[A] Mr Keith Gordon and Ms Kellie Benda had no FY14 STI entitlements. Mr Benny Joesoep had no FY14 STI entitlements as an Executive. See notes to Table 32.
[B] Mr Lewsey's FY14 STI bonus entitlement was not pro-rated in accordance with the terms and conditions of his employment contract. Mr Lewsey's STI equity award is subject to shareholder approval at the Company's 2014 annual general meeting.
[C] Mr Anthony Halls ceased his role as an Executive on 17 February 2014. Mr Halls was not entitled to his FY14 STI entitlements.
[D] Mr Christopher Hayman's remuneration has been converted to Australian dollars on the basis of an AUD/CAD exchange rate of 0.98229.

The STI grants awarded to Executives in FY14 reflect the significant amount of work undertaken by the Executives to achieve the Company's objectives, particularly in respect of strategy, the debt refinance, the sale of idle assets and the closure of the Indonesian business.

In respect of FY15, in order for the Executives to be awarded any STI payment, Emeco's FY15 EBITDA must be at least that achieved in FY14.

6. DETAILS OF SHARE-BASED PAYMENTS

6.1 Equity instruments

6.1.1 FY14 LTI grants

The terms of the LTI plan are discussed at pages 54 to 56.

Grants of LTI Securities made to Executives under the Company's LTI plan in FY11, FY12, FY13 and FY14 are set out in the following table:

Table 41: LTI Security Grants to Executives

EXECUTIVE	GRANT DATE	EQUITY INSTRUMENT	NUMBER GRANTED	MAXIMUM VALUE [1]	% VESTED IN FY14	% FORFEITED IN FY14	VESTING DATE [2]	FAIR VALUE PER SHARE/ RIGHT AT GRANT DATE [3]	NUMBER HELD AT YEAR END
Kenneth Lewsey [A]	04/11/2013	Shares	4,553,571	$637,500	-	-	Sep-16	$0.15	0
Keith Gordon [B]	19/11/2010	Shares	1,183,929	$663,000	0%	100%	Sep-13	$0.56	0
	18/11/2011	Shares	907,263	$689,520	0%	100%	Sep-14	$0.76	0
	20/11/2012	Shares	1,498,957	$410,714	0%	100%	Sep-15	$0.27	0
Kellie Benda [C]	04/03/2014	Shares	749,143	$104,880	-	-	Sep-16	$0.15	749,143
Stephen Gobby	19/11/2010	Shares	419,643	$235,000	0%	100%	Sep-13	$0.56	0
	18/11/2011	Shares	321,579	$244,400	-	-	Sep-14	$0.76	321,579
	19/10/2012	Shares	531,304	$244,400	-	-	Sep-15	$0.46	531,304
	04/12/2013	Shares	2,142,857	$300,000	-	-	Sep-16	$0.15	2,142,857
Anthony Halls [D]	19/11/2010	Shares	267,143	$149,600	0%	100%	Sep-13	$0.56	0
	18/11/2011	Shares	204,716	$155,584	0%	100%	Sep-14	$0.76	0
	19/10/2012	Shares	338,226	$155,584	0%	100%	Sep-15	$0.46	0
	04/12/2013	Shares	1,157,143	$162,000	0%	100%	Sep-16	$0.15	0
Christopher Hayman	04/12/2013	Rights	986,967	$138,175	-	-	Sep-16	$0.15	986,967
Benny Joesoep [E]	04/12/2013	Rights	282,890	$48,091	21.5%	78.5%	Sep-16	$0.18	60,914
Michael Kirkpatrick	19/11/2010	Shares	250,000	$140,000	0%	100%	Sep-13	$0.56	0
	18/11/2011	Shares	191,579	$145,600	-	-	Sep-14	$0.76	191,579
	19/10/2012	Shares	316,522	$145,600	-	-	Sep-15	$0.46	316,522
	04/12/2013	Shares	1,071,051	$149,947	-	-	Sep-16	$0.15	1,071,051
Grant Stubbs	19/11/2010	Shares	69,643	$39,000	0%	100%	Sep-13	$0.56	0
	23/12/2011	Shares	68,684	$52,200	-	-	Sep-14	$0.76	68,684
	19/10/2012	Shares	93,214	$52,200	-	-	Sep-15	$0.56	93,214
	04/12/2013	Shares	1,029,857	$144,180	-	-	Sep-16	$0.15	1,029,857
Ian Testrow	19/11/2010	Rights	269,393	$150,860	0%	100%	Sep-13	$0.56	0
	18/11/2011	Rights	189,000	$143,640	-	-	Sep-14	$0.76	189,000
	19/10/2012	Rights	451,371	$207,631	-	-	Sep-15	$0.46	451,371
	04/12/2013	Rights	1,633,151	$228,641	-	-	Sep-16	$0.15	1,633,151

[1] The minimum value of each grant is zero.
[2] For LTI Securities granted in FY12, FY13 and FY14 the earliest vesting date is the twentieth trading day after the announcement of the Company's annual results in 2014, 2015 and 2016 respectively.
[3] The fair value of the LTI Securities was determined using a Monte Carlo share price simulation model, and is allocated to each reporting period evenly over the period from Grant Date to vesting date. The value disclosed in the KMP remuneration table (table 38) is the portion of the fair value of the LTI Securities recognised in FY14.
[A] Mr Lewsey was entitled to receive LTI Securities in FY14 subject to shareholder approval at the Company's 2014 annual general meeting. As this approval had not been sought as at 30 June 2014, these LTI Securities have not been issued or included in the table above.
[B] Mr Keith Gordon ceased employment with Emeco on 4 November 2013. Accordingly, all unvested LTI Securities granted to Mr Gordon were forfeited in accordance with the terms of the respective grants.
[C] Ms Kellie Benda commenced her role as KMP on 24 February 2014.
[D] Mr Anthony Halls ceased employment with Emeco on 21 March 2014. Accordingly, all unvested LTI Securities granted to Mr Halls were forfeited in accordance with the terms of the respective grants.
[E] Mr Benny Joesoep commenced his role as KMP on 9 December 2013, after the FY14 LTI grant date. The number of performance rights granted to Mr Joesoep in respect of the FY14 LTI grant was $0.18 per right, which was the value of the LTI Securities issued to non-KMP. Mr Joesoep ceased employment on 13 May 2014 due to retrenchment. Accordingly, Mr Joesoep's FY14 LTI Securities were tested as at his termination date and a portion of them vested.

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6.1.2 Management Incentive Share Plan

Emeco established a Management Incentive Share Plan (**MISP**) in 2005. The MISP was closed in 2008 at which time the last allocation of shares was made to KMP.

MISP Terms and Conditions

The Company provided each MISP participant with an interest-free, limited recourse loan (**Loan**) to enable them to subscribe for the MISP shares.

The shares vest over a five year period as set out in the following table:

Table 42: TSR Vesting Schedule

VESTING DATE	% OF SHARES WHICH VEST	TOTAL % OF VESTED SHARES	% OF UNVESTED SHARES
2 years after the issue date	6.25%	6.25%	93.75%
3 years after the issue date	18.75%	25.00%	75.00%
4 years after the issue date	31.25%	56.25%	43.75%
5 years after the issue date	43.75%	100.00%	0.00%

If a MISP participant ceases employment with the Group before all of the MISP shares vest on the fifth anniversary of the issue date, the Company is required to buy back, cancel or transfer to a nominee of the Board all of the shares for a purchase price which is subject to the Company setting off the Loan amount outstanding in respect of the shares. In relation to the unvested shares, the purchase price is the Loan amount outstanding in respect of these shares. In relation to the vested shares, the purchase price is the market value of these shares.

Subject to the approval of the Board, the Loan can be repaid at any time but must be repaid by the tenth anniversary of the commencement date of the MISP, being 1 July 2015.

Any dividends or capital distributions which may become payable in respect of the MISP shares may be applied by the Company in reducing the amount of the Loan.

The share issues under the MISP to each MISP participant, and the time based vesting conditions in respect of the shares, are not dependent on the satisfaction of a performance condition because the issue of shares and the inclusion of time based vesting conditions in the terms of issue were intended to provide participants with an incentive to remain with the Group. That is, the terms upon which the shares were issued to the participants were intended to operate as a retention incentive arrangement rather than a performance incentive arrangement.

FY14 MISP entitlements

The last allocation of shares to KMP under the Company's MISP was made to Mr Ian Testrow in June 2006. During FY14, the Company recognised share based payments to Mr Testrow under the MISP as set out below:

Table 43: MISP Grant to Ian Testrow

MISP GRANT TO IAN TESTROW	
Number of shares issued	300,000
Issue price of shares	$1.16
Grant date	12/06/2006
Amount of Loan outstanding as at 30 June 2014	$249,000
Highest amount of indebtedness during FY14	$249,000
Fair value recognised as remuneration during FY14	$0.00

6.1.3 Emeco Employee Share Ownership Plan

Emeco's Employee Share Ownership Plan (**ESOP**) is an elective plan which is open to all Australian employees. Australian-based employees may salary sacrifice a minimum of $500 and a maximum of $5,000 of pre-tax salary or wage to acquire Emeco ordinary shares in accordance with the terms of the ESOP.

For every 5 shares acquired by the employee under the ESOP, Emeco provides one matching share at no cost to the employee.

The matching shares are subject to a vesting condition. Under the ESOP, a participating employee must remain employed with Emeco for one year after the end of the calendar year in which the matching shares are acquired (**Restriction Period**). If an employee leaves the Company before the expiry of the Restriction Period, the matching shares are forfeited.

All shares acquired under the ESOP are held in a trust on behalf of ESOP participants by the trustee, Pacific Custodians Pty Limited, which is an independent party separate from the Company.

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

During FY14 two Executives participated in the ESOP. Details of the shares purchased on their behalf and the matching shares allocated to them under the ESOP are set out below:

Table 44: ESOP Shares Purchased and Acquired by Executives

EXECUTIVE	SHARES PURCHASED	MATCHING SHARES GRANTED
Anthony Halls	15,233	3,044
Grant Stubbs	21,132	4,223

7. SERVICE CONTRACTS

7.1 Managing Director & Chief Executive Officer: Mr Kenneth Lewsey

Mr Lewsey's employment is for an indefinite term. Mr Lewsey's employment may be terminated by either party by giving a notice period of 6 months or a period expiring on the day before the second anniversary of the commencement of Mr Lewsey's employment, whichever is greater (**Notice Period**). However, Emeco may terminate Mr Lewsey's employment by making a payment of his fixed remuneration for the Notice Period in lieu of notice.

7.2 Executive General Manager Strategy & Corporate Development: Ms Kellie Benda

Ms Benda's employment agreement is for an indefinite term and provides that it is terminable on either party giving a notice period of 12 months if the termination occurs in the first 12 months of employment, or otherwise, 6 months (**Notice Period**). However, Emeco may terminate Ms Benda's employment by making payment of her fixed remuneration for the Notice Period in lieu of notice.

Under Ms Benda's employment agreement Ms Benda may terminate her employment if there is a change of control event in respect of Emeco Holdings Ltd or her duties are materially changed (**Change Event**), and Emeco must pay her fixed remuneration for the following period:

(i) 12 months, if the Change Event occurs within 12 months of her commencement date;
(ii) 9 months, if the Change Event occurs between 12 months and 24 months of her commencement date; or
(iii) 6 months, if the Change Event occurs after two years of her commencement date.

7.3 Other Executives

Except as outlined above in sections 7.1 and 7.2, each Executive is employed pursuant to contracts which provide for an indefinite term and which are terminable on either party giving 6 months' notice or on the payment to the Executive of up to 6 months' salary in lieu of notice. No termination payments other than salary in lieu of notice and accrued statutory leave entitlements are payable under these contracts.

Signed in accordance with a resolution of the Directors.

Kenneth Lewsey
Managing Director

Dated at Perth, 20 day of August 2014

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

KPMG

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001*

To: the directors of Emeco Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Graham Hogg
Partner

Perth

20 August 2014

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Liability limited by a scheme approved under Professional Standards Legislation.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	2014 $'000	2013 $'000
Continuing operations			
Revenue from rental income		205,368	314,068
Revenue from the sale of machines and parts		8,145	23,413
Revenue from maintenance services		27,582	41,894
		241,095	379,375
Changes in machinery and parts inventory	8	(14,443)	(25,822)
Repairs and maintenance		(84,727)	(114,022)
Employee expenses		(42,931)	(45,208)
Hired in equipment and labour		(13,142)	(7,752)
Gross profit		85,852	186,571
Other income	7	1,084	2,926
Other expenses	8	(16,092)	(29,252)
Impairment of tangible assets	8	(43,656)	(11,977)
EBITDA [1]		27,188	148,268
Impairment of goodwill	8	(157,887)	(17,844)
Depreciation expense	8	(77,996)	(98,157)
Amortisation expense	8	(132)	(192)
EBIT [2]		(208,827)	32,075
Finance income	8	6,081	1,439
Finance costs	8	(48,632)	(26,055)
(Loss)/Profit before tax expense		(251,378)	7,459
Tax expense	10	27,206	(7,447)
(Loss)/Profit from continuing operations		(224,172)	12
Discontinued operations			
(Loss)/Profit from discontinued operations (net of tax)	14	(51,137)	5,992
(Loss)/Profit from discontinued operations		(51,137)	5,992
(Loss)/Profit for the year		(275,309)	6,004
Other comprehensive (loss)/income			
Items that are or may be reclassified to profit and loss:			
Foreign currency translation differences for foreign operations		(5,308)	16,731
Effective portion of changes in fair value of cash flow hedges		(4,853)	1,697
Total other comprehensive (loss)/income for the year		(10,161)	18,428
Total comprehensive (loss)/income for the year		(285,470)	24,432

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 70 to 132.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

	2014 $'000	2013 $'000
(Loss)/Profit attributable to:		
Owners of the Company	(275,309)	6,004
(Loss)/Profit for the year	(275,309)	6,004
Total comprehensive (loss)/income attributable to:		
Owners of the Company	(285,470)	24,432
Total comprehensive (loss)/income for the year	(285,470)	24,432

	NOTE	2014 CENTS	2013 CENTS
Earnings per share:			
Basic earnings per share	35	(48.94)	1.03
Diluted earning per share	35	(48.94)	1.02
Earnings per share-continuing operations			
Basic earnings per share	35	(48.94)	1.03
Diluted earnings per share	35	(48.94)	1.02

(1) EBITDA - Earnings before net finance costs, tax, depreciation and amortisation.
(2) EBIT - Earnings before net finance costs and tax.

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 70 to 132.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	NOTE	2014 $'000	2013 $'000
Current Assets			
Cash assets	17	41,830	5,754
Trade and other receivables	18	78,154	97,073
Derivative financial instruments	19	5	691
Inventories	20	8,161	14,758
Prepayments		3,066	2,975
Current tax asset	11	-	13,940
Assets held for sale	15	39,922	7,200
Total current assets		171,138	142,391
Non-current Assets			
Trade and other receivables	18	772	856
Derivative financial instruments	19	2,749	4,489
Intangible assets and goodwill	21	175	158,076
Property, plant and equipment	22	573,528	820,210
Total non-current assets		577,224	983,631
Total assets		748,362	1,126,022
Current Liabilities			
Trade and other payables	23	53,095	40,562
Derivative financial instruments	19	2,546	1,281
Interest bearing liabilities	24	4,316	9,308
Provisions	26	2,694	3,388
Total current liabilities		62,651	54,539
Non-current Liabilities			
Other payables	23	-	1,284
Derivative financial instruments	19	10,187	1,502
Interest bearing liabilities	24	339,458	406,118
Deferred tax liabilities	12	11,025	50,159
Provisions	26	1,069	1,244
Total non-current liabilities		361,739	460,307
Total liabilities		424,390	514,846
Net assets		323,972	611,176
Equity			
Share capital	13	593,616	593,616
Reserves		(22,612)	(10,717)
Retained earnings		(247,032)	28,277
Total equity attributable to equity holders of the Company		323,972	611,176

The consolidated statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 70 to 132.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

	SHARE CAPITAL $'000	SHARE BASED PAYMENT RESERVE $'000	HEDGING RESERVE $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	RESERVE FOR OWN SHARES $'000	RETAINED EARNINGS $'000	TOTAL EQUITY $'000
Balance at 1 July 2012	610,424	9,155	(4,041)	(20,814)	(13,756)	59,419	640,387
Total comprehensive income/(loss) for the year							
Profit /(loss)	-	-	-	-	-	6,004	6,004
Other comprehensive income/(loss)							
Foreign currency translation differences	-	-	-	16,731	-	-	16,731
Effective portion of changes in fair value of cash flow hedge, net of tax	-	-	1,697	-	-	-	1,697
Total comprehensive income/(loss) for the year	-	-	1,697	16,731	-	6,004	24,432
Transactions with owners of the Company							
Contributions by and distributions to owners							
Own shares acquired by employee share plan trust	-	-	-	-	(2,678)	-	(2,678)
Share Buy-back	(16,919)	-	-	-	-	-	(16,919)
Dividends to equity holders	96	-	-	-	-	(37,146)	(37,050)
Share-based payment transactions	15	2,989	-	-	-	-	3,004
Total contributions by and distributions to owners	(16,808)	2,989	-	-	(2,678)	(37,146)	(53,643)
Balance at 30 June 2013	593,616	12,144	(2,344)	(4,083)	(16,434)	28,277	611,176

	SHARE CAPITAL $'000	SHARE BASED PAYMENT RESERVE $'000	HEDGING RESERVE $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	RESERVE FOR OWN SHARES $'000	RETAINED EARNINGS $'000	TOTAL EQUITY $'000
Balance at 1 July 2013	593,616	12,144	(2,344)	(4,083)	(16,434)	28,277	611,176
Total comprehensive income/(loss) for the year							
Profit /(loss)	-	-	-	-	-	(275,309)	(275,309)
Other comprehensive income/(loss)							
Foreign currency translation differences	-	-	(124)	(5,184)	-	-	(5,308)
Effective portion of changes in fair value of cash flow hedge, net of tax	-	-	(4,853)	-	-	-	(4,853)
Total comprehensive income/(loss) for the year	-	-	(4,977)	(5,184)	-	(275,309)	(285,470)
Transactions with owners of the Company							
Contributions by and distributions to owners							
Own shares acquired by employee share plan trust	-	-	-	-	(4,188)	-	(4,188)
Dividends to equity holders	-	-	-	-	-	-	-
Share-based payment transactions	-	2,454	-	-	-	-	2,454
Total contributions by and distributions to owners	-	2,454	-	-	(4,188)	-	(1,734)
Balance at 30 June 2014	593,616	14,598	(7,321)	(9,267)	(20,622)	(247,032)	323,972

The consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 70 to 132.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	30 JUNE 2014 $'000	30 JUNE 2013 $'000
Cash flows from operating activities			
Cash receipts from customers		245,567	389,034
Cash paid to suppliers and employees		(144,105)	(190,623)
Cash generated from operations		101,462	198,411
Finance income received		5,761	1,440
Finance expense paid		(37,583)	(23,240)
Taxes paid/(received)		10,227	(20,935)
Net cash inflow from operating activities of discontinued operations		2,205	25,627
Net cash from operating activities	30(ii)	82,072	181,303
Cash flows from investing activities			
Proceeds from disposal of non-current assets		30,265	40,532
Payment for property, plant and equipment		(44,186)	(144,452)
Net cash inflow/(outflow) from investing activities of discontinued operations		38,953	(25,204)
Net cash from/(used) in investing activities		25,032	(129,124)
Cash flows from financing activities			
Proceeds from syndicated debt borrowings		63,501	553,453
Proceeds from 144A Notes		364,282	-
Repayment of syndicated debt borrowings		(282,566)	(607,169)
Repayment of USPP Notes		(154,457)	-
Repayment of Westpac working capital		(5,256)	-
Purchase of own shares		(4,188)	(19,597)
Payment for debt establishment costs		(17,027)	(4,709)
Payment of finance lease liabilities		(4,363)	(3,339)
Dividends paid		-	(37,146)
Net cash outflow from financing activities of discontinued operations		(31,290)	(774)
Net cash from/(used) in financing activities		(71,364)	(119,281)
Net increase/(decrease) in cash		35,740	(67,102)
Cash at 1 July		5,754	73,091
Effects of exchange rate fluctuations on cash held		336	(235)
Cash at 30 June	30(i)	41,830	5,754

The consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 70 to 132.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1 REPORTING ENTITY

Emeco Holdings Limited (the "**Company**") is domiciled in Australia. The address of the Company's registered office is Level 3, 71 Walters Drive, Osborne Park WA 6017. The consolidated financial statements of the Company as at and for the year ended 30 June 2014 comprise the Company and its subsidiaries (together referred to as the "**Group**"). The Group is a for profit entity and primarily involved in the provision of safe, reliable and maintained heavy earthmoving equipment solutions to customers in the mining industry (refer note 16).

2 BASIS OF PREPARATION

(a) Statement of compliance

The consolidated statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (**AASBs**) adopted by the Australian Accounting Standards Board (**AASB**) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (**IFRSs**) adopted by the International Accounting Standards Board (**IASB**).

The consolidated financial statements were authorised for issue by the Board of Directors on 20 August 2014.

(b) Basis of measurement

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

- derivative financial instruments are measured at fair value; and
- financial instruments at fair value through profit or loss are measured at fair value.

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

(c) Functional and presentation currency

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

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(d) Use of estimates and judgements

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

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

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

Impairment of assets

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

Recognition of tax losses

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

Share based payments

The share based payments are recognised in accordance with the Company's accounting policies (refer note 3(j)(v)) where the value of the share based payment is expensed from the grant date to vesting date. This valuation includes estimates and judgements about volatility, risk free rates, dividend yields, total shareholder return (**TSR**) and underlying share price. Changes in these estimates and assumptions could impact on the measurement of the share based payment as set out in note 27.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities except for the changes in accounting policies as explained in note 2(e).

Certain comparative amounts in the consolidated statement of profit or loss and other comprehensive income have been reclassified to conform with the current years presentation.

(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 retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

(ii) Foreign operations

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

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

(c) Financial instruments

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

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

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

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

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

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

(ii) Non-derivative financial assets - measurement

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

Loans and receivables comprise trade and other receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(ii) Non-derivative financial assets - measurement (continued)

Cash and cash equivalents

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

(iii) Non-derivative financial liabilities - measurement

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

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

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the statement of cash flows.

(iv) Derivative financial instruments, including hedge accounting

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

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

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for as described below.

Fair value hedges

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

Cash flow hedges

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

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

Other non-trading derivatives

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(v) Share capital

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

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

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

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

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

(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 on-going repairs and maintenance are expensed as incurred.

(iii) Depreciation

Items of property, plant and equipment, excluding freehold land, are depreciated over their estimated useful lives and are charged to the statement of comprehensive income. Estimates of remaining useful lives, residual values and the depreciation method are made on a regular basis, with annual re-assessments 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 of the total new asset is reassessed and depreciation charged accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

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 and charged on machine hours worked over their estimated useful life. In certain specific contracts, depreciation methodology on some items of plant and equipment are reassessed in line with their effective lives. In these situations, depreciation is recognised in line with the pattern of economic benefits expected to be consumed. For plant and equipment that is idle for under 3 months, no depreciation is charged. Depreciation on plant and equipment that is idle for more than 3 months is calculated on 100 machine hours per month.

The estimated useful lives are as follows:

Leasehold Improvements	15 years
Plant and Equipment	3 - 15 years
Furniture, Fixtures and Fittings	10 years
Office Equipment	3 - 10 years
Motor Vehicles	5 years
Sundry Plant	7 - 10 years

(e) Intangible assets and goodwill

(i) Goodwill

Goodwill (negative goodwill) arises on the acquisition of subsidiaries.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

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

(ii) Other intangible assets

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

(iii) Amortisation

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

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

- Software 0 – 3 years

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

(f) Inventories

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Work in progress

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

(h) Impairment

(i) Non-derivative financial assets

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

Objective evidence that financial assets are impaired includes:

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

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

Financial assets measured at amortised cost

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

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

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

(ii) Non-financial assets

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

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 CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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 to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-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 first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment (continued)

(ii) Non-financial assets (continued)

Goodwill assets were fully impaired at 31 December 2013 as part of the Group's process of testing goodwill for impairment, when impairment triggers were present.

(i) Assets held for sale

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

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

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

(j) Employee benefits

(i) Defined contribution plans

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

(ii) Other long-term employee benefits

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

(iii) Termination benefits

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

(iv) Short-term benefits

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

(v) Share based payment transactions

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

(b) The share option programme allows certain employees to acquire shares of the Company. The grant date fair value of options granted to employees is recognised as an employee expense with a corresponding increase in equity, over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option-pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to market conditions not being met, i.e. share prices not achieving the threshold for vesting. The share option programme concluded on 4 August 2011.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Employee benefits (continued)

(v) Share based payment transactions (continued)

(c) A long term incentive plan (**LTIP**) allows certain management personnel to receive shares or rights of the Company upon satisfying performance conditions. Under the LTIP rights or shares granted to each LTIP participant vest to the employee after 3 years if the prescribed performance condition is met. The performance condition is a performance hurdle based on relative total shareholder return (**TSR**). The peer group that the Company's TSR is measured against consists of 99 Companies (this number may change as a result of takeovers, mergers etc) and includes 18 Companies that are considered direct peers to Emeco, in addition to the S&P/ASX Small Industrials (excluding banks, insurance companies, property trust companies and investment property trust/companies and other stapled securities). The fair value of the performance rights or shares granted under the LTIP have been measured using Monte Carlo simulation analysis and are expensed evenly over the period from grant date to vesting date.

If the terms of the LTIP are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

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

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

(f) A short term incentive (**STI**) plan allows the Executive Leadership Team to receive shares of the Company upon satisfying performance conditions. This is determined at the end of each financial year based on the Executive's performance. The performance conditions related to KPIs include EBITDA, Group Net Profit After Tax, Operating Cash Flow, Sale of Idle Assets, Safety and Personal Goals.

For the Managing Director and Chief Executive Officer, STI entitlements are made 25% in equity and 75% in cash with shares issued after their approval at the announcement of the Company's annual general meeting in the financial year that they relate to and are escrowed until the announcement of the Company's annual results two financial years after the financial year to which it relates.

For all other Executives, STI entitlements are made in cash up to the maximum STI cash component, with the remainder made in equity. The equity component is subject to a service vesting condition of the Executive remaining employed by the Group, and will vest the day after the announcement of Emeco's annual results one financial year after the financial year to which it relates.

The fair value of the performance shares granted under the STIP have been measured and are expensed in the financial year the STIP relates to.

(k) Provisions

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

(l) Revenue

(i) Rental revenue

Revenue from the rental of machines is recognised in profit and loss based on the number of hours the machines operate each month. Contracts generally have a minimum hour clause which is triggered should the machine operate under these hours during each month. Customers are billed monthly. Revenue is measured at the fair value of consideration received or receivable. In certain specific contracts, Emeco recognises revenue when it is legally enforceable on another basis that reflects the services performed.

(ii) Goods sold

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Revenue (continued)

(iii) Maintenance services

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

(m) Leases

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

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

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

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

(n) Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- dividend income;
- dividends on preference shares issued classified as financial liabilities;
- the net gain or loss on the disposal of available-for-sale financial assets;
- the net gain or loss on financial assets at fair value through profit or loss;
- the fair value loss on contingent consideration classified as financial liability;
- impairment losses recognised on financial assets (other than trade receivables);
- the net gain or loss on hedging instruments that are recognised in profit or loss;
- the reclassification of net gains previously recognised in OCI; and
- amortisation of borrowing costs capitalised using the effective interest method

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

(o) Income Tax

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

(i) Current tax

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

(ii) Deferred tax

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

Deferred tax is not recognised for:

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Income Tax (continued)

(ii) Deferred tax (continued)

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

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

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

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

(iii) Tax exposures

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 16 December 2004 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Emeco Holdings Limited.

(p) Discontinued operations

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

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

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

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

(q) Segment reporting

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

4 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2013, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

(i) AASB 9 Financial Instruments (2010), AASB 9 Financial instruments (2009)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting.

AASB 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of AASB 9 (2010) is expected to have an impact on the Group's financial assets, but no impact on the Group's financial liabilities.

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.

(i) 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 items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and depreciated replacement cost when appropriate. Depreciated replacement cost estimates reflects adjustments for physical deterioration as well as functional and economic obsolescence.

(ii) Intangible assets

The fair value of contract intangibles is based on the discounted estimated net future cash flows that are expected to arise as a result of the contracts that are in place when the business combination was finalised.

(iii) Inventory

The fair value of inventory is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(iv) Trade and other receivables

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

(v) Forward exchange contracts and interest rate swaps

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

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

(vi) 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 reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

(vii) Share-based payment transactions

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

(viii) 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.

6 FINANCIAL INSTRUMENTS

Overview

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

- credit risk
- liquidity risk
- market risk

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

Risk management framework

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

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

The Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Committee is assisted in its oversight role by the Internal Audit function. Internal Audit undertakes reviews of risk management controls and procedures at the direction of the Committee. The results of the reviews are reported to the Committee.

Credit risk

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

Exposure to credit risk

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

		CONSOLIDATED	
		CARRYING AMOUNT	
	NOTE	2014 $'000	2013 $'000
Trade receivables	18	49,298	86,357
Other receivables	18	34,819	28,342
Cash and cash equivalents	17	41,830	5,754
Derivatives	19	2,754	5,180
		128,701	125,633

Trade and other receivables

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

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

Where commercially available the Group aims to insure the majority of rental customers that are not considered either blue chip customers, subsidiaries of blue chip companies or Government. Blue chip customers are determined as those customers who have a market capitalisation of greater than $750,000,000 (2013: $750,000,000). The Australian and Chilean businesses held insurance for the entire financial year ended 30 June 2014. The Indonesian business held credit insurance from 1 July 2013 to 30 November 2013. The Canadian business does not have credit risk insurance.

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FOR THE YEAR ENDED 30 JUNE 2014

6 FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

Trade and other receivables (continued)

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

As at 30 June 2014 the Group's doubtful debts provision for continuing and discontinued operations was $5,191,000 (2013: $16,770,000). The change in provision for doubtful debts was $11,579,000 during the financial year primarily due to following:

- $9,020,000 related to a customer in Indonesia where the Company received $7,900,000 from credit insurance with the remainder written off as a bad debt; and
- $2,462,000 represents the reversal of doubtful debts due to customers who became insolvent in Australia and Canada totalling $1,675,000 and $787,000 respectively.

As at 30 June 2014 the Group recognised bad debt write-offs for continuing and discontinued operations for a total amount of $14,116,000 (2013: $2,053,000) of which $11,052,000 related to two customers in the Indonesian business and $1,675,000 and $787,000 related to one customer in the Australian business and the Canadian business respectively. $602,000 related to the impairment of a USA debtor fully provided for in the previous period. $2,537,000 was provided for as doubtful debts at 30 June 2014.

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

The Group held cash and cash equivalents of $41,830,000 at 30 June 2014 (2013: $5,754,000), 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-.

The Group also held derivative assets in relation to cross currency interest rate swaps and forward exchange rate swaps to the total value of $2,754,000 (2013: $5,180,000) at 30 June 2014, which represents its maximum credit exposure on these assets. The interest rate swaps and cross currency interest rate swaps are held with bank and financial institution counter parties which are rated greater than A-.

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

	CONSOLIDATED		CONSOLIDATED	
	GROSS 2014 $'000	IMPAIRMENT 2014 $'000	GROSS 2013 $'000	IMPAIRMENT 2013 $'000
Australia	18,455	(486)	34,359	(1,675)
Asia	8,017	(4,385)	29,536	(13,503)
North America	18,300	(320)	14,876	(1,592)
South America	4,526	-	7,586	-
	49,298	(5,191)	86,357	(16,770)

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

	CONSOLIDATED CARRYING AMOUNT 2014 $'000	CONSOLIDATED CARRYING AMOUNT 2013 $'000
Insured	20,737	49,103
Blue Chip (including subsidiaries)	16,680	22,628
Other security	314	319
Uninsured	11,567	14,307
	49,298	86,357

6 FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

Trade and other receivables (continued)

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

	CONSOLIDATED		CONSOLIDATED	
	GROSS 2014 $'000	IMPAIRMENT 2014 $'000	GROSS 2013 $'000	IMPAIRMENT 2013 $'000
Not past due	11,845	(280)	19,311	(1,667)
Past due 0-30 days	15,406	(206)	26,625	-
Past due 31-60 days	4,036	-	15,213	(415)
Past due 61 days	18,011	(4,705)	25,208	(14,688)
	49,298	(5,191)	86,357	(16,770)

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

	CONSOLIDATED	
	2014 $'000	2013 $'000
Balance at 1 July	16,770	2,089
Bad debt written off	(3,064)	(2,053)
Change in provision for doubtful debts	(8,515)	16,734
Balance at 30 June	5,191	16,770

Collateral

Collateral is held for customers that are assessed to be a higher risk. At 30 June 2014 the Group held $Nil of bank guarantees (2013: $Nil) and $Nil of prepayments (2013: $300,000).

Guarantees

Financial guarantees are generally only provided to wholly-owned subsidiaries or when entering into a premise rental agreement. Details of outstanding guarantees are provided in note 29. At 30 June 2014 $866,013 guarantees were outstanding (2013: $75,000).

Liquidity risk

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

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

On 17 March 2014, the Group extinguished it's A$450,000,000 senior secured syndicated debt facility and USPP Notes by repaying its outstanding liabilities by issuing US$335,000,000 of 144A Notes in the High Yield market. The Group issued secured fixed interest notes in the 144A High Yield Bond market comprising US$335,000,000 which matures on 17 May 2019. The nominal interest rate is 9.875%. These notes will remain fully drawn until maturity.

The Group established an A$50,000,000 revolving credit facility comprising of Tranche A1: 3 year A$40,000,000 tranche and Tranche A2: 3 year A$10,000,000 tranche, which matures on 17 March 2017. At year end, the undrawn portion of the facility was A$50,000,000.

The Group has finance lease facilities totalling A$8,770,000 (2013: A$12,358,000) which matures on 15 August 2015. The Group has also financed its insurance payments with $461,000 remaining at year end which matures in August 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

6 FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

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

CONSOLIDATED	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	6 MTHS OR LESS	6-12 MTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
30 JUNE 2014	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivative financial liabilities							
Secured bank loans	–	–	–	–	–	–	–
Secured notes issue	334,544	531,905	17,582	17,582	35,163	461,578	–
Finance lease liabilities	8,770	9,334	2,181	2,181	4,972	–	–
Insurance financing	461	461	461	–	–	–	–
Working capital facility	–	–	–	–	–	–	–
Trade and other payables	9,731	9,731	9,731	–	–	–	–
	353,506	551,431	29,955	19,763	40,135	461,578	–
Derivative financial liabilities							
Interest rate swaps used for hedging asset/(liability)	–	–	–	–	–	–	–
Interest rate swaps used for hedging asset/(liability)	–	–	–	–	–	–	–
Cross-currency interest rate swaps used for hedging asset/(liability)	(9,984)	(28,426)	(2,204)	(2,060)	(10,053)	(14,109)	–
Forward exchange contracts used for hedging:							
Outflow	–	(4,249)	(4,249)	–	–	–	–
Inflow	5	4,244	4,244	–	–	–	–
	(9,979)	(28,431)	(2,209)	(2,060)	(10,053)	(14,109)	–

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

6 FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

CONSOLIDATED 30 JUNE 2013	CARRYING AMOUNT $'000	CONTRACTUAL CASH FLOWS $'000	6 MTHS OR LESS $'000	6-12 MTHS $'000	1-2 YEARS $'000	2-5 YEARS $'000	MORE THAN 5 YEARS $'000
Non-derivative financial liabilities							
Secured bank loans [1]	(249,646)	(283,689)	(5,645)	(5,645)	(11,289)	(261,110)	-
Secured notes issue [1]	(147,702)	(214,075)	(3,832)	(3,832)	(7,665)	(22,994)	(175,752)
Finance lease liabilities	(12,358)	(13,696)	(2,181)	(2,181)	(4,362)	(4,973)	-
Insurance financing	(464)	(464)	(464)	-	-	-	-
Working capital facility	(5,256)	(5,256)	(5,256)	-	-	-	-
Trade and other payables	(41,846)	(41,846)	(40,562)	-	-	(1,284)	-
	(457,272)	(559,026)	(57,940)	(11,658)	(23,316)	(290,361)	(175,752)
Derivative financial liabilities							
Interest rate swaps used for hedging asset/(liability) [1]	(1,700)	(1,844)	(1,578)	(161)	(148)	43	-
Interest rate swaps used for hedging asset/(liability) [1]	(1,063)	(1,434)	407	399	688	9	(2,937)
Cross-currency interest rate swaps used for hedging asset/(liability) [1]	5,180	5,722	(422)	(262)	(854)	(5,306)	12,566
Forward exchange contracts used for hedging:							
Outflow	(20)	(9,477)	(9,477)	-	-	-	-
Inflow	-	9,497	9,497	-	-	-	-
	2,397	2,464	(1,573)	(24)	(314)	(5,254)	9,629

[1] These assets and liabilities were extinguished during FY14.

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

Market risk

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

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

Currency risk

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

The Group hedges all trade receivables and trade payables that are denominated in a currency that is not the functional currency of the respective subsidiary exposed to the transaction, and is an amount greater than $50,000. The Group uses forward exchange contracts to hedge this currency risk. Most of the forward exchange contracts have maturities of less than 6 months.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

6 FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

Currency risk (continued)

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

In March 2014 the Group issued US$335,000,000 of notes in the 144A high yield market of which US$110,000,000 and US$100,000,000 were swapped into AUD and CAD respectively through the use of cross currency interest rate swaps. As derivatives have been entered into, hedge accounting will apply to these instruments. The remainder of the USD foreign exchange exposure at 30 June 2014 is generally offset by financial assets denominated in the same currency providing an economic hedge without derivatives being entered into. However, due to timing delays the Group is still in the process of hedging its US$50,000,000 exposure, which is expected to be completed in FY15. In addition, some of the Group's subsidiaries operate in USD which further mitigates the USD foreign currency exposure.

Exposure to currency risk

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

	30 JUNE 2014		30 JUNE 2013	
	USD $'000	CAD $'000	USD $'000	CAD $'000
Cash	4,597	5,146	124	-
Senior secured debt	-	-	(15,000)	-
Secured notes issued [1]	(271,969)	-	(43,802)	-
Gross balance sheet exposure	(267,372)	5,146	(58,678)	-
Cross currency interest rate swap to hedge the secured notes issued	210,000	-	50,000	-
Forecast purchases	-	-	-	-
Forward exchange contracts [2]	4,000	-	8,800	-
	214,000	-	58,800	-
Net exposure	(53,372)	5,146	122	-

[1] Net USD exposure of US$335,000,000 in an AUD denominated entity.
[2] Trade payables does not include future purchase commitments denominated in foreign currencies. The Group hedges these purchases in accordance with its hedging policy. The payable is not recognised until the asset is received. The fair value of outstanding derivatives are recognised in the balance sheet at period end.

The following significant exchange rates applied during the year:

	AVERAGE RATE		REPORTING DATE SPOT RATE	
	2014	2013	2014	2013
CAD	0.9819	1.0306	1.0043	0.9701
USD	0.9187	1.0266	0.9415	0.9266
EURO	0.6776	0.7947	0.6901	0.7100
IDR	10,496	9,885	11,302	9,254
YEN	97.45	89.70	95.50	91.58
CLP	488.28	491.47	519.39	467.24
GBP	0.5699	0.6545	0.5527	0.6075

6 FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

Sensitivity analysis

A strengthening of the Australian dollar, as indicated below, against the following currencies at 30 June 2014 would have affected the measurement of financial instruments denominated in a foreign currency and increased/(decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2013, as indicated below:

	CONSOLIDATED			
	STRENGTHENING		WEAKENING	
	EQUITY $'000	PROFIT OR LOSS $'000	EQUITY $'000	PROFIT OR LOSS $'000
30 June 2014				
USD (10 percent movement)	(1,591)	6,510	1,944	(7,949)
CAD (10 percent movement)	(2,552)	(78)	3,119	480
30 June 2013				
USD (10 percent movement)	(703)	(78)	860	96
CAD (10 percent movement)	35	-	(43)	-

Interest rate risk

In accordance with the Board's policy the Group is required to maintain a range between a maximum of 70% and a minimum of 30% of its exposure to changes in interest rates on borrowings on a fixed rate basis, taking into account assets with exposure to changes in interest rates for an average tenure of no less than 2 years into the future. This is achieved by entering into cross currency interest rate swaps and the issue of fixed interest notes.

Profile

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

		CONSOLIDATED	
	NOTE	2014 $'000	2013 $'000
Variable rate instruments:			
Cash at bank	17	41,830	5,754
Working capital facility		-	(5,256)
Interest bearing liabilities		-	(252,746)
Effective interest rate swaps to hedge interest rate risk			
Australian dollars (2013: USPP US$50m)		-	5,180
United States dollars USPP (2013: USPP US$40m)		-	(1,063)
Australian dollars (2013: A$80M)		-	(1,061)
Canadian dollars (2013: C$80M)		-	(557)
United States dollars (2013: US$15M)		-	(82)
Australian dollars 144A (US$110M) (2013: Nil)		(7,282)	-
Canadian dollars 144A (US$100M) (2013: Nil)		(2,702)	-
		31,846	(249,831)
Fixed rate instruments:			
Interest bearing liabilities (notes)	24	(358,144)	(149,557)
Interest bearing finance leases	24	(8,770)	(12,358)
Insurance financing	24	(461)	(464)
		(367,375)	(162,379)

The Group classifies its debt related derivatives into the category of cross currency interest rate swaps.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

6 FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

Cash flow hedges and fair value hedges

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

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

The cross currency interest rate swaps (hedging instrument) are accounted for as both cash flow hedges and fair value hedges. The cross currency interest rate swaps are designated to hedge the exposure to variability in foreign exchange rates and exposure to liquidity risk through the benchmark interest rate.

Fair value sensitivity analysis for fixed rate instruments

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

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

FAIR VALUE HEDGES	100bp INCREASE $'000	100bp DECREASE $'000	100bp INCREASE $'000	100bp DECREASE $'000
30 June 2014				
Fixed rate instruments (144A)	6,989	(8,143)	-	-
Interest rate swap	(6,989)	8,143	-	-
Cash flow sensitivity (net)	-	-	-	-
30 June 2013				
Fixed rate instruments (USPP)	8,241	(6,723)	-	-
Interest rate swap	(8,241	6,723	-	-
Cash flow sensitivity (net)	-	-	-	-

Detailed below is the profit and loss impact of fair value hedges during the year.

	PROFIT OR LOSS	
FINANCIAL INSTRUMENT	2014 $'000	2013 $'000
Floating to fixed		
- Swap	-	-
- Hedged item (debt)	-	-
Fixed to floating		
- Swap	5,536	(1,063)
- Hedged item (debt)	-	1,085
Cross currency interest rate swap		
- Swap	2,749	(472)
- Hedged item (debt)	(2,327)	448
Net profit/(loss) impact before tax	5,958	(2)

6 FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2013.

	PROFIT OR LOSS		EQUITY	
	100bp INCREASE	100bp DECREASE	100bp INCREASE	100bp DECREASE
CASH FLOW HEDGES	$'000	$'000	$'000	$'000
30 June 2014				
Variable rate instruments	68	(68)	-	-
Interest rate swap	-	-	90	2
Cash flow sensitivity (net)	68	(68)	90	2
30 June 2013				
Variable rate instruments	522	(543)	-	-
Interest rate swap	-	-	(1,181)	458
Cash flow sensitivity (net)	522	(543)	(1,181)	458

Fair values

Interest rates used for determining fair value

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

	2014			2013		
Derivatives	0.2%	-	2.8%	0.3%	-	4.2%
Loans and borrowings	0.2%	-	2.9%	0.2%	-	3.6%
USPP	4.6%	-	5.3%	4.6%	-	5.3%
Leases	7.2%	-	7.2%	7.2%	-	7.2%
144A Notes	9.9%	-	9.9%	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

6 FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

Fair values versus carrying amounts

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

		30 JUNE 2014		30 JUNE 2013	
	NOTE	CARRYING AMOUNT $'000	FAIR VALUE $'000	CARRYING AMOUNT $'000	FAIR VALUE $'000
Assets carried at fair value					
Interest rate swaps used for hedging	19	-	-	5,180	5,180
Forward exchange contracts used for hedging	19	5	5	-	-
		5	5	5,180	5,180
Assets carried at amortised cost					
Receivables	18	78,154	78,154	97,073	97,073
Cash and cash equivalents	17	41,830	41,830	5,754	5,754
		119,984	119,984	102,827	102,827
Liabilities carried at fair value					
Interest rate swaps used for hedging	19	(9,984)	(9,984)	(2,763)	(2,763)
Forward exchange contracts used for hedging	19	-	-	(20)	(20)
		(9,984)	(9,984)	(2,783)	(2,783)
Liabilities carried at amortised cost					
Secured bank loans	24	-	-	(249,646)	(252,746)
Secured notes issue	24	(169,183)	(178,547)	(53,299)	(53,961)
Secured notes issue [1]	24	(165,360)	(4,915)	(94,403)	(95,596)
Insurance financing	24	(461)	(461)	(464)	(464)
Finance lease liabilities	24	(8,770)	(9,334)	(12,358)	(14,181)
Trade and other payables	23	(53,095)	(53,095)	(41,846)	(41,846)
		(396,869)	(246,352)	(452,016)	(458,794)

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

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

6 FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

Fair value hierarchy

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

Capital management

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

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

The Company's primary return metric is return on capital (**ROC**), which the Group defines as earnings before interest and tax (**EBIT**) divided by Invested Capital defined as the average over the period of equity, plus interest bearing liabilities, less cash and cash equivalents.

7 OTHER INCOME

	CONSOLIDATED	
	2014 $'000	**2013 $'000**
Net profit on sale of non current assets [1]	**731**	1,658
Sundry income [2]	**353**	1,268
	1,084	2,926

(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 2014 was $30,265,000 (2013: $45,565,000).
(2) Included in sundry income are fees charged on overdue accounts, bad debts recovered and procurement fees on machines sourced for third parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

8 PROFIT BEFORE INCOME TAX EXPENSE FOR CONTINUING OPERATIONS

		CONSOLIDATED	
	NOTE	2014 $'000	2013 $'000
Profit before income tax expense has been arrived at after charging/(crediting) the following items:			
Cost of sale of machines and parts		14,443	25,822
Impairment of tangible assets held for sale:			
- inventory	20	6,148	8,641
- property, plant and equipment		37,508	3,336
		43,656	11,977
Employee expenses:			
- superannuation		2,849	3,424
Other expenses:			
- bad debts [1]		3,064	370
- doubtful debts/(reversal)		(2,467)	1,974
- insurance		2,916	3,264
- motor vehicles		3,356	3,644
- rental expense		4,152	3,605
- safety expenses		1,238	1,549
- travel and subsistence expense		3,746	2,883
- telecommunications		1,796	1,691
- workshop consumables, tooling and labour		1,666	3,148
- other expenses/(reversals)		(3,375)	7,124
		16,092	29,252
Depreciation of:			
- buildings		592	839
- plant and equipment - owned		73,156	90,102
- plant and equipment - leased		525	3,167
- furniture fittings and fixtures		221	179
- office equipment		430	479
- motor vehicles		1,428	1,615
- leasehold improvements		521	548
- sundry plant		1,123	1,228
		77,996	98,157
Amortisation of:			
- other intangibles	21	132	192
Impairment of:			
- goodwill	21	157,887	17,844
		158,019	18,036
Total depreciation, amortisation and impairment of goodwill		236,015	116,193

(1) $1,675,000 of the $3,064,000 bad debt expense in FY14 relates to a debtor in the Australian entity.

8 PROFIT BEFORE INCOME TAX EXPENSE FOR CONTINUING OPERATIONS (CONTINUED)

	CONSOLIDATED	
	2014 $'000	2013 $'000
Finance costs:		
- interest expense	24,206	21,138
- makewhole payment [1]	16,063	-
- withholding tax expense	1,960	-
- amortisation of debt establishment costs using effective interest rate	1,918	762
- write off previous facility costs	2,993	1,910
- hedge losses	-	32
- other facility costs	1,492	2,213
	48,632	26,055
Finance income:		
- interest income	(123)	(1,439)
- hedge gains	(5,958)	-
Net financial expenses	42,551	24,616
Net foreign exchange (gain)/loss	(4,571)	(110)

[1] Makewhole payment related to the repayment of the USPP Notes.

9 AUDITOR'S REMUNERATION

	CONSOLIDATED	
	2014 $	2013 $
Audit services		
Auditors of the Company		
KPMG Australia:		
- audit and review of financial reports	382,782	458,300
- other assurance services [1]	320,000	-
Overseas KPMG Firms:		
- audit and review of financial reports	173,118	195,536
- other assurance services [1]	36,872	-
	912,772	653,836
Other services		
Auditors of the Company		
KPMG Australia:		
- taxation services [2]	337,641	174,016
Overseas KPMG Firms:		
- taxation services	279,639	134,896
	617,280	308,912
	1,530,052	962,748

[1] Other assurance services includes services relating to the issue of secured fixed notes in the 144A High Yield Bond market.
[2] The increase in taxation services during FY14 includes assistance provided for the Australian Taxation Office risk review and the issue of secured fixed notes in the 144A high yield bond market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

10 TAXES

a. Recognition in the income statement

	NOTE	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000
Current tax expense/(benefit):			
Current year		(67,325)	27,302
Adjustments for prior years		35	(130)
		(67,290)	27,172
Deferred tax expenses/(benefit):			
Origination and reversal of temporary differences		36,383	(17,092)
	12	36,383	(17,092)
Tax expense/(benefit)		(30,907)	10,080
Tax expense from continuing operations		(27,206)	7,447
Tax expense/(benefit) from discontinued operations	14	(3,701)	2,633
Total tax expense/(benefit)		(30,907)	10,080

b. Current and deferred tax expense recognised directly in equity

	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000
Share purchase costs	(723)	374
	(723)	374

Tax recognised in other comprehensive income

	CONSOLIDATED 2014			CONSOLIDATED 2013		
	BEFORE TAX $'000	TAX (EXPENSE) BENEFIT $'000	NET OF TAX $'000	BEFORE TAX $'000	TAX (EXPENSE) BENEFIT $'000	NET OF TAX $'000
Foreign currency translation differences for foreign operations	(5,308)	-	(5,308)	16,731	-	16,731
Cash flow hedges	(6,932)	2,079	(4,853)	3,394	(1,697)	1,697
	(12,240)	2,079	(10,161)	20,125	(1,697)	18,428

10 TAXES (CONTINUED)

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

	CONSOLIDATED	
	2014 $'000	**2013 $'000**
Prima facie tax expense calculated at 30% on net profit	(75,414)	4,825
Increase/(decrease) in income tax expense due to:		
Effect on tax rate in foreign jurisdictions	(4,725)	(1,205)
Current year losses for which no deferred tax asset was recognised	1,494	53
Goodwill impairment	47,366	5,353
Tangible asset impairment	166	938
Sundry	170	246
Under/(over) provided in prior years	36	(130)
Tax expense	(30,907)	10,080

11 CURRENT TAX ASSETS AND LIABILITIES

The current tax asset for the Group of $Nil (2013: $13,940,000) represents income taxes recoverable in respect of prior periods and that arise from payment of taxes in excess of the amount due to the relevant tax authority.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

12 DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	ASSETS		LIABILITIES		NET	
CONSOLIDATED	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Property, plant and equipment	(52)	(16)	61,843	59,060	61,790	59,044
Intangible assets	-	(30)	-	-	-	(30)
Receivables	(2,353)	(8,481)	47	2,781	(2,306)	(5,700)
Accrued revenue	-	-	24	215	24	215
Inventories	(1)	(3)	621	571	620	568
Payables	(1,918)	(1,280)	2,043	-	125	(1,280)
Derivatives - hedge payable	(3,085)	(510)	1	-	(3,083)	(510)
Derivatives - hedge receivable	-	-	7	1,695	7	1,695
Interest-bearing loans and borrowings	(417)	(2,081)	3,615	3,054	3,198	973
Employee benefits	(1,028)	(1,475)	1,023	171	(5)	(1,304)
Equity - capital raising costs	(20)	(24)	-	-	(20)	(24)
Provisions	-	(15)	-	-	-	(15)
Tax losses carried forward	(49,325)	(3,473)	-	-	(49,325)	(3,473)
Tax (assets)/liabilities	(58,199)	(17,388)	69,224	67,547	11,025	50,159
Set off of tax	-	17,388	-	(17,388)	-	-
Net tax (assets)/liabilities	(58,199)	-	69,224	50,159	11,025	50,159

Movement in deferred tax balances

	CONSOLIDATED				
	BALANCE 1 JULY 13 $'000	RECOGNISED IN PROFIT OR LOSS $'000	RECOGNISED DIRECTLY IN EQUITY $'000	RECOGNISED IN OTHER COMPREHENSIVE INCOME $'000	BALANCE 30 JUNE 14 $'000
Property, plant and equipment	59,044	2,746	-	-	61,790
Intangible assets	(30)	30	-	-	-
Receivables	(5,485)	3,203	-	-	(2,282)
Inventories	568	52	-	-	620
Payables	(1,280)	1,405	-	-	125
Derivatives - hedge payable	(510)	(2,573)	-	-	(3,083)
Derivatives - hedge receivable	1,695	392	-	(2,080)	7
Interest-bearing loans and borrowings	973	2,225	-	-	3,198
Employee benefits	(1,304)	1,299	-	-	(5)
Equity - capital raising costs	(24)	727	(723)	-	(20)
Provisions	(15)	15	-	-	-
Tax losses carried forward	(3,473)	(45,852)	-	-	(49,325)
	50,159	(36,331)	(723)	(2,080)	11,025

12 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Movement in deferred tax balances

	CONSOLIDATED				
	BALANCE 1 JULY 12	RECOGNISED IN PROFIT OR LOSS	RECOGNISED DIRECTLY IN EQUITY	RECOGNISED IN OTHER COMPREHENSIVE INCOME	BALANCE 30 JUNE 13
	$'000	$'000	$'000	$'000	$'000
Property, plant and equipment	40,797	18,247	-	-	59,044
Intangible assets	(37)	7	-	-	(30)
Receivables	(3,902)	(1,583)	-	-	(5,485)
Inventories	1,361	(793)	-	-	568
Payables	(6,707)	5,427	-	-	(1,280)
Derivatives - hedge payable	(1,683)	-	-	1,173	(510)
Derivatives - hedge receivable	1,296	(125)	-	524	1,695
Interest-bearing loans and borrowings	4,967	(3,994)	-	-	973
Employee benefits	(1,706)	402	-	-	(1,304)
Equity - capital raising costs	(8)	(390)	374	-	(24)
Provisions	(110)	95	-	-	(15)
Tax losses carried forward	(3,272)	(201)	-	-	(3,473)
	30,996	17,092	374	1,697	50,159

Unrecognised deferred tax assets

	CONSOLIDATED	
	2014	2013
	$'000	$'000
The following deferred tax assets have not been brought to account as assets:		
Tax losses	21,109	18,308

Unutilised tax losses are in Indonesia, the United Kingdom, United States and Europe.

13 CAPITAL AND RESERVES

	CONSOLIDATED	
	2014	2013
	$'000	$'000
Share capital		
599,675,707 (2013: 599,675,707) ordinary shares, fully paid	669,503	669,503
Acquisition reserve	(75,887)	(75,887)
	593,616	593,616

Share buy back

On 23 August 2012 the Board announced an on market share buy-back program to acquire up to 5% of shares on issue. The share buy-back was completed on 23 November 2012 having acquired a total of 31,561,879 shares at an average price of 53.4 cents. Shares on issue at 30 June 2014 totalled 599,675,707 (30 June 2013: 599,675,707).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

13 CAPITAL AND RESERVES (CONTINUED)

Reserve of own shares

The reserve of own shares comprises of shares purchased on market to satisfy the vesting of shares and rights under the LTIP. Shares that are forfeited under the Company's MISP due to employees not meeting the service vesting requirement will remain in the reserve. As at 30 June 2014 the Company held 27,773,441 treasury shares (2013: 16,804,359) 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.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in fair value of hedging instruments used in cash flow hedges pending subsequent recognition of hedged cash flows.

Share based payment reserve

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

Dividends

(i) The following dividends were declared and paid by the Group:

	CENTS PER SHARE	TOTAL AMOUNT $'000	FRANKED/ UNFRANKED	DATE OF PAYMENT
2014				
Final 2013 ordinary	Nil	–	–	–
Interim 2014 ordinary	Nil	–	–	–
		–		

Subsequent to 30 June 2014

The Directors have declared that no Final dividend will be paid and no amount has been paid or declared by way of dividends since March 2013, or to the date of this report.

The following dividends were declared and paid by the Group in the prior year:

	CENTS PER SHARE	TOTAL AMOUNT $'000	FRANKED/ UNFRANKED	DATE OF PAYMENT
2013				
Final 2012 ordinary	3.5	22,154	Franked	28 September 2012
Interim 2013 ordinary	2.5	14,992	Franked	27 March 2013
		37,146		

Franked dividends declared or paid during the year were franked at the tax rate of 30%.

13 CAPITAL AND RESERVES (CONTINUED)

Dividends (continued)

(ii) Franking account

	THE COMPANY	
	2014 $'000	2013 $'000
Dividend franking account		
30% franking credits available to shareholders of Emeco Holdings Limited for subsequent financial years	18,861	29,391

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

(a) franking credits that will arise from the payment of current tax liabilities and recovery of current tax receivables;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the year end;

(c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year-end; and

(d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability is to reduce it by $Nil (2013: $Nil). In accordance with the tax consolidation legislation, the Company as the head entity in the Australian tax-consolidated group has also assumed the benefit of $18,861,000 (2013: $29,391,000) franking credits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

14 DISCONTINUED OPERATIONS

In May 2014 the Board resolved to exit the Indonesian business after a strategic review of the operations. The Board's decision to close this business was to address the underperformance in returns being generated combined with the unfavourable conditions in the Indonesian mining industry.

	2014 $'000	2013 $'000
Losses of discontinued operations		
Revenue	4,284	60,316
Other income	1	84
Direct costs	(2,794)	(11,344)
Profit/(loss) on sale of assets	213	342
Impairment of tangible assets		
- Inventories	(1,580)	(23)
- Property, Plant and Equipment	(41,052)	(116)
Other expenses	(5,032)	(19,152)
Employee expenses	(2,389)	(2,932)
EBITDA	(48,349)	27,175
Depreciation	(5,524)	(14,390)
EBIT	(53,873)	12,785
Finance income	3	9
Finance costs	(968)	(4,169)
Income tax (expense)/benefit	3,701	(2,633)
(Loss)/Profit for the year	(51,137)	5,992

The loss from discontinued operation of $51,137,000 (2013: profit $5,992,000) is attributable entirely to the owners of the Company.

	2014 $'000	2013 $'000
Cash flows from/(used in) discontinued operation		
Net cash used in operating activities	2,205	25,627
Net cash from investing activities	38,953	(25,204)
Net cash from financing activities	(31,290)	(774)
Net cash from/(used in) discontinued operation	9,868	(351)

15 DISPOSAL GROUPS AND NON-CURRENT ASSETS HELD FOR SALE

During the year $177,242,000 of non-current assets was transferred from property, plant and equipment and inventory into non-current assets held for sale and subsequently impaired by $74,816,000 (2013: $3,040,000) to their fair value less cost to sell based on market prices of similar equipment.

As at 30 June 2014, the non-current assets held for sale comprised assets of $39,922,000 (2013: $7,200,000). These relate to land and buildings and plant and equipment from Indonesia (included in note 14), Canada and Australia. The Group is actively marketing these assets and they are expected to be disposed of within 12 months.

	2014 $'000	2013 $'000
Assets classified as held for sale		
Property, plant and equipment - continuing operations	31,564	7,200
Property, plant and equipment - discontinuing operations	8,354	-
Inventories - discontinuing operations	4	-
	39,922	7,200

16 SEGMENT REPORTING

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

Australia	Provides a wide range of earthmoving equipment and maintenance services to customers in Australia.
Canada	Provides a wide range of earthmoving equipment and maintenance services to customers who are predominately within Canada.
Chile	Provides a wide range of earthmoving equipment and maintenance services to customers in Chile.
Indonesia (Discontinued)	Provides a wide range of earthmoving equipment and maintenance services to customers in Indonesia. This segment was discontinued in May 2014.

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 profit before interest and income tax 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

16 SEGMENT REPORTING (CONTINUED)

Information about reportable segments 2014

	AUSTRALIA	INDONESIA [1] (DISCONT'D)	CANADA	CHILE	OTHER	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000
External revenues	134,539	4,284	81,451	25,105	-	245,379
Inter-segment revenue	6,739	11,332	15,009	-	238	33,318
Depreciation	(48,870)	(5,524)	(19,460)	(9,666)	-	(83,520)
Reportable segment profit/(loss) before interest and income tax	(44,818)	(53,873)	(1,420)	3,117	(641)	(97,635)
Other material non-cash items:						
Impairment of receivables	(486)	(4,385)	(320)	-	-	(5,191)
Impairment on property, plant and equipment	(34,445)	(41,052)	(2,051)	(1,012)	-	(78,560)
Impairment of intangible assets	(151,744)	-	(6,143)	-	-	(157,887)
Reportable segment assets	338,197	34,836	190,071	143,040	388	706,532
Capital expenditure	(24,936)	(1,589)	(13,601)	(5,649)	-	(45,775)
Reportable segment liabilities	(39,274)	(13,141)	(19,130)	(8,683)	(388)	(80,616)

Information about reportable segments 2013

	AUSTRALIA	INDONESIA [1] (DISCONT'D)	CANADA	CHILE	OTHER	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000
External revenues	267,829	60,316	94,179	17,367	-	439,691
Inter-segment revenue	27,156	5,102	17,198	3,182	285	52,923
Depreciation	(70,317)	(14,390)	(23,131)	(4,709)	-	(112,547)
Reportable segment profit/(loss) before interest and income tax	45,375	(8,162)	23,340	6,281	(399)	66,435
Other material non-cash items:						
Impairment of receivables	(1,675)	(13,503)	(990)	-	(602)	(16,770)
Impairment on property, plant and equipment	(3,257)	(116)	(79)	-	-	(3,452)
Impairment of intangible assets	(17,844)	-	-	-	-	(17,844)
Reportable segment assets	607,637	135,011	233,661	143,477	482	1,120,268
Capital expenditure	(56,295)	(14,363)	(23,665)	(63,995)	-	(158,318)
Reportable segment liabilities	(37,369)	(12,887)	(32,045)	(16,671)	(448)	(99,420)

[1] Indonesia has been separated out as if it was discontinued in 30 June 2013.

16 SEGMENT REPORTING (CONTINUED)

Reconciliation of reportable segment revenues, profit or loss, assets and liabilities and other material items

	2014 $'000	2013 $'000
Revenues		
Total revenue for reportable segments	278,697	492,614
Elimination of inter-segment revenue	(33,318)	(52,923)
Elimination of discontinued operations	(4,284)	(60,316)
Consolidated revenue from continuing operations	241,095	379,375
Profit or loss		
Total EBIT for reportable segments	(97,635)	66,435
Elimination of discontinued operations	53,873	8,162
Unallocated amounts:		
Other corporate expenses	(165,065)	(42,522)
Net interest expense	(42,551)	(24,616)
Consolidated (loss)/profit before income tax from continuing operations	(251,378)	7,459
Assets		
Total assets for reportable segments	706,532	1,120,268
Unallocated assets	41,830	5,754
Consolidated total assets	748,362	1,126,022
Liabilities		
Total liabilities for reportable segments	80,616	99,420
Unallocated liabilities	343,774	415,426
Consolidated total liabilities	424,390	514,846

	REPORTABLE SEGMENT TOTALS $'000	DISCONTINUED OPERATIONS $'000	CONSOLIDATED TOTAL $'000
Other material items 2014			
Capital expenditure	(44,186)	(1,589)	(45,775)
Depreciation	(77,996)	(5,524)	(83,520)
Other material items 2013			
Capital expenditure	(143,955)	(14,363)	(158,318)
Depreciation	(98,157)	(14,390)	(112,547)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

16 SEGMENT REPORTING (CONTINUED)

Geographical information

Operating segments are the same as the geographical segments. Refer to the segment table for the geographical segments.

Major customer

In the year ended 30 June 2014 the Group had two major customers that represented $57,263,000 (2013: $Nil) of the Group's total revenues, as indicated below:

SEGMENT	2014 $'000	2013 $'000
Australia	26,059	-
Canada	31,204	-
Total	57,263	-

17 CASH ASSETS

	CONSOLIDATED	
	2014 $'000	2013 $'000
Cash at bank	41,830	5,754

18 TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2014 $'000	2013 $'000
Current		
Trade receivables	49,298	86,357
Less: Impairment of receivables	(5,191)	(16,770)
	44,107	69,587
VAT/GST receivable	23,415	21,100
Other receivables	10,632	6,386
	78,154	97,073
Non-Current		
Other receivables	772	856
	772	856

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

19 DERIVATIVES

	CONSOLIDATED	
	2014 $'000	2013 $'000
Current Assets		
Forward exchange contract	5	-
Cross currency interest rate swaps	-	691
	5	691
Non Current Assets		
Cross currency interest rate swaps	2,749	4,489
	2,749	4,489
Current Liabilities		
Forward exchange contract	-	(20)
Cross currency interest rate swaps	(2,546)	-
Interest rate swaps	-	(1,261)
	(2,546)	(1,281)
Non Current Liabilities		
Cross currency interest rate swaps	(10,187)	-
Interest rate swaps	-	(1,502)
	(10,187)	(1,502)

20 INVENTORIES

	CONSOLIDATED	
	2014 $'000	2013 $'000
Equipment and parts - at cost	-	5
Work in progress - at cost	5,758	4,496
Consumables, spare parts - at cost	1,177	2,851
Total at cost	6,935	7,352
Equipment and parts - at NRV [1]	1,227	7,406
Total inventory	8,161	14,758
Balance at 1 July	14,758	34,669
Additions	48,081	58,766
Impairment loss on inventory for continuing operations [1]	(6,148)	(8,641)
Impairment loss on inventory for discontinued operations [1]	(1,580)	(23)
Transferred to Disposal Group Held for Sale	(4)	-
Disposals	(46,946)	(70,013)
Balance at 30 June	8,161	14,758

(1) During the year ended 30 June 2014 the write-down of inventories to net realisable value (**NRV**) recognised as an expense in the consolidated statement of profit or loss and other comprehensive income amounted to $7,728,000 (2013: $8,664,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

21 INTANGIBLE ASSETS AND GOODWILL

	CONSOLIDATED	
	2014 $'000	2013 $'000
Goodwill		
Carrying amount at the beginning of the year	157,800	173,636
Impairment of goodwill	(157,887)	(17,844)
Effects of movement in foreign exchange	87	2,008
	-	157,800
Contract intangibles - at cost	712	712
Less: Accumulated amortisation	(712)	(712)
	-	-
Other intangibles - at cost	1,329	1,306
Less: Accumulated depreciation	(1,154)	(1,030)
	175	276
Total intangible assets	175	158,076

Amortisation and impairment of goodwill

The amortisation charge and impairment of goodwill are recognised in the following line items in the income statement:

	CONSOLIDATED	
	2014 $'000	2013 $'000
Amortisation expense	132	192
Impairment of goodwill	157,887	17,844
Total expense for the year for continuing operations	158,019	18,036

Impairment tests for cash generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's geographical operating divisions.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	CONSOLIDATED	
	2014 $'000	2013 $'000
Australian rental	-	151,744
Canada rental	-	6,056
Asian rental	-	-
Total rental	-	157,800

21 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Impairment loss

For the interim period ended 31 December 2013, impairment testing indicated the Australian and Canadian Rental CGU's were impaired. The deterioration in the business over the FY14 interim period due to the challenging external environment, including lower margins, increased volatility in the mining sector and the expectation that these factors would be sustained for a period of time caused the Group to assess the recoverable amount of its rental assets.

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

As a result a total goodwill impairment charge of $157,887,000 was recognised for the interim period ended 31 December 2013 (Australian CGU: $151,744,000, Canadian CGU $6,143,000). The impairment charge is included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the financial year ended 30 June 2014 (page 65). Refer to note 2(d).

The Group has determined the recoverable amount of its cash generating units (**CGU**) using a value in use methodology (June 2013: value in use) which is based on discounted cash flows for five years plus a terminal value. Impairment testing is intended to assess the recoverable amount of both tangible and intangible assets. As such, although the Indonesian and Chile Rental CGU's have nil goodwill, impairment testing has been performed for these CGUs. Nominal post tax discount rates have been derived as a weighted cost of equity and debt. Cost of equity is calculated using country specific ten year bond rates plus an appropriate market risk premium. The cost of debt is determined using the appropriate CGU three year swap rate plus a margin for three year tenor debt of equivalently credit rated businesses at 31 December 2013. The three year swap rates were used as the base rate to reflect the relative illiquidity for longer tenure debt in the current market. The nominal post tax discount rates for determining the rental CGU's valuations range between 7.6% and 12.0% (2013: 9.2% and 12.8%). For future cashflows of each CGU, revenue growth to the remainder of FY14 for each business reflects the best estimate for the coming year taking account of macroeconomic, business model, strategic and market factors. Growth rates for subsequent years are based on Emeco's five year outlook taking into account all available information at this current time and are subject to change over time. Compound annual growth rates (**CAGR**) over the five years of the forecast range between negative 14.6% and negative 2.9% (2013: 0.5% and 1.0%). The negative CAGR of 14.6% relates to the Indonesian CGU which disposed $17.8 million of rental fleet assets over the half year ended 31 December 2013, reducing forecast revenue growth for this business. The CAGR range excludes the Chilean CGU given its full first year of operation will be FY14.

Refer to note 22 for further information on the impairment testing methodology adopted by the Company at 30 June 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

22 PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED	
	2014 $'000	2013 $'000
Freehold land and buildings - at cost	8,750	12,808
Less: Accumulated depreciation	(2,678)	(3,223)
	6,072	9,585
Leasehold improvements - at cost	5,162	4,950
Less: Accumulated depreciation	(3,270)	(2,748)
	1,892	2,202
Plant and equipment - at cost	1,012,773	1,284,734
Less : Accumulated depreciation	(466,558)	(498,572)
	546,215	786,162
Leased plant and equipment - at capitalised cost	21,228	21,228
Less : Accumulated depreciation	(9,819)	(9,294)
	11,409	11,934
Furniture, fixtures and fittings - at cost	1,132	1,378
Less : Accumulated depreciation	(695)	(690)
	437	688
Office equipment - at cost	2,330	2,606
Less : Accumulated depreciation	(1,793)	(1,637)
	537	969
Motor vehicles - at cost	8,556	9,644
Less : Accumulated depreciation	(5,416)	(5,005)
	3,140	4,639
Sundry plant - at cost	11,035	14,171
Less : Accumulated depreciation	(7,209)	(10,140)
	3,826	4,031
Total property, plant and equipment - at net book value	573,528	820,210

22 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	CONSOLIDATED	
	2014 $'000	2013 $'000
Reconciliations		
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:		
Freehold land and buildings		
Carrying amount at the beginning of the year	9,585	19,883
Additions	315	643
Depreciation	(701)	(957)
Disposals	-	(468)
Effects of movement in foreign exchange	(315)	686
Impairment	-	(3,031)
Reclassified to assets held for sale	(2,812)	(7,171)
Carrying amount at the end of the year	6,072	9,585
Leasehold improvements		
Carrying amount at the beginning of the year	2,202	2,538
Additions	219	367
Disposals	-	(124)
Depreciation	(521)	(548)
Effects of movement in foreign exchange	(8)	5
Impairment	-	(7)
Reclassified to assets held for sale	-	(29)
Carrying amount at the end of the year	1,892	2,202
Plant and equipment		
Carrying amount at the beginning of the year	786,162	778,027
Additions	30,186	132,504
Net movement in capital work in progress	(390)	(13,270)
Transferred from leased plant and equipment	-	-
Net movement in rental inventory [1]	(11,254)	(376)
Disposals	(62,365)	(46,679)
Depreciation	(78,243)	(103,953)
Impairment loss on continuing and discontinuing operations	(78,561)	(377)
Reclassified to assets held for sale	(36,430)	-
Effects of movements in foreign exchange	(2,890)	40,286
Carrying amount at the end of the year	546,215	786,162
Furniture, fixtures and fittings		
Carrying amount at the beginning of the year	688	758
Additions	17	178
Disposals	(26)	(41)
Depreciation	(228)	(187)
Impairment	-	(37)
Reclassified to assets held for sale	(7)	-
Effects of movement in foreign exchange	(7)	17
Carrying amount at the end of the year	437	688

[1] Included in this movement are purchases totalling $12,761,000 for the year ended 30 June 2014 (2013: $19,900,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

22 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	CONSOLIDATED	
	2014 $'000	2013 $'000
Reconciliations (continued)		
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:		
Office equipment		
Carrying amount at the beginning of the year	969	1,077
Additions	128	432
Disposals	(5)	(17)
Depreciation	(482)	(543)
Reclassified to assets held for sale	(67)	-
Effects of movement in foreign exchange	(6)	20
Carrying amount at the end of the year	537	969
Motor vehicles		
Carrying amount at the beginning of the year	4,639	4,565
Additions	250	1,881
Disposals	(234)	(234)
Depreciation	(1,444)	(1,649)
Reclassified to assets held for sale	(46)	-
Effects of movement in foreign exchange	(25)	76
Carrying amount at the end of the year	3,140	4,639
Sundry plant		
Carrying amount at the beginning of the year	4,031	3,270
Additions	1,899	2,379
Disposals	(134)	(214)
Depreciation	(1,377)	(1,543)
Reclassified to assets held for sale	(555)	-
Effects of movement in foreign exchange	38)	139
Carrying amount at the end of the year	3,826	4,031
Leased plant and equipment		
Carrying amount at the beginning of the year	11,934	15,101
Depreciation	(525)	(3,167)
Carrying amount at the end of the year	11,409	11,934

Security

The Group's assets are subject to a fixed and floating charge under the terms of the 144A notes issued. Refer note 24 for further details.

22 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment tests for cash generating units

The Group has determined the recoverable amount of its cash generating units (**CGU**) using a value in use methodology (2013: value in use) which is based on discounted cash flows for five years plus a terminal value. Impairment testing is intended to assess the recoverable amount of both tangible and intangible assets. As such, although the Chile Rental CGU has nil intangible assets, impairment testing has been performed for this CGU. Nominal post tax discount rates have been derived as a weighted cost of equity and debt. Cost of equity is calculated using country specific ten year bond rates plus an appropriate market risk premium. The cost of debt is determined using the appropriate CGU three year swap rate plus a margin for three year tenor debt of equivalently credit rated businesses at 30 June 2014. The three year swap rates were used as the base rate to reflect the relative illiquidity for longer tenure debt in the current market. The nominal post tax discount rates for determining the rental CGU's valuations range between 6.9% and 10.6% (2013: 9.2% and 12.8%). For future cashflows of each CGU, the revenue growth in the first year of the business reflects the best estimate for the coming year taking account of macroeconomic, business model, strategic and market factors. Growth rates for subsequent years are based on Emeco's five year outlook taking into account all available information at this current time and are subject to change over time. Compound annual growth rates (**CAGR**) over the five years of the forecast range between negative 2.4% and 12.3% (2013: negative 0.5% and 1.0%). The upper end of the range represents forecast revenue growth in Chile underpinned by the recently announced project win which is expected to utilise over 60% of the Chilean fleet for a 5 year period.

30 June 2014 impairment testing which resulted in the estimated recoverable amount of a CGU exceeding its carrying amount are as follows:

	AMOUNT BY WHICH CGU RECOVERABLE AMOUNT EXCEEDS ITS CARRYING AMOUNT (IN $ MILLIONS)
Australian rental	103.2
Canada rental	115.9
Chile rental	14.9

Impairment testing sensitivities

The CGU valuations are sensitive to changes in the discount rate and underlying fleet utilisation assumptions for cashflow forecasts and terminal value. The following table shows the amount by which these two assumptions would need to change individually in order for the estimated recoverable amount of the CGU to be equal to the carrying amount:

	CHANGE REQUIRED FOR CARRYING AMOUNT TO EQUAL THE RECOVERABLE AMOUNT (IN PERCENT)	
CGU	**Discount Rate %**	**Utilisation %**
Australian rental	7.5	(10.0)
Canada rental	11.1	(20.0)
Chile rental	3.9	(13.0)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

23 TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2014 $'000	**2013 $'000**
Current		
Trade payables		
Trade payables	9,731	13,780
Other payables and accruals	43,364	26,782
	53,095	40,562
Non-current		
Other payables		
Other payables and accruals	-	1,284
	-	1,284

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

The Company has also entered into a Deed of Cross Guarantee with certain subsidiaries as described in note 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.

24 INTEREST BEARING LIABILITIES

	CONSOLIDATED	
	2014 $'000	**2013 $'000**
Current		
Amortised cost		
Working capital facility	-	5,256
Other financing	461	464
Lease liabilities - secured	3,855	3,588
	4,316	9,308
Non-current		
Amortised cost		
OID [1]	(5,043)	-
Bank loans - secured	-	252,746
Notes issue - secured	177,270	53,961
Notes issue - secured [2]	178,547	95,596
Lease liabilities - secured	4,915	8,770
Debt raising costs (bank loans)	-	(3,100)
Debt raising costs	(8,144)	(1,193)
Debt raising costs	(8,086)	(662)
	339,458	406,118

(1) Originating Issue discount - the discount from par value at the time the 144A Notes were issued. This is amortised using the effective interest rate method over the life of the Notes.
(2) Carried at amortised cost with movements in fair value of the underlying hedge item recorded in the profit and loss statement.

24 INTEREST BEARING LIABILITIES (CONTINUED)

Bank loans

The Group's extinguished it's A$450,000,000 senior secured syndicated loan facility on 17 March 2014 and repaid any outstanding liabilities with the proceeds from the 144A Notes issue. Associated debt raising costs were expensed on loan extinguishment.

The Group established an A$50,000,000 revolving credit facility comprising of Tranche A1: 3 year A$40,000,000 tranche and Tranche A2: 3 year A$10,000,000 tranche. Tranche A2 provides the Group's working capital facility needs. This is a revolving multicurrency facility of AUD, USD and CAD which matures on 17 March 2017. The nominal interest rate is based on USD Libor, BBSW and CDOR (2013: n/a) for their respective currencies plus a margin. The Group's revolving credit facility is secured and is measured at amortised cost. At year end, the Group had the following drawn:

	FY14		FY13	
	FUNDS DRAWN IN FUNCTIONAL CURRENCY $'000	FUNDS DRAWN TRANSLATED TO AUD $'000	FUNDS DRAWN IN FUNCTIONAL CURRENCY $'000	FUNDS DRAWN TRANSLATED TO AUD $'000
AUD	-	-	$151,000	$151,000
CAD	-	-	C$83,000	$85,558
USD	-	-	US$15,000	$16,188

Covenant Amendment

On 22 October 2013 the Group announced to the market amendments to the Group's senior secured syndicated loan facility. Amendments apply for the period 22 October 2013 to 30 June 2014. After 30 June 2014 the covenants were to revert to the original levels.

Current and amended ratios were as follows:

	ORIGINAL COVENANTS	AMENDED COVENANTS [3]
Gearing (Gross Debt: EBITDA[1])	< 3.0 x	< 3.5 x
Interest Cover (EBITDA: Net Interest Expense[2])	> 4.0 x	> 3.5 x

[1] Rolling 12 month trailing Operating EBITDA
[2] Rolling 12 month trailing Net Interest Expense
[3] Amended covenants apply to the USPP Notes

All other key terms of the bank debt facility, including pricing, remained unchanged and the Group retained full access to the bank debt facility. Emeco did not incur any fees or charges from providers of the bank debt facility in relation with this amendment.

On 17 March 2014, the Group repaid the secured syndicated debt facility and USPP Notes by issuing US$335,000,000 of 144A Notes in the High Yield market. The covenants outlined above no longer apply.

144A notes issue

Under the terms of the note agreement, the noteholders hold a joint fixed and floating charge with the syndicated bank group over the assets and undertakings of the Group. In March 2014, the Group issued secured fixed interest notes in the 144A High Yield Bond market comprising US$335,000,000 which matures on 17 May 2019. The nominal interest rate is 9.875%. These notes will remain fully drawn until maturity. Of the notes, US$166,900,000 is measured at amortised cost. The remaining notes are also measured at amortised cost and are subject to adjustment for the impact of fair value movements on the hedged risk. The Group designated derivatives (cross currency interest rate swaps) as hedge instruments against this underlying debt.

	FY14		FY13	
	FUNDS DRAWN IN FUNCTIONAL CURRENCY $'000	FUNDS DRAWN TRANSLATED TO AUD $'000	FUNDS DRAWN IN FUNCTIONAL CURRENCY [1] $'000	FUNDS DRAWN TRANSLATED TO AUD $'000
USD	US$335,000	$355,815	US$140,000	$149,557

[1] US Private Placement in FY13.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

24 INTEREST BEARING LIABILITIES (CONTINUED)

Working capital facility

The Group no longer has the working capital facility that was secured under the syndicated loan facility. A working capital facility has been incorporated as part of the revolving credit facility – Tranche A2. At 30 June 2014, the Group had $Nil drawn (2013: $5,256,000).

Finance leases

The Group has finance lease facilities totalling A$8,770,000 (2013: A$12,358,000) which matures on 15 August 2015. Assets leased under the facility are secured by the assets leased.

Other financial liabilities

At year end the Group financed its insurance premium totalling $461,000.

Finance lease liabilities

Finance lease liabilities of the Group are payable as follows:

CONSOLIDATED	FUTURE MINIMUM LEASE PAYMENTS 2014 $'000	INTEREST 2014 $'000	PRESENT VALUE OF MINIMUM LEASE PAYMENTS 2014 $'000	FUTURE MINIMUM LEASE PAYMENTS 2013 $'000	INTEREST 2013 $'000	PRESENT VALUE OF MINIMUM LEASE PAYMENTS 2013 $'000
Less than one year	4,362	(507)	3,855	4,362	(774)	3,588
Between one and five years	4,972	(57)	4,915	9,334	(564)	8,770
More than five years	-	-	-	-	-	-
	9,334	(564)	8,770	13,696	(1,338)	12,358

The Group leases plant and equipment under finance leases. The Group's lease liabilities are secured by the leased assets of $8,211,000 (2013: $11,934,000). In the event of default, the leased assets revert to the lessor.

25 FINANCING ARRANGEMENTS

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

	CONSOLIDATED	
	2014 $'000	2013 $'000
Total facilities available:		
Bank loans	50,000	450,000
144A Notes	355,817	-
USPP Notes	-	149,557
Finance leases	8,770	12,358
Other financing	461	464
Working capital	-	22,062
	415,048	634,441
Facilities utilised at reporting date:		
Bank loans	-	252,746
144A Notes	355,817	-
USPP Notes	-	149,557
Finance leases	8,770	12,358
Insurance financing	461	464
Working capital	-	5,256
	365,048	420,381
Facilities not utilised or established at reporting date:		
Bank loans	50,000	197,254
144A Notes	-	-
USPP Notes	-	-
Finance leases	-	-
Insurance financing	-	-
Working capital	-	16,805
	50,000	214,059

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

26 PROVISIONS

	CONSOLIDATED	
	2014 $'000	2013 $'000
Current		
Employee benefits:		
- annual leave	2,220	2,807
- long service leave	439	533
- other	35	48
	2,694	3,388
Non-current		
Employee benefits - long service leave	1,069	1,244

Defined contribution superannuation funds

The Group makes contributions to defined contribution superannuation funds. The expense recognised for the year was $2,849,000 (2013: $3,424,000).

27 SHARE-BASED PAYMENTS

During the year the Company issued performance shares and performance rights to key management personnel and senior employees of the Group under its LTIP (refer note 3(j)(v)). During the prior year's LTIP performance shares and rights were also issued under similar terms and conditions and priced relative to the time of issue.

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

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

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

27 SHARE-BASED PAYMENTS (CONTINUED)

Long term incentive plan

GRANT DATE / EMPLOYEES ENTITLED	NUMBER OF INSTRUMENTS	VESTING CONDITIONS	CONTRACTUAL LIFE OF PERFORMANCE SHARES/RIGHTS
Matured in FY11:			
Performance shares/rights 2008	1,290,000	3 years service TSR ranking to a basket of direct and indirect peers of 98 listed companies. 50% entitlement for a 50.1% ranking within TSR group. Pro rata entitlement up to 100% vesting for a ranking of 75% better to TSR group	5 years
Matured in FY12:			
Performance shares/rights 2009	9,819,790	3 years service TSR ranking to a basket of direct and indirect peers of 98 listed companies. 50% entitlement for a 50.1% ranking within TSR group. Pro rata entitlement up to 100% vesting for a ranking of 75% better to TSR group	5 years
Matured in FY13:			
Performance shares/rights 2010 [1]	4,608,076	3 years service TSR ranking to a basket of direct and indirect peers of 98 listed companies. 50% entitlement for a 50.1% ranking within TSR group. Pro rata entitlement up to 100% vesting for a ranking of 75% better to TSR group	3 years
Matured in FY14:			
Performance shares/rights 2011	5,889,200	3 years service TSR ranking to a basket of direct and indirect peers of 98 listed companies. 50% entitlement for a 50.1% ranking within TSR group. Pro rata entitlement up to 100% vesting for a ranking of 75% better to TSR group. No shares/rights vested due to TSR being less than 50%.	3 years

[1] On 16 November 2010 shareholders approved the grant of 925,926 performance rights and 1,183,929 performance shares for nil consideration for the 2010 and 2011 financial year respectively to the former Managing Director. The 925,926 and 1,183,929 instruments have been included in the number of instruments for the performance shares/right 2010 and 2011 respectively above.

27 SHARE-BASED PAYMENTS (CONTINUED)

Long term incentive plan (continued)

GRANT DATE / EMPLOYEES ENTITLED	NUMBER OF INSTRUMENTS	VESTING CONDITIONS	CONTRACTUAL LIFE OF PERFORMANCE SHARES/RIGHTS
Unvested plans:			
Performance shares/rights 2012	4,246,661	3 years service TSR ranking to a basket of direct and indirect peers of 97 listed companies.	3 years
		50% entitlement for a 50.1% ranking within TSR group. Pro rata entitlement up to 100% vesting for a ranking of 75% better to TSR group	
Performance shares/rights 2013	6,881,251	3 years service TSR ranking to a basket of direct and indirect peers of 93 listed companies.	3 years
		50% entitlement for a 50.1% ranking within TSR group. Pro rata entitlement up to 100% vesting for a ranking of 75% better to TSR group	
Performance shares/rights 2014[1]	24,491,074	3 years service TSR ranking to a basket of direct and indirect peers of 99 listed companies.	3 years
		50% entitlement for a 50.1% ranking within TSR group. Pro rata entitlement up to 100% vesting for a ranking of 75% better to TSR group	

[1] This includes 4,553,571 of performance shares relating to the Managing Director. This is subject to the approval of shareholders at the Company's 2014 annual general meeting to be held in November 2014.

27 SHARE-BASED PAYMENTS (CONTINUED)

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

	NUMBER OF PERFORMANCE SHARES/RIGHTS 2014	NUMBER OF PERFORMANCE SHARES/RIGHTS 2013
Outstanding at 1 July	16,897,192	16,970,271
Forfeited during the period	(11,659,726)	(3,355,878)
Exercised during the period	(3,245,099)	(3,598,452)
Granted during the period	24,491,074	6,881,251
Outstanding at 30 June	26,483,441	16,897,192
Exercisable at 30 June	-	3,364,390

Management incentive share plan

GRANT DATE / EMPLOYEES ENTITLED	NUMBER OF INSTRUMENTS	VESTING CONDITIONS	CONTRACTUAL LIFE OF MISP
MISP 2006	4,010,000	Service requirement. Partial vesting entitlement after 2 years with full vesting after 5 years.	10 years
MISP 2007	1,240,000	Service requirement. Partial vesting entitlement after 2 years with full vesting after 5 years.	10 years
MISP 2008	560,000	Service requirement. Partial vesting entitlement after 2 years with full vesting after 5 years.	10 years
	5,810,000		

The number of MISPs are as follows:

	NUMBER OF MISP 2014	NUMBER OF MISP 2013
Outstanding at 1 July	1,600,000	1,600,000
Forfeited during the period	(310,000)	-
Exercised during the period	-	-
Granted during the period	-	-
Outstanding at 30 June	1,290,000	1,600,000
Exercisable at 30 June [1]	1,290,000	1,600,000

[1] The full service and vesting requirements have been satisfied under the MISP.

27 SHARE-BASED PAYMENTS (CONTINUED)

Employee share ownership plan

GRANT DATE / EMPLOYEES ENTITLED	NUMBER OF INSTRUMENTS	VESTING CONDITIONS	CONTRACTUAL LIFE OF ESOP
Matured in January 2012 ESOP 2011	26,976	Service requirement. Full vesting entitlement after 1 year after the end of the calendar year in which they are acquired.	1 year
Matured in January 2013 ESOP 2012	28,898	Service requirement. Full vesting entitlement after 1 year after the end of the calendar year in which they are acquired.	1 year
Matured in January 2014 ESOP 2013	75,388	Service requirement. Full vesting entitlement after 1 year after the end of the calendar year in which they are acquired.	1 year
ESOP 2014	82,899	Service requirement. Full vesting entitlement after 1 year after the end of the calendar year in which they are acquired.	1 year
	214,161		

The number of ESOPs are as follows:

	NUMBER OF ESOP 2014	NUMBER OF ESOP 2013
Outstanding at 1 July	89,686	44,215
Forfeited during the period	(16,713)	(3,584)
Exercised during the period	(62,390)	(26,333)
Granted during the period	82,899	75,388
Outstanding at 30 June	93,482	89,686
Exercisable at 30 June [1]	-	-

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

The fair value of services received in return for the performance shares and rights granted during the year are based on the fair value of the LTIPs granted, measured using Monte Carlo simulation analysis. Expected volatility is estimated by considering the Company's historical daily and monthly share price movement and an analysis of comparable companies. Market conditions are detailed in note 3(j)(v). The inputs used in the measurement of the fair values at grant date are as follows:

	LTIP							
FAIR VALUE OF PERFORMANCE SHARES/RIGHTS	CHIEF EXECUTIVE OFFICER 2014	CHIEF EXECUTIVE OFFICER 2013	KEY MANAGE-MENT PERSONNEL 2014	KEY MANAGE-MENT PERSONNEL 2013	SENIOR EMPLOYEES 2014	SENIOR EMPLOYEES 2013	ESOP 2014	ESOP 2013
Fair value at grant date	$0.15	$0.27	$0.15	$0.46	$0.18	$0.56	$0.20 - $0.34	$0.28 - $0.86
Share price	$0.24	$0.51	$0.24	$0.70	$0.24	$0.70	$0.20 - $0.34	$0.28 - $0.86
Exercise price	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil
Expected volatility (weighted average volatility)	45% - 65%	40% - 60%	45% - 65%	40% - 60%	45% - 65%	40% - 60%	n/a	n/a
Maturity (expected weighted average life)	3 years	3 years	3 years	3 years	3 years	3 years	1 year	1 year
Expected dividends	8.0%	7.6%	8.0%	8.7%	8.0%	8.7%	n/a	n/a
Risk-free interest rate (based on government bonds)	3.0%	2.6%	3.0%	2.7%	3.0%	2.7%	n/a	n/a

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

27 SHARE-BASED PAYMENTS (CONTINUED)

For the Group's key management personnel commencing with the FY14 grant and all subsequent grants of LTI Securities the following applies:

Dividends:

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

Absolute change in control:

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

Employee expenses

	CONSOLIDATED	
In AUD	**2014**	**2013**
Performance shares/rights	1,694,346	2,811,633
MISP	-	583
ESOP	19,261	41,188
Total expense recognised as employee costs [1]	1,713,607	2,853,404

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

28 COMMITMENTS

(a) Operating lease commitments

	CONSOLIDATED	
	2014 \$'000	**2013 \$'000**
Future non-cancellable operating leases not provided for in the financial statements and payable:		
Less than one year	9,500	7,850
Between one and five years	6,986	19,491
More than five years	180	3,351
	16,666	30,692

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

During the year ended 30 June 2014 an amount of $4,152,000 (continuing and discontinuing operations) was recognised as an expense in profit or loss in respect of operating leases (2013: $5,703,000).

(b) Capital commitments

The Group has not entered into commitments for purchases of fixed assets, primarily rental fleet assets, in the year ended 30 June 2014 (2013: $1,413,000).

29 CONTINGENT LIABILITIES

Guarantees

The Group has guaranteed the repayments of $866,013 (2013: $75,000) in relation to office premises with varying expiry dates out to 30 June 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

30 NOTES TO THE STATEMENT OF CASH FLOWS

(i) Reconciliation of cash

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

		CONSOLIDATED	
	NOTE	2014 $'000	2013 $'000
Cash assets	17	41,830	5,754

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

		CONSOLIDATED	
	NOTE	2014 $'000	2013 $'000
Net loss - continuing operations		(224,172)	12
Add/(less) items classified as investing/financing activities:			
Net profit on sale of non-current assets	7	(731)	(1,658)
Add/(less) non-cash items:			
Amortisation	21	132	192
Depreciation		77,996	98,157
Amortisation of borrowing costs using effective interest rate	8	1,918	762
Write off previous deferred borrowing costs	8	2,993	1,910
(Gain)/loss on fair value hedge	8	(5,958)	32
Withholding tax expense		1,960	-
Realised foreign currency exchange (gain)/loss		210	406
Unrealised foreign exchange (gain)/loss		(4,571)	(110)
Impairment losses on property, plant & equipment		37,508	3,336
Impairment of goodwill	21	157,887	17,844
Write down on inventory	20	6,148	8,641
Bad debts	8	3,064	370
Provision for doubtful debts/(reversal)	8	(2,467)	1,974
Equity settled share based payments		1,822	2,849
(Decrease)/increase in income taxes payable		(15,138)	(27,502)
(Decrease)/increase in deferred taxes		(17,971)	19,162
Net cashflow from operating activities of discontinued operations		2,205	25,627
Net cash from operating activities before change in assets/(liabilities) adjusted for assets and (liabilities) acquired		22,835	152,004
(Increase)/decrease in trade and other receivables		21,379	2,273
(Increase)/decrease in inventories		6,597	20,355
Increase/(decrease) in payables		32,130	7,049
Increase/(decrease) in provisions		(869)	(378)
Net cash from operating activities		82,072	181,303

31 CONTROLLED ENTITIES

(a) Particulars in relation to controlled entities

	NOTE	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST 2014 %	2013 %
Parent entity				
Emeco Holdings Limited				
Controlled entities				
Pacific Custodians Pty Ltd as trustee for Emeco Employee Share Ownership Plan Trust		Australia	100	100
Emeco Pty Limited		Australia	100	100
Emeco International Pty Limited		Australia	100	100
Emeco Sales Pty Ltd		Australia	100	100
Emeco Parts Pty Ltd		Australia	100	100
Emeco (UK) Limited	(i)	United Kingdom	100	100
Emeco Equipment (USA) LLC	(ii)	United States	100	100
PT Prima Traktor IndoNusa (PTI)	(iii)	Indonesia	100	100
Emeco International Europe BV	(iv)	Netherlands	100	100
Emeco Europe BV	(v)	Netherlands	100	100
Euro Machinery BV	(vi)	Netherlands	100	100
Emeco Canada Ltd	(vii)	Canada	100	100
Enduro SPA	(viii)	Chile	100	100

Notes
(i) Emeco (UK) Limited was incorporated in and carries on business in the United Kingdom. Emeco (UK) Limited is the parent entity of Emeco Equipment (USA) LLC, PT Prima Traktor IndoNusa (PTI), Emeco International Europe BV and Emeco Canada Limited.
(ii) Emeco Equipment (USA) LLC was incorporated in and carries on business in the United States. This was classified as a discontinued operation in 2010 but was reclassified as a continuing operation at 30 June 2012.
(iii) PT Prima Traktor IndoNusa was incorporated in and carries on business in Indonesia. This was classified as a discontinued operation in 2014.
(iv) Emeco International Europe BV was incorporated in and carries on business in the Netherlands. Emeco International Europe BV is the parent entity of Emeco Europe BV, and Euro Machinery BV. This was classified as a discontinued operation in 2012 but was reclassified as a continuing operation in 2013.
(v) Emeco Europe BV was incorporated in and carries on a business in the Netherlands. This was classified as a discontinued operation in 2012 but was reclassified as a continuing operation in 2013.
(vi) Euro Machinery BV was acquired on 4 January 2007 and carries on business in the Netherlands. This was classified as a discontinued operation in 2012 but was reclassified as a continuing operation in 2013.
(vii) Emeco Canada Ltd was incorporated and carries on business in Canada. On 2 August 2005 Emeco Canada Ltd acquired River Valley Equipment Company Ltd, which operates within Emeco Canada Ltd.
(viii) Enduro SpA was incorporated on 24 February 2012 and carries on business in Chile.

(b) Acquisition of entities in the current year

There was no acquisition of entities this financial year.

(c) Acquisition of entities in the prior year

There was no acquisition of entities in the prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

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

Alec Brennan, Chairperson

Robert Bishop (resigned role on 30 June 2014)

John Cahill

Peter Richards

Erica Smyth

EXECUTIVE DIRECTOR

Kenneth Lewsey, Managing Director & Chief Executive Officer (commenced on 4 November 2013)

Keith Gordon, Managing Director & Chief Executive Officer (resigned role on 4 November 2013)

OTHER EXECUTIVES

Kellie Benda, Executive General Manager, Strategy & Corporate Development (commenced role on 24 February 2014)

Stephen Gobby, Chief Financial Officer (resigned on 1 July 2014)

Anthony Halls, General Manager Australian Rental (resigned role 17 February 2014)

Christopher Hayman, President Canada (commenced role on 8 July 2013 and resigned role on 17 February 2014)/President Americas (commenced role on 17 February 2014)

Benny Joesoep, President Director Indonesia (commenced role 9 December 2013 and resigned role on 13 May 2014)

Michael Kirkpatrick, Executive General Manager Corporate Services (resigned role on 1 July 2014)

Grant Stubbs, Executive General Manager Asset Strategy & Operational Improvement

Ian Testrow, Chief Operating Officer Australia (commenced role on 17 February 2014) / President New & Developing Business

Key management personnel compensation

The key management personnel compensation is as follows:

	CONSOLIDATED	
In AUD	**2014**	**2013**
Short-term employee benefits	5,071,109	4,654,631
Other long term benefits	-	-
Post-employment benefits	227,143	176,534
Termination benefits	93,866	-
Equity compensation benefits	294,880	1,040,366
	5,886,998	5,871,531

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 50 to 63.

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.

32 KEY MANAGEMENT PERSONNEL DISCLOSURE (CONTINUED)

Equity Instruments

Shares and rights over equity instruments granted as compensation under management incentive share plan

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

Shares and rights over equity instruments granted as compensation under long term incentive plan

The Company has an ongoing long term incentive plan in which shares have been granted to certain employees of the Company. The shares vest after 3 years depending upon the Company's total shareholder return ranking against a peer group of 99 Companies. The shares have been accounted for as an option in accordance with AASB 2 *Share Based Payments*.

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

2014 SHARES	HELD AT 1 JULY 2013	GRANTED AS COMPENSATION	VESTED DURING THE YEAR	FORFEITED	HELD AT 30 JUNE 2014
Directors & Executives					
Kellie Benda [1]	n/a	749,143	-	-	749,143
Stephen Gobby [2]	1,274,431	2,142,857	-	(419,643)	2,997,645
Keith Gordon [3]	3,590,149	-	-	-	n/a
Anthony Halls [3]	811,990	1,160,187	-	(1,972,177)	n/a
Kenneth Lewsey [1]	n/a	4,553,571	-	-	4,553,571
Michael Kirkpatrick [2]	758,101	1,071,051	-	(250,000)	1,579,152
Grant Stubbs [5]	231,914	1,034,080	-	(69,643)	1,196,351
Ian Testrow	-	-	-	-	-

2013 SHARES	HELD AT 1 JULY 2012	GRANTED AS COMPENSATION	VESTED DURING THE YEAR	FORFEITED	HELD AT 30 JUNE 2013
Directors & Executives					
Stephen Gobby	743,127	531,304	-	-	1,274,431
Keith Gordon	2,091,192	1,498,957	-	-	3,590,149
Anthony Halls	473,764	338,226	-	-	811,990
Michael Kirkpatrick	441,579	316,522	-	-	758,101
Christopher Mossman [4]	-	-	-	-	n/a
Ian Testrow	-	-	-	-	-
Michael Turner [4]	556,717	397,391	-	-	n/a
Grant Stubbs [5]	n/a	n/a	n/a	n/a	231,914

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

(1) Ms Benda and Mr Lewsey became key management personnel on 24 February 2014 and 4 November 2013 respectively.
(2) Mr Gobby and Mr Kirkpatrick ceased to be a key management personnel on 1 July 2014.
(3) Mr Gordon and Mr Halls ceased to be key management personnel on 4 November 2013 and 17 February 2014 respectively.
(4) Mr Turner and Mr Mossman ceased to be key management personnel on 31 December 2012 and 31 May 2013 respectively.
(5) Mr Stubbs became a key management personnel on 1 May 2013. The shares held at 30 June 2014 were granted as compensation prior to Mr Stubbs becoming a key management personnel.
n/a Not applicable as not in a position of key management at relevant reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

32 KEY MANAGEMENT PERSONNEL DISCLOSURE (CONTINUED)

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

2014 RIGHTS	HELD AT 1 JULY 2013	GRANTED AS COMPENSATION	VESTED DURING THE YEAR	FORFEITED/ LAPSED	HELD AT 30 JUNE 2014
Directors & Executives					
Stephen Gobby [1]	–	–	–	–	–
Keith Gordon	–	–	–	–	n/a
Anthony Halls	–	–	–	–	n/a
Christopher Hayman [2]	n/a	986,967	–	–	986,967
Benny Joesoep	n/a	282,890	60,914	(221,976)	n/a
Michael Kirkpatrick [1]	–	–	–	–	–
Ian Testrow	909,764	1,633,151	–	(269,393)	2,273,522

2013 RIGHTS	HELD AT 1 JULY 2012	GRANTED AS COMPENSATION	VESTED DURING THE YEAR	FORFEITED/ LAPSED	HELD AT 30 JUNE 2013
Directors & Executives					
Stephen Gobby	300,926	-	(154,375)	(146,551)	-
Michael Turner [3]	240,741	-	(123,500)	(117,241)	n/a
Ian Testrow	697,470	451,371	(122,647)	(116,430)	909,764
Michael Kirkpatrick	185,185	-	(95,000)	(90,185)	-
Anthony Halls	166,667	-	(85,500)	(81,167)	-
Christopher Mossman [3]	369,679	323,875	(36,204)	(34,370)	n/a
Keith Gordon	925,926	-	(475,000)	(450,926)	-

(1) Mr Gobby and Mr Kirkpatrick ceased to be key management personnel on 1 July 2014.
(2) Mr Hayman became a key management personnel on 8 July 2013.
(3) Mr Turner and Mr Mossman ceased to be key management personnel on 31 December 2012 and 31 May 2013 respectively.
n/a Not applicable as not in a position of key management personnel at relevant reporting date.

32 KEY MANAGEMENT PERSONNEL DISCLOSURE (CONTINUED)

Equity holdings and transactions

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

2014	HELD AT 1 JULY 2013 ORDINARY SHARES	TRANSFERRED FROM SHARE PLAN	PURCHASES	SALES	HELD AT 30 JUNE 2014 ORDINARY SHARES
Directors					
Robert Bishop [1]	566,600	-	222,400	-	n/a
Alec Brennan	1,581,700	-	-	-	1,581,700
John Cahill	120,000	-	-	-	120,000
Keith Gordon [2]	1,125,000	-	-	-	n/a
Kenneth Lewsey [3]	n/a	-	315,000	-	315,000
Peter Richards	40,000	-	-	-	40,000
Erica Smyth	71,049	-	-	-	71,049
Other Executives					
Kellie Benda [3]	n/a	-	-	-	-
Stephen Gobby [1]	366,299	1,263	-	-	367,562
Anthony Halls [2]	267,604	1,263	15,233	-	n/a
Michael Kirkpatrick [1]	-	-	-	-	-
Grant Stubbs	19,942	1,263	21,134	-	42,339
Ian Testrow	892,541	-	123,173	-	1,015,714

(1) Mr Bishop, Mr Gobby and Mr Kirkpatrick ceased to be a key management personnel on 30 June 2014, 1 July 2014 and 1 July 2014 respectively.
(2) Mr Gordon and Mr Halls ceased to be key management personnel on 4 November 2013 and 17 February 2014 respectively.
(3) Ms Benda and Mr Lewsey became a key management personnel on 24 February 2014 and 4 November 2013 respectively.
n/a Not applicable as not in a position of key management personnel at relevant reporting date.

2013	HELD AT 1 JULY 2012 ORDINARY SHARES	TRANSFERRED FROM SHARE PLAN	PURCHASES	SALES	HELD AT 30 JUNE 2013 ORDINARY SHARES
Directors					
Robert Bishop	300,000	-	266,600	-	566,600
Alec Brennan	1,581,700	-	-	-	1,581,700
John Cahill	120,000	-	-	-	120,000
Keith Gordon	650,000	475,000	-	-	1,125,000
Peter Johnston [1]	100,000	-	-	-	n/a
Peter Richards	40,000	-	-	-	40,000
Erica Smyth	-	-	71,049	-	71,049
Other Executives					
Stephen Gobby	201,547	155,778	8,974	-	366,299
Anthony Halls	171,817	86,813	8,974	-	267,604
Michael Kirkpatrick	-	-	-	-	-
Christopher Mossman [1]	184,167	36,204	-	-	n/a
Grant Stubbs	n/a	n/a	1,869	-	19,942
Ian Testrow	892,541	-	-	-	892,541
M A Turner [1]	3,187,151	124,903	3,816	(1,190,000)	n/a

(1) Mr Turner, Mr Mossman and Mr Johnston ceased to be key management personnel on 31 December 2012, 31 May 2013, and 30 June 2013 respectively.
n/a Not applicable as not in a position of key management personnel at relevant reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

32 KEY MANAGEMENT PERSONNEL DISCLOSURE (CONTINUED)

Loans

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

Other key management personnel transactions

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

A number of these entities transacted with the Company or its subsidiaries in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to Non-Director related entities on an arm's length basis.

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

			TRANSACTION VALUE YEAR ENDED 30 JUNE		BALANACE OUTSTANDING AS AT 30 JUNE	
		NOTE	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Key management person and their related parties	**Transaction**					
Mr P Richards - Kangaroo Resources Limited	Rental of heavy earthmoving equipment	(1)	-	399	-	-
Total current assets			-	399	-	-

(1) PT Prima Traktor IndoNusa rented heavy earthmoving equipment to PT Mamahak Coal Mining, a subsidiary of Kangaroo Resources Limited for an annual revenue of A$Nil (2013: A$399,000) (inclusive of VAT) translated at an AUD/USD average exchange rate of Nil for FY14 (2013: 1.0378). The balance outstanding as at 30 June 2014 was A$Nil (2013: A$Nil). The rental contract was negotiated on an arm's length basis. One of the Group's Non-Executive Directors, Mr Peter Richards, was a Non-Executive Director of Kangaroo Resources Limited.

33 OTHER RELATED PARTY TRANSACTIONS

Subsidiaries

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

Ultimate parent entity

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

34 SUBSEQUENT EVENTS

On 1 July 2014, Mr Stephen Gobby resigned as Chief Financial Officer and Mr Gregory Hawkins commenced as the Chief Financial Officer.

On 1 July 2014, Mr Michael Kirkpatrick resigned as General Counsel and Company Secretary and Ms Thao Vanderplancke commenced as General Counsel and Company Secretary.

35 EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 30 June 2014 was based on the profit/(loss) attributable to ordinary shareholders of $(275,309,000) (2013: $6,004,000) and a weighted average number of ordinary shares outstanding less any treasury shares for the year ended 30 June 2014 of 562,504,730 (2013: 585,137,181).

Profit attributed to ordinary shareholders

	CONSOLIDATED					
	2014			2013		
	CONTINUING OPERATIONS $'000	DISCONTINUED OPERATIONS $'000	TOTAL $'000	CONTINUING OPERATIONS $'000	DISCONTINUED OPERATIONS $'000	TOTAL $'000
Profit/(loss) for the year	(224,172)	(51,137)	(275,309)	6,004	-	6,004

Weighted average number of ordinary shares

	CONSOLIDATED	
	2014 $'000	2013 $'000
Issued ordinary shares at 1 July	631,238	631,238
Effect of purchased treasury shares	(68,733)	(46,101)
Weighted average number of ordinary shares at 30 June	562,505	585,137

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2014 was based on profit attributable to ordinary shareholders of $(275,309,000) (2013: $6,004,000) and a weighted average number of ordinary shares outstanding less any treasury shares during the financial year ended 30 June 2014 of 565,151,687 (2013: 588,094,138).

Profit attributed to ordinary shareholders (diluted)

	CONSOLIDATED					
	2014			2013		
	CONTINUING OPERATIONS $'000	DISCONTINUED OPERATIONS $'000	TOTAL $'000	CONTINUING OPERATIONS $'000	DISCONTINUED OPERATIONS $'000	TOTAL $'000
Profit/(loss) attributed to ordinary shareholders (basic)	(224,172)	(51,137)	(275,309)	6,004	-	6,004

Weighted average number of ordinary shares (diluted)

	CONSOLIDATED	
	2014 $'000	2013 $'000
Weighted average number of ordinary shares at 30 June	631,238	631,238
Effect of the vesting of contingently issuable shares	2.647	2,957
Effect of purchased treasury shares	(68,733)	(46,101)
Weighted average number of ordinary shares (diluted) at 30 June	565,152	588,094

Comparative information

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

36 PARENT ENTITY DISCLOSURE

As at and throughout the financial year ending 30 June 2014 the parent entity (the "**Company**") of the Group was Emeco Holdings Limited.

	COMPANY	
	2014 $'000	2013 $'000
Result of the parent entity		
Profit/(loss) for the period	(148,311)	(96,802)
Other comprehensive income	-	-
Total comprehensive income for the period	-	-
Financial position of parent entity at year end		
Current assets	22	10,595
Non-current assets	394,377	544,519
Total assets	394,399	555,114
Current liabilities	-	-
Non-current liabilities	-	-
Total liabilities	-	-
Total equity of the parent entity comprising of:		
Share capital	593,616	593,616
Share based payment reserve	14,598	12,144
Reserve for own shares	(20,622)	(16,433)
Retained earnings	(269,358)	(121,047)
Total equity	318,234	468,280

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.

37 DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are 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

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 2014 is set out as follows:

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

	CONSOLIDATED	
	2014 $'000	2013 $'000
Revenue	134,538	270,757
Cost of sales	(87,182)	(188,210)
Gross profit	47,356	82,547
Operating expense	(64,809)	(62,213)
Other income	3,609	-
Finance income	14,271	5,377
Finance costs	(42,372)	(21,048)
Impairment of assets	(39,525)	-
Impairment of investment	(151,310)	(120,278)
Profit before tax	(232,780)	(115,615)
Tax expense	26,498	(2,892)
Net profit after tax	(206,282)	(118,507)
Other comprehensive income	(4,977)	1,697
Total comprehensive income for the period	(4,977)	1,697
Retained earnings at beginning of year	(46,031)	107,925
Dividends recognised during the year	-	(37,146)
Retained earnings at end of year	(257,290)	(46,031)
Attributable to:		
Equity holders of the Company	(257,290)	(46,031)
Profit/(loss) for the period	(206,282)	(118,507)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

37 DEED OF CROSS GUARANTEE (CONTINUED)

Statement of financial position

	CONSOLIDATED	
	2014 $'000	2013 $'000
Current assets		
Cash assets	17,195	218
Trade and other receivables	21,099	37,717
Derivatives	5	691
Current tax assets	-	11,376
Inventories	3,507	9,739
Assets held for sale	31,242	-
Total current assets	73,048	59,741
Non-current assets		
Trade and other receivables	176,528	101,138
Derivatives	-	4,489
Intangible assets	146	151,555
Investments	249,143	211,310
Property, plant and equipment	281,702	400,556
Deferred tax assets	27,121	-
Total non-current assets	734,640	869,048
Total assets	807,688	928,789
Current liabilities		
Trade and other payables	25,167	23,486
Derivatives	2,546	1,281
Interest bearing liabilities	3,855	9,308
Current tax liabilities	-	-
Provisions	1,791	2,327
Total current liabilities	33,359	36,402
Non-current liabilities		
Derivatives	10,186	1,502
Interest bearing liabilities	341,397	321,399
Deferred tax liabilities	22,493	27,050
Provisions	1,385	1,484
Total non-current liabilities	375,461	351,435
Total liabilities	408,820	387,837
Net assets	398,868	540,952
Equity		
Issued capital	593,616	593,616
Share based payment reserve	14,598	12,144
Reserves	47,944	(18,777)
Retained earnings/(losses)	(257,290)	(46,031)
Total equity attributable to equity holders of the parent	398,868	540,952

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 65 to 132, and Remuneration report in the Directors' report, set out on pages 46 to 64 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 2014 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 2014.

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, 20 day of August 2014

Signed in accordance with a resolution of the Directors:

Kenneth Lewsey
Managing Director

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EMECO HOLDINGS LIMITED

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Emeco Holdings Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2014, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility 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 is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

INDEPENDENT AUDITOR'S REPORT

Independence
In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion
In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

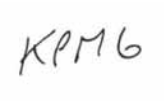
(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. 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 auditing standards.

Auditor's opinion
In our opinion, the remuneration report of Emeco Holdings Limited for the year ended 30 June 2014, complies with Section 300A of the *Corporations Act 2001*.



KPMG

Graham Hogg
Partner

Perth

20 August 2014

SHAREHOLDER INFORMATION

FINANCIAL CALENDAR

The Annual General Meeting of Emeco Holdings Limited will be held at the Crown Perth, Great Eastern Highway, Burswood, Western Australia on Thursday 20 November 2014 commencing at 12:00 noon (Perth time).

EVENT	DATE*
Annual General Meeting	20 November 2014
Half year	31 December 2014
Half year profit announcement	February 2015
Year end	30 June 2015

* 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 20 August 2014, as disclosed in the substantial holding notices, are as follows:

NAME	SHARES	% ISSUED CAPITAL
First Samuel Limited	66,007,395	11.01
Highclere International Investors LLP	31,002,213	5.17

DISTRIBUTION OF SHAREHOLDERS

As at 20 August 2014, there were 6,348 holders of the Company's ordinary shares. The distribution as at 20 August 2014 was as follows:

RANGE	INVESTORS	SECURITIES	% ISSUED CAPITAL
100,001 and Over	309	518,145,760	86.40
10,001 to 100,000	2,104	65,873,816	10.99
5,001 to 10,000	1,249	9,821,455	1.64
1,001 to 5,000	1,831	5,409,002	0.90
1 to 1,000	855	425,674	0.07
Total	6,348	599,675,707	100.00

The number of security investors holding less than a marketable parcel of 2,326 securities ($0.215 on 20 August 2014) is 1,522 and they hold 1,525,432 securities.

SHAREHOLDER INFORMATION

20 LARGEST SHAREHOLDERS

The names of the 20 largest holders of the Company's ordinary shares as at 20 August 2014 are:

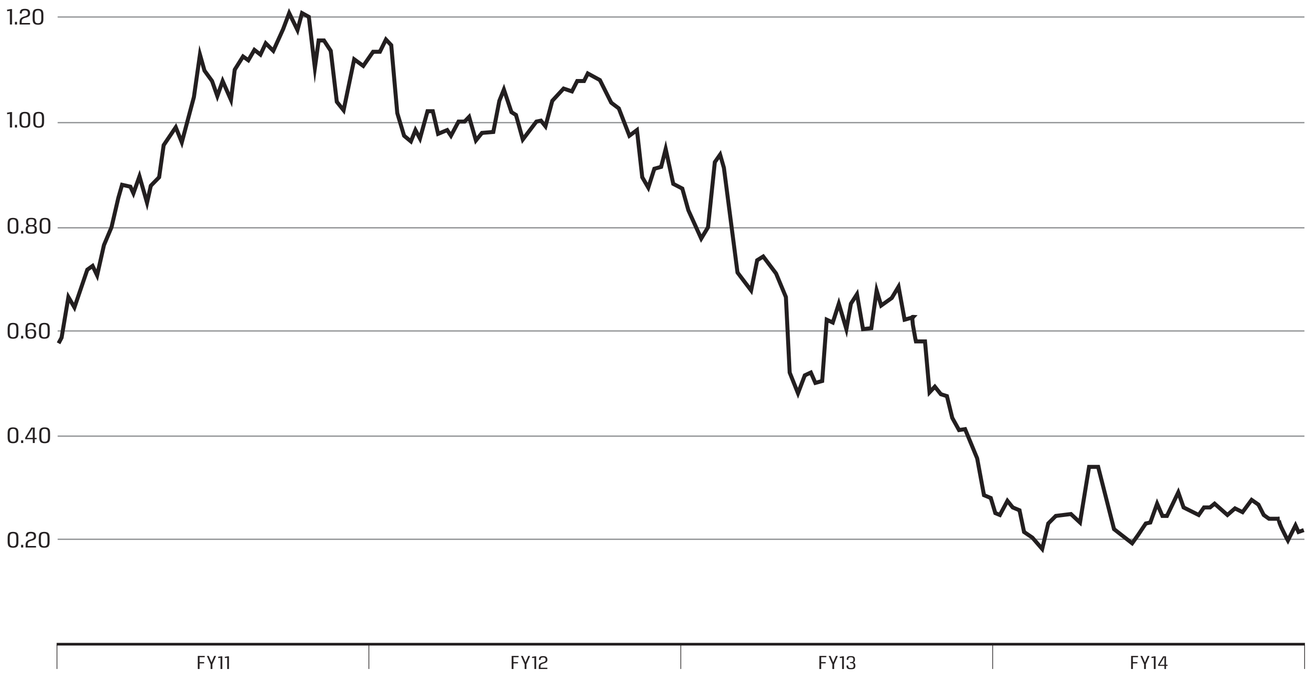
RANK	NAME	TOTAL UNITS	% ISSUED CAPITAL
1	J P MORGAN NOMINEES AUSTRALIA LIMITED	114,475,687	19.09
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	111,929,250	18.66
3	CITICORP NOMINEES PTY LIMITED	84,288,542	14.06
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	33,311,275	5.55
5	PACIFIC CUSTODIANS PTY LIMITED	30,351,304	5.06
6	NATIONAL NOMINEES LIMITED	21,834,714	3.64
7	ELPHINSTONE HOLDINGS PTY LTD	6,860,000	1.14
8	BNP PARIBAS NOMS PTY LTD	6,805,881	1.13
9	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	5,484,892	0.91
10	G HARVEY NOMINEES PTY LIMITED	3,661,800	0.61
11	MS LINDA SAUVARIN	3,000,000	0.50
11	TREVOR THOMAS SAUVARIN	3,000,000	0.50
12	GOLDKING ENTERPRISES PTY LTD	2,554,519	0.43
13	QIC LIMITED	2,085,346	0.35
14	MR GEORGE WALTER MOORATOFF	2,000,000	0.33
15	ARANEM PTY LTD	1,850,000	0.31
16	PACIFIC CUSTODIANS PTY LIMITED	1,718,056	0.29
17	MR JAMES DOUGLAS CARNEGIE	1,600,000	0.27
18	BETTYAL PTY LTD	1,581,700	0.26
19	WARATAH CAPITAL PARTNERS PTY LIMITED	1,575,000	0.26
20	MR DAVID DIPPIE & MRS JOANNE DIPPIE & BRAMWELL GROSSMAN TRUSTEES LTD	1,571,093	0.26

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.

SHARE PRICE HISTORY

CLOSING SHARE PRICE ($)



COMPANY DIRECTORY

DIRECTORS

Alec Brennan
John Cahill
Kenneth Lewsey
Peter Richards
Erica Smyth

SECRETARY

Thao Vanderplancke

REGISTERED OFFICE

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Phone: 1300 554 474
www.linkmarketservices.com.au

AUDITORS

KPMG
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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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