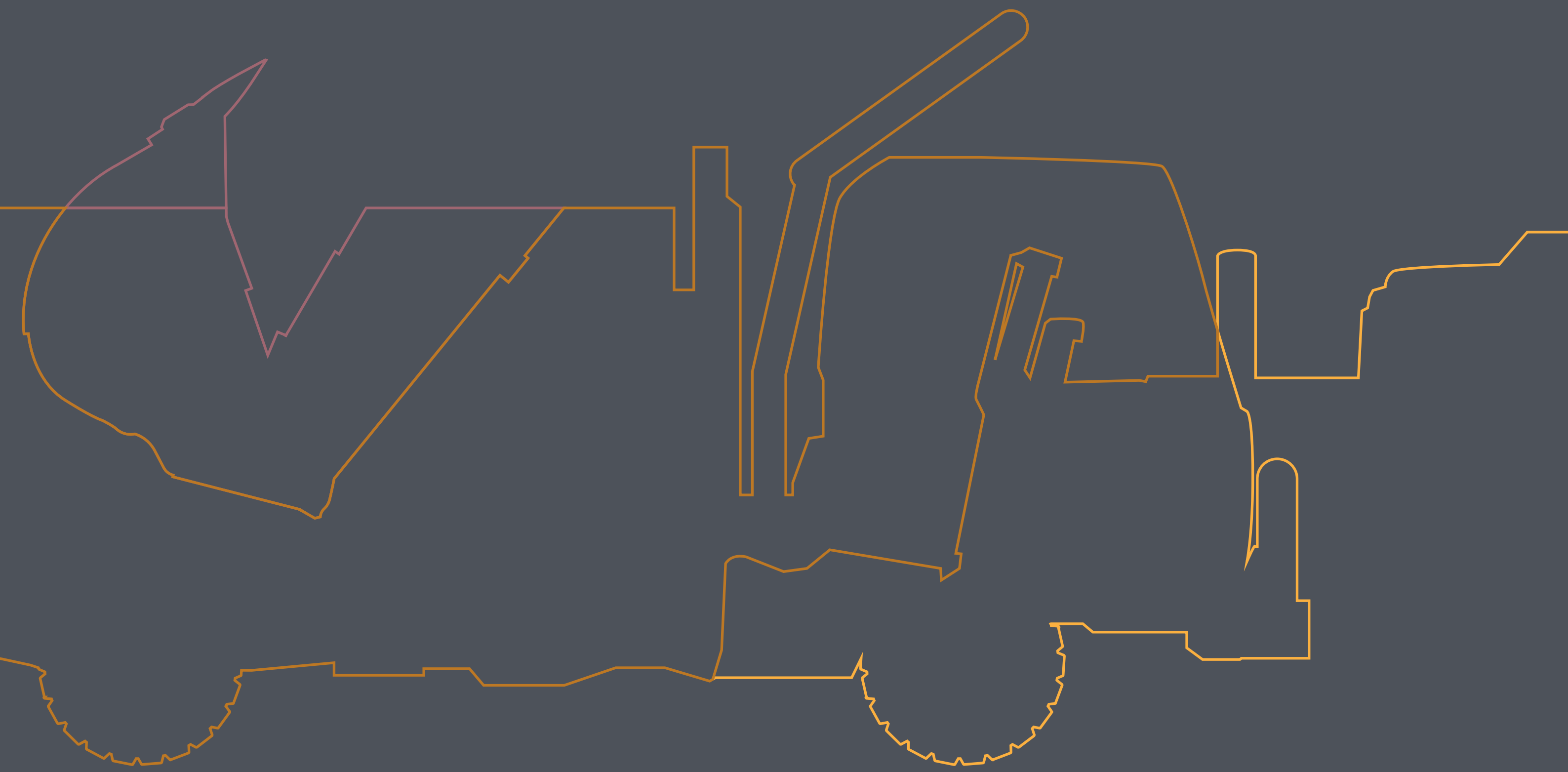


ANNUAL REPORT | 2015

Emeco

KEY DATES

Annual General Meeting	19 November 2015
FY16 Half Year Results	February 2016
FY16 Full Year Results	August 2016

EMECO AT A GLANCE

WHO WE ARE

EMECO IS THE WORLD'S LARGEST, INDEPENDENT MINING EQUIPMENT RENTAL BUSINESS. WE PROVIDE SAFE, RELIABLE AND MAINTAINED EQUIPMENT RENTAL SOLUTIONS TO THE GLOBAL MINING INDUSTRY.

YEAR ESTABLISHED	NUMBER OF EMPLOYEES*	SIZE OF FLEET*	FY15 AVERAGE FLEET UTILISATION*
1972	336	490	69%

* Figures current at 30 June 2015.

COUNTRIES WE OPERATE IN

AUSTRALIA
REVENUE 57%

CANADA
REVENUE 31%

CHILE
REVENUE 12%

WHERE WE ARE GOING

OUR VISION

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

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 focuses on:

- Strengthening our core rental business
- Deepening customer relationships
- Differentiating our service offering with innovative technology

People Strategy

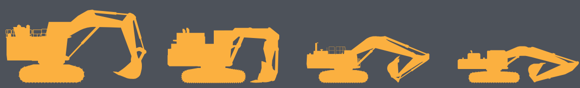
Our strategy for Emeco people (Empower) is about delivering a great place to work for all employees.

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.

FLEET OVERVIEW

REAR DUMP TRUCKS
50 to 240 tonnes
Caterpillar, Komatsu

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



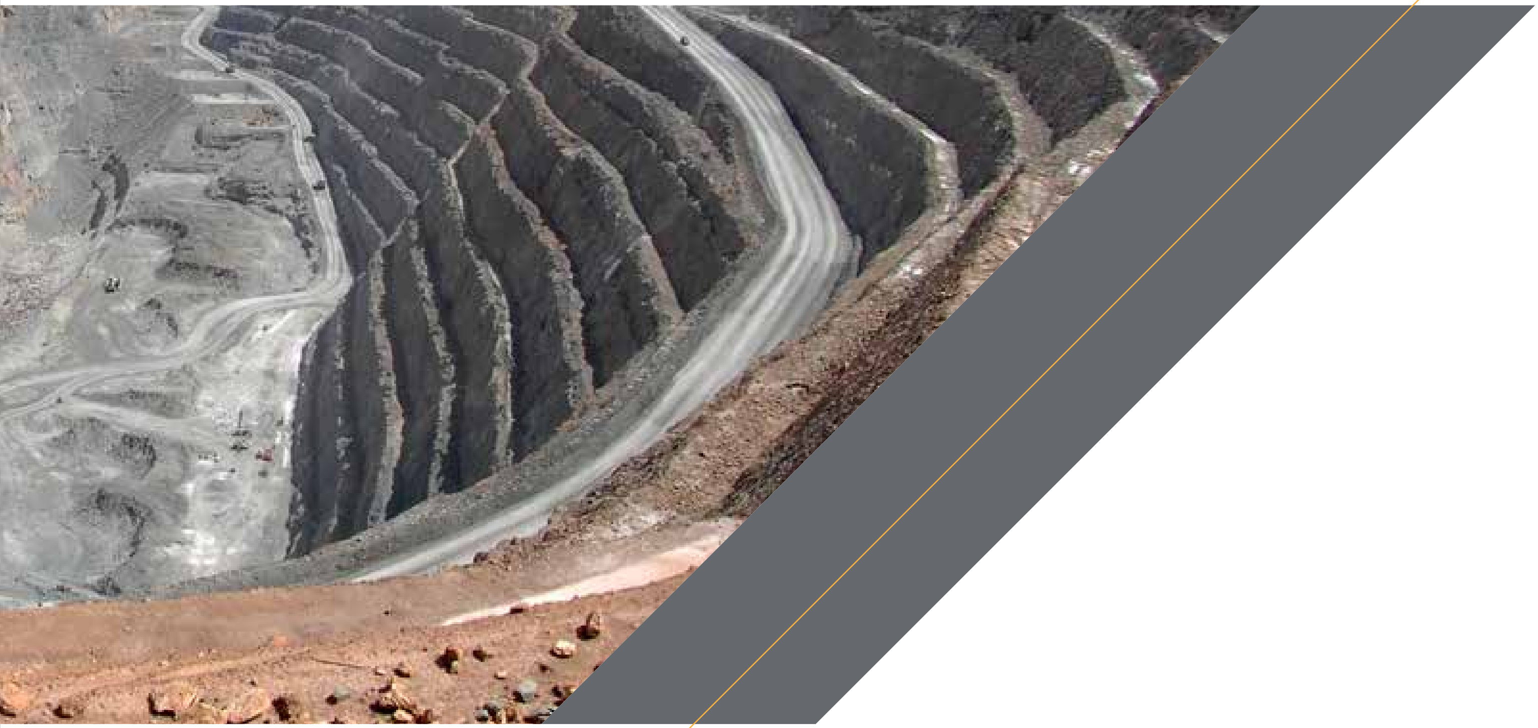
ARTICULATED TRUCKS
30 to 40 tonnes
Caterpillar

DOZERS
D8 to D11
Caterpillar

LOADERS
966 to 994
Caterpillar, Komatsu

GRADERS
14 to 24
Caterpillar

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



BETTER EQUIPPED TO BE YOUR EARTHMOVING PARTNER

EMECO WAS FIRST ESTABLISHED IN AUSTRALIA IN 1972. FROM DAY ONE WE HAVE BEEN PROVIDING SAFE, RELIABLE, WELL-MAINTAINED EQUIPMENT SOLUTIONS TO THE GLOBAL MINING INDUSTRY.

Today, our experienced teams operate out of Australia, Canada and Chile, providing the highest levels of customer service and maintenance capabilities to safely deliver best-in-class equipment for our mining industry customers.

By partnering with Emeco, our customers are:

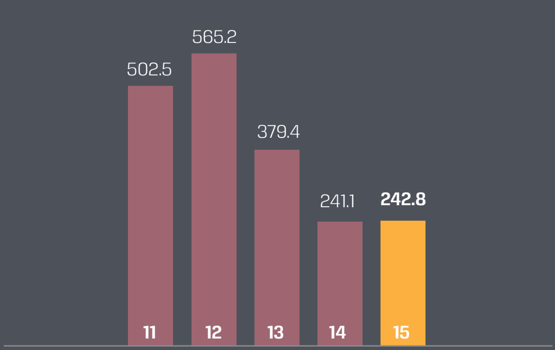
» Better equipped to mine their way
» Better equipped to manage cash flow, capital efficiency and residual value risk
» Better equipped across their fleet
» Better equipped to ramp up production quickly
» Better equipped to maximise fleet productivity

FY15 OVERVIEW

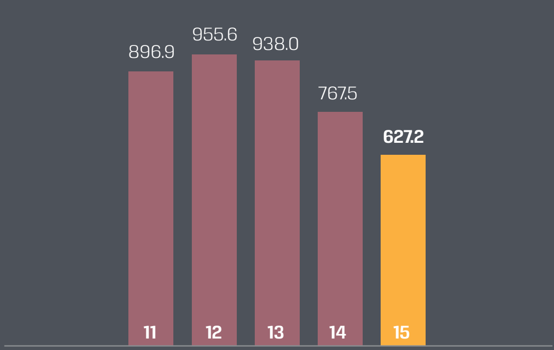
PERFORMANCE AND RESULTS

TARGET	OUTCOME
Increase fleet utilisation	Global fleet utilisation currently 74%, up from 50% at the start of FY15
Balance sheet flexibility	New $75 million asset backed loan, covenant light
Reduced cost	Implemented Project Fit cost reduction initiative, expected to realise cost savings of $14.0 million in FY16
Differentiate our service offering	Developed Emeco Operating System (EOS), fleet management and mining technology platform
Strong safety performance	Maintained high safety performance in FY15
Diversify outside of oilsands in Canada and expand mine site services	Canada rental building presence in coal and iron ore sectors Mine site services revenue increased by 69% in FY15
Improved performance at Encuentro site in Chile	Established partnership agreement with global mining contractor, Thiess, to complete four year mining contract at Encuentro

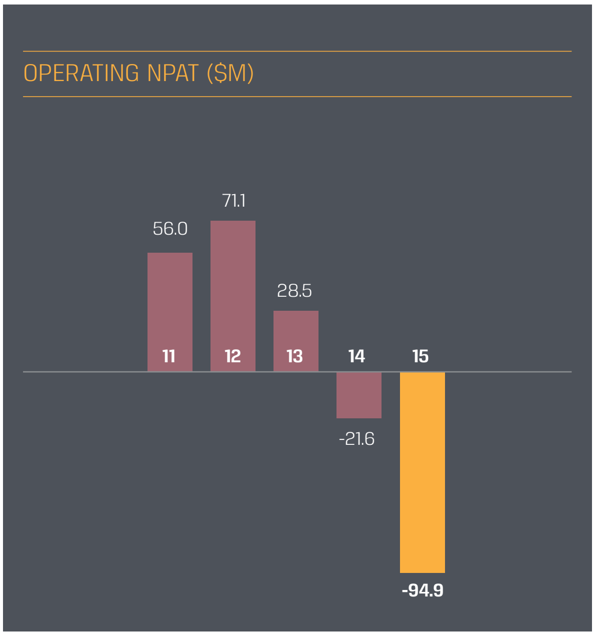
SALES REVENUE ($M)

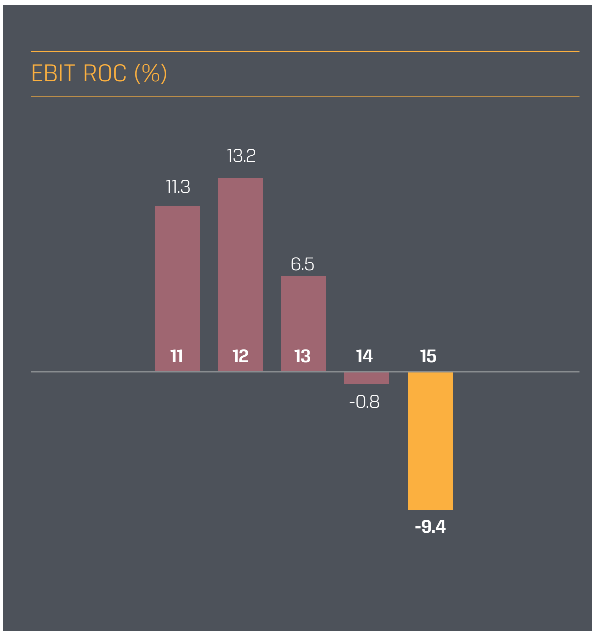


INVESTED CAPITAL ($M)



		2015	2014
KEY FINANCIALS			
Operating revenue	$m	242.8	241.1
Net profit before net interest and tax	$m	(59.2)	(10.9)
Operating net profit	$m	(94.9)	(21.6)
Total dividends paid in respect of financial year	$m	0	0
Total assets	$m	708.8	748.4
Net debt	$m	413.9	323.3
Shareholders' equity	$m	221.4	324.0
Capital expenditure on property, plant and equipment and tangibles	$m	37.8	44.2
Depreciation and amortisation	$m	98.7	78.0
KEY SHARE DATA			
Earnings per share	cents	(15.8)	(3.6)
Ordinary dividends per share	cents	0	0
Net tangible assets per share	cents	0.37	0.53
KEY RATIOS			
Return on average invested capital	%	(9.4)	(0.8)
Gearing (net debt to EBITDA)	x	10.29	4.78





Alec Brennan
Chairman

CHAIRMAN'S REPORT

Dear Shareholder,

Herewith please find the Emeco Holdings Limited Annual Report for financial year 2014/2015 (FY15).

RESPONDING TO CHALLENGING MARKET CONDITIONS

The sustained low commodity price environment continued to hurt the markets in which Emeco operates. Challenging market conditions resulted in further margin decline in FY15 compared to FY14. Operating performance improved during second half FY15 and as a result the earnings run rate at the start of FY16 is stronger than in the prior comparable period.

The Company has worked hard to lift its operational performance over the last 12 months despite the poor financial performance. Our people have shown great flexibility in working closely with customers to identify solutions to their equipment needs. Utilisation increased to an average of 73% over the second half of FY15, compared to 50% in the prior comparable period. We are all working hard to find more cost effective ways to serve our customers, drive margin growth and return the business to profitability. A number of significant cost-out initiatives were implemented during fourth quarter FY15 and are expected to have a positive impact from the outset of FY16.

The difficult market circumstances have made it imperative that we continue to explore different ways of serving our customers to deliver more value for them and better returns for Emeco. I am pleased to advise that we have been able to diversify earnings outside Emeco's dry hire model while still focusing on our core capabilities. This is evident from the recently commenced Esperanza wet hire contract in Chile and recently signed five year mine services contract with a major oilsands producer in Canada.

Further improvements were made to our capital structure during FY15 with the successful refinancing of the syndicated debt facility. This provides greater tenure and more flexibility for our balance sheet in current depressed market conditions.

During the year the Company explored the potential acquisition of the truck rental business Rentco and a possible merger with Orionstone, another dry hire mining equipment business. Each offered potential scale and earnings diversification. Unfortunately, in each case we concluded that the outcome was unlikely to be in the best interest of Emeco's shareholders.

SAFETY AND SUSTAINABILITY

While FY15 has been a challenging year the business worked hard to maintain its commitment to our people, the environment and the community. The cost reduction initiatives have not diminished our commitment to safety or sustainability processes or procedures. The Company is determined to continue to provide a safe work environment of the highest standard, invest in our employees' development and support the communities in which we operate.

Over FY15 we actively pursued opportunities to reduce our impact on the environment and this has included moving toward electronic based communication methods with our investor community. As such we've released our FY15 sustainability report on Emeco's website. The FY15 sustainability report has been developed using the global reporting initiative (**GRI**) framework, providing comprehensive reporting for Emeco's stakeholders.

THE COMPANY HAS WORKED HARD TO LIFT ITS OPERATIONAL PERFORMANCE OVER THE LAST 12 MONTHS. WE BELIEVE THAT THE CURRENT TRAJECTORY FOR THE BUSINESS IS REASONABLE GIVEN THE MARKET CIRCUMSTANCES AND WE WILL CONTINUE TO FOCUS ON POSITIONING EMECO TO SUCCEED.

FY15 saw continued improvement in Emeco's diversity program through a strong focus on building lasting relationships in the communities in which we operate and encouraging women to enter the mining industry. Across the Group we increased female workforce representation to 16% and our Canada business continues to support the Women Building Futures initiative aimed at increasing gender diversity in the mining industry.

Emeco's safety and sustainability achievements over FY15 are detailed further in our sustainability report which is accessible on our website.

BUILDING A SUSTAINABLE BUSINESS STRUCTURE

The focus over the next 12 months and beyond is on positioning Emeco to succeed notwithstanding the challenging and competitive market conditions. The recently announced Project Fit is aimed at reducing costs in our existing business, while our internally developed Emeco Operating System (**EOS**) is intended to generate fleet performance data to improve the efficiency of Emeco's maintenance capabilities plus provide customers with information which they can use to operate the fleet more effectively to reduce their operating costs. While we are expecting improving market circumstances over the next few years, our plans cannot afford to be dependent on this. Our objective is to combine focused marketing, tight cost control and sound capital management to deleverage the business over the medium term irrespective of market conditions. The point does need to be made that current margins in the industry are not sustainable and generally speaking do not justify the purchase of new equipment irrespective of whether it is for dry hire or contracting. This situation has become even clearer in Australia with the decline in value of the Australian dollar.

Having successfully implemented a number of improvements to the Emeco business our MD & CEO Ken Lewsey has decided to step down. Ken's contribution has included bringing a stronger customer focus to the business which has driven utilisation growth and the recent implementation of our Project Fit cost reduction to remain competitive in this market. I'd like to thank Ken for his contribution to the board and Company.

Ian Testrow, our COO has assumed the MD & CEO role. He understands the business intimately and will provide uninterrupted and dynamic leadership. In addition our CFO Greg Hawkins joins the board. Both Ian and Greg have been very strong contributors to the Company and the board looks forward to their contribution in the year ahead.

We believe that the current trajectory for the business is reasonable given the market circumstances and we will all be working hard over the next 12 months to build on the substantial achievements of the past six months.

Alec Brennan

Alec Brennan
Chairman

Ian Testrow
Managing Director & Chief Executive Officer

MANAGING DIRECTOR'S REPORT

IMPROVED OPERATING PERFORMANCE OVER SECOND HALF FY15

The challenging market conditions our business experienced over FY14 continued into this financial year, with the fall in oil price adding to the low commodity price environment. There were no recovery in rental rates as miners remain focused on minimising their operating cost base.

Emeco ended FY15 with an operating EBITDA of $43.4 million and operating net loss after tax of $94.9 million. Global utilisation ended the year at 74%. Commencing the year at 50% global utilisation, contract wins in Canada, Chile and Queensland, combined with growth from existing customers in New South Wales, has driven the increase. The improved operating performance resulted in second half operating EBITDA of $27.2 million, representing 70% growth on first half FY15 operating EBITDA of $16.2 million. Having invested in stronger business development capabilities over FY14, the resulting utilisation uplift over FY15 required one-off costs of $14.1 million to prepare idle fleet for rent.

In Australia a stronger focus on customers resulted in improved utilisation in Queensland and New South Wales. Our new Queensland management team worked hard to gain market share in a highly competitive environment, resulting in a number of contract wins lifting utilisation to 85% in fourth quarter, up from 10% at the commencement of FY15. Customer preference to deal with Emeco in New South Wales resulted in consolidation of rental providers on our existing sites lifting utilisation to 95% at year end. The recent cessation of our rental contract with Saracen resulted in Western Australia utilisation falling below 40%. We are focused on identifying opportunities to return this fleet back to work.

Operating conditions in Canada softened with oilsands producers responding to a fall in the oil price. Our Canada rental business maintained utilisation over 80% over the winter period despite the challenging price environment. Rental rates were renegotiated during this period of seasonally high activity. The oilsands industry has been subdued over the recent summer months. A number of rental contract wins in coal and iron ore have maintained our utilisation at 60% heading into FY16. Canada mine site services revenue increased by almost 70%. The completion of our Kearl Lake maintenance facility complements our ten year maintenance services contract on that site, while our strong relationship with oil majors resulted in an increased presence on our existing projects.

The Chile business entered FY15 securing the five year Encuentro contract in conjunction with Chile mining contractor Fe Grande. During FY15 Fe Grande decided to exit the mining industry to focus on other group business. Following discussions between Emeco and AMSA (Encuentro owner), a process was entered to identify a suitable mine contractor to replace Fe Grande on site whilst retaining the equipment provided by Emeco. Commencing 1 July 2015 Emeco entered into a partnership agreement with leading global mining contractor Thiess to complete a four year mining contract for the pre-strip operations at Encuentro. We have seen a material operational improvement at the Encuentro mine and expect this project to be more profitable in FY16.

ACHIEVING OUR STRATEGIC OBJECTIVES

We achieved a number of strategic objectives over FY15 which has driven improved operating performance and a recent uplift in margins. Restructuring of the business over the past 12 months saw our new Queensland management team achieve significant growth in market share, Emeco partnered with Thiess in Chile to secure a four year mining

OUR STRATEGIC ACHIEVEMENTS OVER FY15 HAVE ENSURED EMECO ENTERS FY16 WITH A STRONGER BASE ON WHICH TO IMPROVE OUR PROFITABILITY.

contract with AMSA, we further diversified operations in Chile and Canada outside the dry hire model, developed the Emeco Operating System (**EOS**) fleet management and mining technology platform and implemented our cost reduction program, Project Fit. The combined benefits of these strategic achievements is expected to drive greater profitability through FY16.

Our Canada and Chile businesses continue to demonstrate the value of geographical and commodity diversification with recent contract wins in these regions ensuring we maintain current levels of utilisation for the foreseeable future. Canada has recently secured a five year mine site services contract with a major oilsands producer to provide fuel and lubricant support, while we currently have units utilised at coal and iron ore mines across Canada providing diversification across our Canada business. Chile has recently commenced wet hire of four units to AMSA's Esperanza mine ensuring utilisation of over 90% for first half FY16. This wet hire contract demonstrates our ability to work closely with customers to offer effective solutions to their resource needs.

We made progress differentiating ourselves from competitors with innovative technology offerings which provide significant benefits to our customers. EOS provides Emeco customers access to leading edge technology with the support of the Emeco operations team. EOS monitors Emeco fleet operating on customer sites, providing customers' with real time access to fleet performance and production data to assist with managing their operations. Already implemented on Emeco fleet operating at Alkane's Tomingley gold mine in New South Wales, EOS has provided Alkane management information by dig unit, haul unit and operator which the business is using to get the fleet working more efficiently and reducing their operating costs.

Our strategic achievements over FY15 have ensured Emeco enters FY16 with a stronger base on which to improve our profitability.

COST REDUCTIONS AND IDENTIFYING OPPORTUNITIES TO GROW

The mining services industry remains highly competitive and we continue to seek opportunities to expand our product offering through partnerships with industry peers and finding innovative solutions to our customer's needs. Tenure of our contracts and the current project pipeline should ensure we maintain current levels of utilisation during FY16. On top of the incremental earnings uplift generated from greater volumes, Project Fit is expected to drive cost reductions totalling $14 million for FY16 resulting in greater free cash flow generation which is intended to be used to deleverage the business.

The sustained downturn in the Australian mining services industry is expected to result in a period of consolidation and rationalisation for the sector if there is no recovery over the foreseeable future. Our current increased utilisation, cost reductions and financing flexibility and tenure, allows us to evaluate opportunities to participate in this consolidation.

Over FY16 we'll continue to strengthen our core business while identifying opportunities to succeed during challenging market conditions.

Ian Testrow
Managing Director & Chief Executive Officer

OPERATING AND FINANCIAL REVIEW

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 336 permanent and fixed term staff and owns 490 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 purchase of equipment and replacement of major components over the asset's life cycle while owned by Emeco.

CHART 1:
REVENUE BY REGION

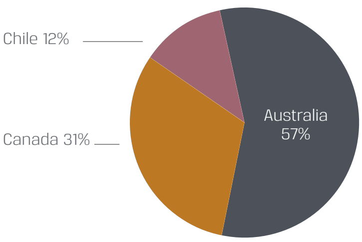


CHART 2:
REVENUE BY COMMODITY

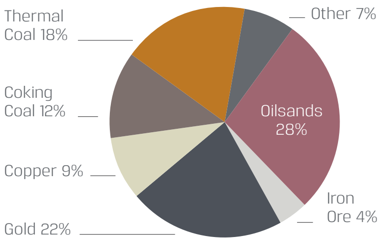
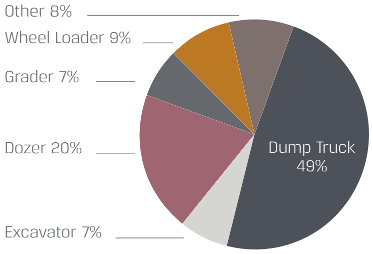


CHART 3:
FLEET COMPOSITION BY ASSET CLASS



Note: Above analysis relates to 12 month period ended 30 June 2015 and excludes discontinued operations.

AVERAGE UTILISATION FOR FY15 OF 69% WAS SIGNIFICANTLY HIGHER THAN THE FY14 AVERAGE OF 48% DESPITE CONTINUED WEAKNESS IN THE AUSTRALIAN MINING SECTOR AND STRONG COMPETITION IN OUR RESPECTIVE MARKETS.

TABLE 1: GROUP FINANCIAL RESULTS

	Operating results[1]		Statutory results	
A$ millions	2015	2014	2015	2014
Revenue	242.8	241.1	241.4	241.1
EBITDA[4]	43.4	67.3[5]	32.8	66.1[5]
EBIT[4]	(59.2)	(10.9)[6]	(96.8)	(213.5)[6]
NPAT[4]	(94.9)	(21.6)	(123.1)	(224.2)
ROC[4] %	(9.4%)	(0.8%)	(15.2%)	(34.2%)
EBIT margin	(24.4%)	(4.5%)	(40.1%)	(88.4%)
EBITDA margin	17.9%	27.9%	13.6%	27.5%

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.
3. Operating results are non-IFRS.
4. EBITDA: Earnings before interest, tax, depreciation and amortisation; EBIT: Earnings before interest and tax; NPAT: Net profit after tax; ROC: Return on capital.
5. FY14 reported operating EBITDA of $72.1 million and statutory EBITDA of $27.2 million have been restated for comparative purposes. The changes relate to tangible asset impairments being reported below EBITDA (2014: $43.7 million) and foreign exchange gains and losses being reported below EBITDA (2014: $4.8 million).
6. FY14 reported operating EBIT loss of $6.1 million and statutory EBIT loss of $208.8 million have been restated for comparative purposes. The change relates to foreign exchange gains and losses being reported below EBIT (2014: $4.8 million).

TABLE 2: 2015 OPERATING RESULTS TO STATUTORY RESULTS RECONCILIATION

A$ millions	Tangible asset impairments	Redundancy	Project revenue write-back	Debt establishment cost write-off	One-off corporate development costs	Tax effect	NPAT
Operating							(94.9)
Australia	(22.4)	(2.6)	0.0	(1.8)	(2.6)	8.8	(20.6)
Canada	(5.8)	0.0	0.0	0.0	0.0	1.6	(4.2)
Chile	(2.6)	0.0	(1.4)	0.0	(0.2)	0.8	(3.4)
Statutory	(30.8)	(2.6)	(1.4)	(1.8)	(2.8)	11.2	(123.1)

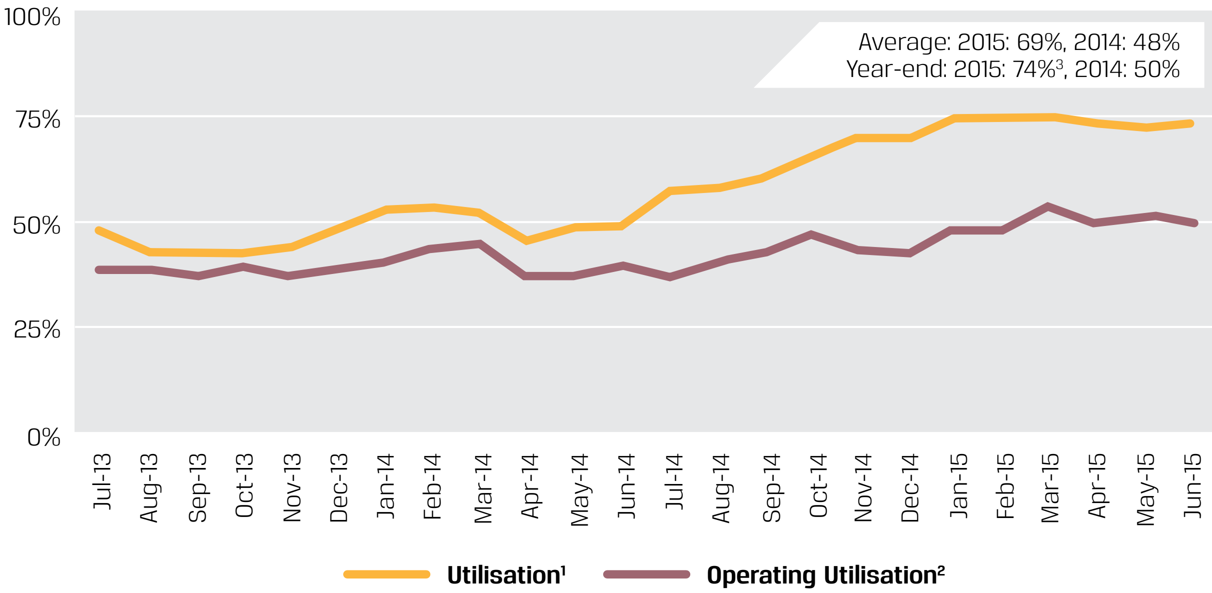
Reconciliation of differences between operating and statutory results:

1. FY15 operating results (non-IFRS) excludes the following:
   - **Tangible asset impairments:** Tangible asset impairments totalling $23.9 million were recognised across the business on assets held for sale. Stock write downs on inventory items of $6.9 million were also recognised during the year due to change in valuation methodology from value in use to lower of cost and net realisable value less costs of sale;
   - **Redundancies:** A number of redundancies were enacted over FY15 in response to deteriorating market conditions resulting in one-off costs of $2.6 million before tax;
   - **Write-back of project revenues:** During FY15 Fe Grande decided to exit the mining industry and an agreement was reached to allow Emeco to find a suitable partner to replace them, without Fe Grande going to market. This agreement involved the recognition of a bad debt expense for $3.8 million and a reduction in revenue of $1.4 million. Depreciation on the machines in relation to the Fe Grande contract was also reviewed and adjusted in light of the negotiations by $3.8 million. This resulted in a net cost of $1.4 million which allowed Emeco to successfully partner with Thiess to secure a four year contract to operate the pre-strip operations at AMSA's Encuentro open pit copper mine;
   - **Debt establishment cost write-off**: Debt establishment costs of $1.8 million before tax were written off relating to a previous financing facility;
   - **One-off corporate development expenses:** Non-recurring costs associated with corporate development activities over FY15 totalled $2.8 million before tax.
2. Refer to our 2014 Annual Report for reconciliation of differences between FY14 operating and statutory results.
3. All reconciling items relating to FY15 operating results are discussed in further detail later in the operating and financial review.

IMPROVING VOLUMES IN A COMPETITIVE MARKET

Average utilisation for FY15 of 69% was significantly higher than the FY14 average of 48% despite continued weakness in the Australian mining sector and strong competition in our respective markets. Commencement of a number of projects in Australia combined with diversification in our Canada business and the ramp-up of the Encuentro project in Chile resulted in the sustained higher operating performance, particularly over 2H FY15.

CHART 4: 2015 AVERAGE GROUP UTILISATION



Note:

1. Utilisation defined as % of fleet rented to customers (measured by written down value).
2. Operating utilisation defined as ratio of operating hours recognised over a month, compared to a target average number of 400 operating hours over a month.
3. Excluding non-current assets held for sale FY15 year-end utilisation is 77%.

A change in contractual arrangements within the markets Emeco operates has resulted in take or pay arrangements typically excluded from rental contracts, reducing the effectiveness of Emeco's utilisation measure as a lead indicator of revenue. To assess our operating performance it is also useful to measure operating hours of our fleet, which management monitors internally to identify units which could generate additional earnings though being contracted to a customer. To improve reporting to readers of our financial statements we have included operating utilisation of our machines. This measure demonstrates that although a region may have high fleet utilisation, there may be potential for contracted units to drive earnings growth through increased operating hours.

Group operating revenue from continuing operations remained relatively flat in FY15 at $242.8 million (2014: $241.1 million). Rental revenue was up slightly to $208.1 million (2014: $205.4 million) driven by improved utilisation, albeit on a smaller asset base. Maintenance services revenue increased 15.6% to $31.9 million (2014: $27.6 million) with the ramp up of the Kearl Lake facility in Canada. Consistent with prior reporting periods other income, including sale of parts and machines, declined in FY15 to $2.8 million, down from $8.1 million in 2014.

Rental rate reductions in Canada in response to a fall in the oil price and costs associated with preparing machines to commence on new projects (prep-for-rent costs) were the primary contributors to a fall in operating EBITDA margins from 27.9% in FY14 to 17.9% in FY15. The FY15 operating EBIT margin of negative 24.4% (FY14: negative 4.5%) was further impacted by an increase in depreciation as a result of a change in depreciation policy on idle fleet (see below for further information).

Reduced margins resulted in operating return on capital (**ROC**) declining to negative 9.4% in FY15, down from negative 0.8% in FY14.

Refer to the regional business overview on page 19 for further detail on regional operating and financial performance.

ADDITIONAL COSTS INCURRED RETURNING IDLE FLEET TO RENT

TABLE 3: OPERATING COST SUMMARY (STATUTORY RESULTS)

A$ millions	2015	2014
Revenue	**241.4**	**241.1**
Operating expenses		
Changes in machinery and parts inventory	(11.8)	(14.4)
Repairs and maintenance	(99.2)	(84.7)
Employee expenses	(43.6)	(42.9)
Hired in equipment and labour	(22.4)	(13.1)
Net other expenses[1]	(31.6)	(19.8)
EBITDA	**32.8**	**66.1**
Impairment of tangible assets	(30.8)	(43.7)
Impairment of goodwill	0.0	(157.9)
Depreciation expense	(98.7)	(78.0)
Amortisation	(0.1)	(0.1)
EBIT	**(96.8)**	**(213.5)**

Note: 1 Excludes net foreign exchange (gain)/loss. Incorporates other income.

Higher average utilisation, costs associated with preparing fleet for rent, one-off restructuring costs and increased operating leases on non-core assets resulted in operating expenses excluding impairment of tangible assets increasing 19.3% over FY15 to $208.6 million, up from $174.9 million in FY14.

Repairs and maintenance expense, which primarily comprises parts and maintenance labour associated with our rental fleet, increased 17.1% to $99.2 million (2014: $84.7 million) primarily as a result of improved utilisation across the group and costs associated with preparing machines for rent ('prep-for-rent costs'). A portion of the prep-for-rent costs amounting to $14.1 million is considered one off and predominantly relates to repairs and maintenance requirements resulting from off hired units in prior reporting periods. Consistent with prior reporting periods changes in machinery and parts inventory, which is primarily related to inventory management supporting third party fleet working along-side our rental units, decreased in line with sales and parts revenue.

Employee expenses increased slightly in FY15 to $43.6 million (FY14: $42.9 million), however included is $2.6 million of redundancy costs (compared to $1.2 million in FY14). Excluding redundancies FY15 employee expenses were relatively flat with FY14 as additional resources employed during FY14 to enhance business and corporate development activities continued to drive utilisation growth.

Other expenses increased to $54.0 million (FY14: $32.9 million) primarily as a result of an increase in operating leases entered to source non-core assets for new contracts and one-off costs associated with corporate development activities. Refer to note 8 in the financial statements for further breakdown of net other expenses (page 74).

Refer following page for information on tangible and intangible asset impairments.

Depreciation expense increased to $98.7 million in FY15 (FY14: $78.0 million) driven by higher utilisation and a change in depreciation policy for idle fleet. The change in idle fleet depreciation reflected the uncertainty on recovery in the rental market for certain asset classes. As at 30 June 2015 the majority of these asset classes have been reclassified to assets held for sale and impaired to fair market value. There remains demand for these assets on the second hand market and management intends to dispose of them over FY16.

MATCHING THE RENTAL FLEET TO MARKET DEMAND

TABLE 4: ASSET IMPAIRMENTS (STATUTORY RESULTS)

A$ millions	2015	2014
Rental fleet	458.8	519.8
Non-current assets held for sale	32.3	39.9
Asset impairments		
Stock write down	6.9	6.1
Freehold land and buildings	0.0	0.1
Plant and equipment	23.9	37.5
Total goodwill	0.0	157.9

The rental fleet decreased to a written down value (**WDV**) of $458.8 million over FY15. The fall in WDV included the reclassification of $43.7 million of idle assets to non-current assets held for sale (**NCAHFS**) and the reclassification of $18.0 million of tyres supporting the rental fleet to inventory. Reclassification of property, plant and equipment (**PPE**) to NCAHFS and inventory combined with a write down in parts resulted in asset impairments of $30.8 million in FY15.

Stock write down on inventory increased to $6.9 million in FY15 (2014: $6.1 million) resulting from the reclassification of tyres held in PPE to inventory combined with a write down in parts, valuing the stock in line with Emeco's inventory accounting policy (note 20).

Impairment loss on plant and equipment decreased to $23.9 million in FY15, down from $37.5 million in FY14. During FY15 management reclassified $43.7 million of rental fleet to 'non-current assets held for sale' with corresponding impairments to represent the expected market value of those assets. NCAHFS as at 30 June 2015 of $32.3 million included $8.0 million identified during FY14 and disclosed in Emeco's FY14's financial statements. Assets held for sale are not marketed for rental and as such are not considered as part of our value in use impairment testing.

During FY14 Emeco recognised goodwill impairments totalling $157.9 million. Following this Emeco held nil goodwill on the balance sheet, as such no further goodwill impairments were recognised during FY15. Other than specific impairments noted above, Impairment testing conducted at 30 June 2015 did not identify impairments in the carrying value of Emeco's tangible assets (refer to note 22 for further details on our impairment testing methodology).

We continually review our rental fleet, matching fleet mix to regional demand. Idle units identified as having low rental demand are transferred to NCAHFS. Management's assessment considers the need to right size our fleet to the markets in which we operate and where required, will increase asset classes to meet future demand.

REDUCED EARNINGS IMPACTING FREE CASH FLOW

TABLE 5: CASH FLOW SUMMARY

A$ millions	1H FY15	2H FY15	2015	2014
Operating cash flow	13.3	19.3	32.6	57.4
General working capital	(3.8)	11.0	7.2	36.6
Sales and parts inventory	(0.6)	0.7	0.1	6.4
Interest and borrowing costs	(21.4)	(21.4)	(42.8)	(34.3)
Income tax cash flows	0.0	0.0	0.0	10.2
Operating cash flow	**(12.5)**	**9.6**	**(2.9)**	**76.3**
Sustaining capital expenditure	(11.6)	(23.5)	(35.1)	(29.7)
Other property, plant and equipment	(0.5)	(2.2)	(2.7)	(13.6)
Disposals	15.1	9.7	24.8	70.8
Free cash flow post sustaining capital expenditure	(9.5)	(6.4)	(15.9)	103.8
Growth capital expenditure	0.0	0.0	0.0	(0.9)
Free cash flow post growth capital expenditure	(9.5)	(6.4)	(15.9)	102.9
Debt establishment costs	0.0	(2.6)	(2.6)	(17.0)
Free cash flow post shareholder returns	**(9.5)**	**(9.0)**	**(18.5)**	**85.9**
Net cash flow from discontinued operations			8.0	9.8
Free cash flow from continuing operations post shareholder returns			**(26.6)**	**76.1**

Free cash flow post shareholder returns decreased in FY15 to an $18.5 million outflow, down from a net cash inflow in FY14 of $85.9 million. The decrease resulted primarily from lower earnings and decreasing cash generation from fleet disposals. Operating cash flow improved in 2H FY15 to $9.6 million (compared to 1H FY15 cash outflow of $12.5 million) however capital expenditure required to return idle fleet back to work resulted in a free cash outflow post shareholder returns of negative $9.0 million.

FY15 operating cash flow dropped to a $2.9 million cash outflow in line with the fall in EBITDA, with cash generated from operations primarily used to fund financing costs of $42.8 million. No tax cash benefit was received in FY15 compared to $10.2 million in the prior period.

As a result of higher utilisation capital expenditure was up on the prior period to $35.1 million. New project wins over FY15 required investment in fleet to prepare machines for rent, while a small number of asset additions were required to replace end of life units with existing customers.

The successful refinancing of Emeco's A$50 million syndicated debt facility to an A$75 million asset backed loan in December 2014 resulted in establishment fees totalling $2.6 million. These costs included legal, accounting and debt advisor fees. Refer below for further information on the refinancing.

Net cash flow from the discontinued Indonesian operations totalled $8.0 million in FY15, which included $10.8 million of asset disposals.

IMPROVING BALANCE SHEET FLEXIBILITY

TABLE 6: NET DEBT AND GEARING SUMMARY

A$ millions	2015	2014
Interest bearing liabilities (current and non-current)		
144A bond notes	436.2	355.8
Asset backed loan	0.0	0.0
Lease liabilities	4.9	8.8
Working capital	0.0	0.0
Other	0.6	0.5
Cash	27.8	41.8
Net debt	413.9	323.3
Derivative asset / (liability)	49.4	(10.0)
Net debt (including hedging instruments)	364.5	333.3
Gearing ratio	10.29	4.78
Leverage ratio	57.1%	43.4%
Interest cover ratio	0.79	2.83

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

The combined impact of negative free cash flow and adverse movements in the AUD:USD exchange rate against the USD denominated bonds resulted in net debt increasing to $413.9 million at 30 June 2015. This represents a 28.0% rise in net debt from 30 June 2014.

On 17 March 2014 Emeco successfully raised US$335 million in the 144A bond market. The 9.875% senior secured notes are due 2019 and pay interest on 15 March and 15 September each year. The notes are secured and guaranteed by Emeco Holdings Limited and its subsidiaries. The 144A notes do not have maintenance covenants.

Over FY15 the AUD:USD exchange rate fell from $0.94 at 1 July 2014 to $0.76 at 30 June 2015, resulting in the underlying value of the 144A bonds increasing over the year by A$80.4 million. This increase in value was offset by a corresponding benefit from Emeco's cross currency interest rate swap facilities which were recognised as a A$49.4 million derivative asset 30 June 2015. The net increase in the value of the 144A bonds results from a portion of the notes being unhedged.

As announced previously, Emeco successfully refinanced it's A$50 million syndicated debt facility with a new A$75 million Asset Backed Loan (**ABL**). Operating as a borrowing base facility, the ABL provides Emeco with considerably more flexible terms and conditions than those provided by the previous facility. The ABL has springing maintenance covenants which engage if the facility is utilised greater than 50% (A$37.5 million), these covenants require Emeco to have an interest cover ratio of no less than 1.25 times and leverage ratio of no more than 65%. The ABL matures in December 2017. At 30 June 2015 the ABL was undrawn with the exception of $9.6 million of bank guarantees utilised against the facility. The bank guarantees relate to the partnership arrangement with Thiess on the Encuentro project. Debt establishment fees totalling $1.8 million related to the previous syndicated debt facility were written off during FY15.

Despite the increase in net debt over FY15 the refinancing of the syndicated debt facility improves the flexibility of our balance sheet by placing less onerous maintenance covenants on the business. With the exception of the bank guarantees mentioned above, the ABL remains undrawn, providing balance sheet liquidity of $92.3 million at 30 June 2015 (accounts for a further $0.8 million of property related cash backed bank guarantees). Management remains conservative with its approach to capital management and is focused on generating cash flow to deleverage the business.

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

NIL DIVIDENDS DECLARED IN FY15

TABLE 7: SHAREHOLDER RETURNS

	2015	2014
Dividends declared during the period		
Interim dividend (cents)	0.0	0.0
Final dividend (cents)	0.0	0.0
Total dividend (cents)	0.0	0.0
Dividend payout ratio	0.0%	0.0%
Per share statistics		
Earnings per share (cents)	(15.8)	(3.6)
NTA per share ($)	0.37	0.53
Closing share price ($)	0.08	0.20

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

Similar to FY14 the board declared a nil interim and final dividend for FY15 as a result of the net operating loss for the period.

STRATEGY FOCUS TO PREPARE EMECO FOR FUTURE GROWTH

There are a number of examples of Emeco's strategic achievements over FY15. We improved utilisation from 50% at the commencement of FY15 to averaging 74% in Q4 FY15, secured a mine site services contract with a major oilsands producer in Canada which was signed in August 2015, expanded our Canada rental business into the Labrador iron ore region, partnered with Thiess in Chile to secure a four year contract for the Encuentro project, developed the Emeco Operating System (**EOS**) to focus on improving the efficiency of our customers operations and Emeco's internal maintenance systems and implemented our cost reduction program, Project Fit.

The benefits of our strategic achievements will result in a more profitable business which is expected to be realised from the outset of FY16. During the year ahead our strategy will remain focused on maintaining current levels of utilisation and assisting customers to utilise our fleet more effectively to increase operating hours. Combined with cost reduction initiatives the improved profitability is expected to generate free cash flow which will be used to deleverage our balance sheet.

The current market conditions are impacting heavily on the mining services industry which is evident by a number of our peers entering financing reviews during the financial year. Given the level of financial distress across the sector, there are likely to be opportunities for consolidation. As mentioned in the Managing Director's report, our current increased utilisation, improved margins from cost reductions and flexibility and tenure of financing, positions us well to evaluate opportunities to participate in this consolidation.

Further detail on Emeco's strategy is included in the regional business overview starting on page 19.

DURING THE YEAR AHEAD OUR STRATEGY WILL REMAIN FOCUSED ON MAINTAINING CURRENT LEVELS OF UTILISATION AND ASSISTING CUSTOMERS TO UTILISE OUR FLEET MORE EFFECTIVELY TO INCREASE OPERATING HOURS.

CASE STUDY

EMECO OPERATING SYSTEM (EOS) DRIVES PRODUCTIVITY FOR ALKANE

Alkane Resources is a multi-commodity junior miner and explorer who commenced production at the Tomingley Gold mine at the start of 2014. Alkane chose Emeco as their equipment supplier for Emeco's flexible fleet offering, excellent track record of asset management and willingness to work for mutual benefit.

Emeco came to Alkane with the Emeco Operating System (EOS), a fleet management and mining technology platform designed to identify cost reduction opportunities in the mining process and drive productivity improvements. EOS replaced the manual systems Alkane were using for tracking equipment and operator performance and brought all the data together in real time to help them manage their fleet better.

"THE EMECO TECHNICAL TEAM WORKED WITH US TO UNDERSTAND WHERE WE COULD IMPROVE, VERSUS OTHER HIRE FLEETS THEY HAVE OUT THERE, AND THEN WORKED WITH US TO GET EOS ONTO THE FLEET AND WORKING FOR THE OPERATORS. THE EMECO TEAM HAVE MANAGED THE PROJECT, PROVIDED TRAINING AND TECHNICAL SUPPORT, AS WELL AS COACHING. THEY HAVE BEEN QUICK TO ADAPT TO OUR SUGGESTIONS AS TO HOW EOS MIGHT BE TWEAKED OR REPORTS ADDED. IT HAS BEEN A POSITIVE EXPERIENCE FOR US, AND HAS STRENGTHENED THE RELATIONSHIP."

Nic Earner, Chief Operations Officer, Alkane Resources

Emeco gathers and compares the information and data against industry benchmarks to provide Alkane with opportunities and actions to improve production and remove bottlenecks.

Since implementing EOS, Alkane has increased their payload by 15% and lifted utilisation by approximately 8%. They now have real time information by dig unit, haul unit and operator and can work with individuals to understand what operational changes will get the fleet working more efficiently.

The Emeco team continue to measure ongoing performance to ensure the sustainability of the actions taken and identify further opportunities to improve productivity.

EQUIPMENT MIX

10 X REAR DUMP TRUCKS

3 X EXCAVATORS

4 X DOZERS

2 X LOADERS

2 X WATER CARTS

ANCILLARY EQUIPMENT

visit emecogroup.com/eos

to view the Alkane Testimonial Video and to find out how EOS can help you lower your cost per tonne.

REGIONAL BUSINESS OVERVIEW

CHART 5: RENTAL REVENUE BY REGION

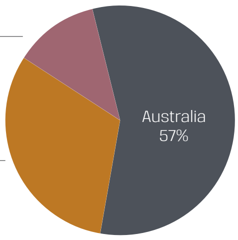


CHART 6: EBITDA CONTRIBUTION BY REGION

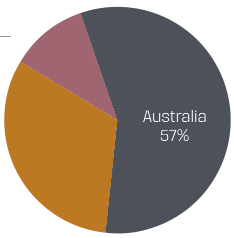
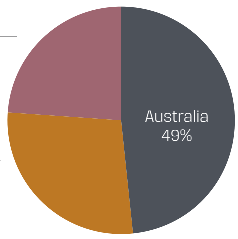


CHART 7: FLEET BY REGION

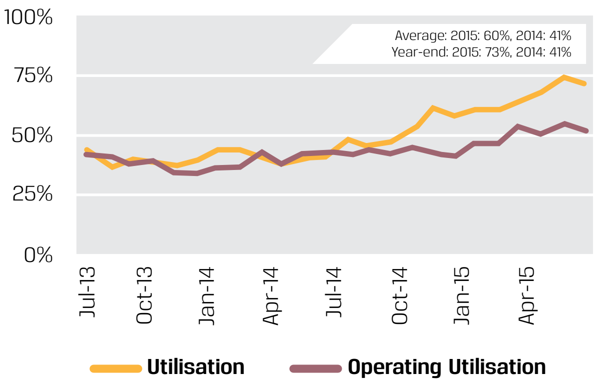


AUSTRALIA

TABLE 8: PERFORMANCE INDICATORS

	Operating results		
A$ millions	2015	2014	Var
Revenue	137.0	130.0	5.4%
EBITDA	35.0	44.8	(21.9%)
EBIT	(26.3)	(3.5)	651.4%
Funds employed	312.9	374.7	(16.5%)
ROFE	(8.4)%	(0.9)%	
No. workforce	217	226	

CHART 8: AVERAGE FLEET UTILISATION



Notes:

- For a reconciliation of statutory to operating results refer to table 1 on page 11, table 2 on page 11 and accompanying notes.
- Utilisation defined as % of fleet rented to customers (measured by written down value).
- Operating utilisation defined as ratio of operating hours recognised over a month, compared to a target average number of 400 operating hours over a month.
- Australia results in table 8 represent the Australian Rental segment and does not include the Australian Sales and Parts results.

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 leveraged to the production phase of the mining cycle. Operating unit performance is summarised below:

TABLE 9: OPERATING UNIT AVERAGE UTILISATION

	Utilisation			Revenue ($ million)	
	Current	2015	2014	2015	2014
Western Region	28%	53%	40%	57.0	53.4
New South Wales	95%	79%	60%	58.7	45.5
Queensland	84%	49%	23%	21.3	31.1

FY15 rental revenue commodity mix was weighted toward metals (50%), thermal coal (24%), metallurgical coal (20%) and iron ore (6%) (FY14: metals 30%, thermal coal 26%, metallurgical coal 19%, iron ore 14%, other 11%).

FY15 PERFORMANCE

Utilisation across FY15 improved compared to FY14 as a number of contracts were secured and existing customers rented additional units, increasing average utilisation from 41% in FY14 to 60% in FY15. New South Wales and Queensland are currently operating at 95% and 84% respectively, Western Region is operating at 28%. Nil recovery in rental rates over the period combined with low machine operating hours over ramp-up periods resulted in only a marginal increase in operating revenue to $137.0 million (up from $130.0 million in FY14).

The majority of contract wins over FY15 were in Queensland and included units placed with a number of coal operations, driving the increase in Queensland utilisation compared to the commencement of FY15. Our new management team in Queensland engaged with customers to identify rental opportunities and gain significant market share, despite the competitive environment. We continued to defend our presence in New South Wales by building on our relationships with existing customers and commencing operations with a gold producer and coal mine development. Western Region recently ceased rental services with long-term customer Saracen following a highly competitive tender process for a fleet at its Thunderbox operations. The contract represented approximately 20% of Western Region utilisation.

Despite an improvement in utilisation and revenue, margins were impacted by $11.4 million of one off costs to return machines back to work and increased use of hired in equipment to meet customers fleet requirements. A change in depreciation policy over FY15 also negatively impacted EBIT margins (refer to page 13 for further details).

THE YEAR AHEAD

With FY15 year end utilisation at 73% management is focused on improving margins in FY16. Average contract tenure has improved, which combined with our customers preference to work with Emeco is expected to maintain utilisation in Australia over 70% for the foreseeable future.

Margin improvement will be achieved through the cost reduction initiatives implemented as part of Project Fit, ensuring customers are utilising contracted fleet and improved preventative maintenance driven by the development of the previously announced Emeco Operating System (**EOS**) fleet management and mining technology platform.

MEDIUM TERM OUTLOOK

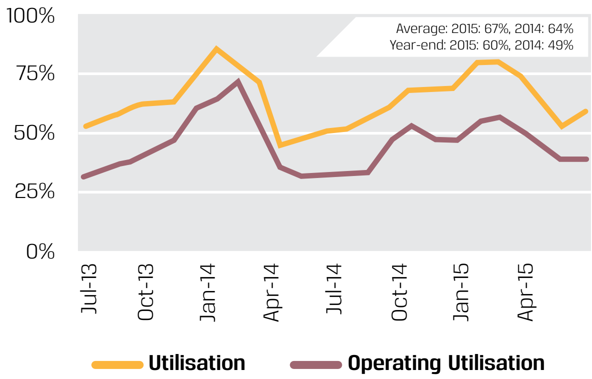
The medium term outlook for the Australian mining market remains similar to that 12 months ago despite improved utilisation. The falling value of the Australian dollar improves the cost competitiveness of our end customers at a global level however low commodity prices continue to impact margins. While opportunities exist to put idle machines back to work, the competitive landscape across all markets reduces visibility on the timing of any rental rate recovery.

CANADA

TABLE 10: PERFORMANCE INDICATORS

	Operating results		
A$ millions	2015	2014	Var
Revenue	76.3	81.5	(6.4%)
EBITDA	19.3	27.6	(30.1%)
EBIT	(5.2)	8.2	(163.4%)
Funds employed	156.8	186.5	(15.9%)
ROFE	(3.3)%	4.4%	
No. employees	96	96	

CHART 9: AVERAGE FLEET UTILISATION



Notes:

- For a reconciliation of statutory to operating results refer to table 1 on page 11, table 2 on page 11 and accompanying notes.
- Utilisation defined as % of fleet rented to customers (measured by written down value).
- Operating utilisation defined as ratio of operating hours recognised over a month, compared to a target average number of 400 operating hours over a month.

MAIN MARKETS

The Canada business is strategically located in the Alberta region to primarily service oil sands and bulk commodity projects in Western Canada. The business supplies rental equipment and mine site services to oil majors, indigenous and non-indigenous contractors, and bulk commodity miners. Rental revenue composition in FY15 remained heavily weighted toward oil sands (87%) with the remainder derived primarily from thermal coal.

FY15 PERFORMANCE

Heading into FY15 we announced our Canada strategy as diversifying earnings away from the oilsands business and growing our mine site services business, both of which are expected to smooth the seasonality in Canada. Over FY15 we achieved success with both strategies by identifying rental opportunities in the coal and iron ore sectors and winning a five year fuel and lubricants contract with a major oilsands producer.

Canada continued to benefit from building relationships direct with miners as demonstrated by averaging 80% utilisation over the winter period despite the fall in the oil price. Rental revenue of $65.9 million for FY15 was 12.7% down on FY14 ($75.2 million) primarily as a result of an average 5% rental rate reduction across the fleet and lower operating hours as customers revised mine plans in response to the lower oil price environment. Despite the fall in rental revenue, mine site services revenue was up 69% to $10.4 million (FY14: $6.2 million) with the completion of our fleet maintenance facility at Kearl Lake.

The fall in rental revenue combined with the increased use of operating leases to meet non-core asset requirements on new project wins was the primary driver of EBITDA margin declining in FY15 to 25.2% (2014: 33.9%). The depreciation policy adopted in FY15 further compressed EBIT margin to negative 6.9% (FY14: 10.1%).

THE YEAR AHEAD

Going into FY16 our Canada business is averaging close to 60% utilisation (compared to 49% PCP) which includes approximately a third from machines operating outside the oilsands industry. As previously announced we have improved commodity diversification with units working across three sites for a large coal company and seven units rented on a three year contract in the Labrador iron ore region.

Our Canada mine site services business is expected to continue growing with the recently signed fuel and lubricants contract expected to double mine services revenue in FY16.

Management will continue to review capital expenditure requirements with the use of operating leases for non-core assets required to secure rental and mine site services opportunities.

MEDIUM TERM OUTLOOK

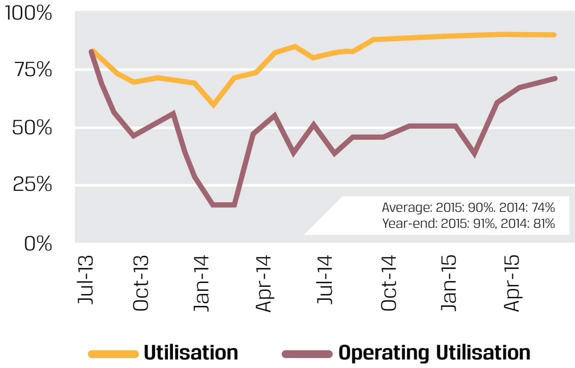
Embodied in the Canada oil sands industry is the seasonal nature of earth works over a year. While this limits visibility on future activity, the installed production capacity in long life oil sands projects underpins significant base load volumes over the medium term. Management continues to seek opportunities outside the oilsands industry to reduce seasonality in the business.

CHILE

TABLE 11: PERFORMANCE INDICATORS

	Operating results		
A$ millions	2015	2014	Var
Revenue	29.6	25.1	17.9%
EBITDA	6.6	13.8	(52.2%)
EBIT	(9.8)	4.1	(339.0%)
Funds employed	146.5	138.3	5.9%
ROFE	(6.6%)	3.0%	
No. employees	23	16	

CHART 10: AVERAGE FLEET UTILISATION



Notes:

- For a reconciliation of statutory to operating results refer to table 1 on page 11, table 2 on page 11 and accompanying notes.
- Utilisation defined as % of fleet rented to customers (measured by written down value).
- Operating utilisation defined as ratio of operating hours recognised over a month, compared to a target average number of 400 operating hours over a month.

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 FY15 was 100% weighted toward the copper industry.

FY15 PERFORMANCE

The Chile business entered FY15 securing the previously announced five year Encuentro contract in conjunction with Chile mining contractor Fe Grande. Commencing from July 2014 the contract was expected to generate between US$27 million and US$32 million annually and represent over 50% utilisation of the Chile fleet.

The Encuentro project drove a 17.9% increase in revenue compared to FY14 however operational issues on site impacted profitability and availability of the remaining Chile fleet to be utilised on other projects. Mine operations during ramp-up and over FY15 were below forecast with lower than expected tonnes moved on site which reduced the operational hours of our fleet. In addition we experienced reduced availability of our 793F truck fleet due to manufacturer issues which required fleet downtime to remediate under warranty and the use of other Emeco trucks to back fill. The productivity issues have been addressed and there has been a material operational improvement at the Encuentro mine. We expect this project to be more profitable in FY16 under the new contractual model.

EBITDA and EBIT margins declined to 22.3% and negative 33.1% respectively in FY15 as a result of $0.9 million in one off prep-for-rent costs associated with preparing fleet for the Encuentro project and lower than forecast operating hours against a growing fixed cost base to service the Encuentro contract. As previously mentioned EBIT margins in FY15 were impacted by adoption of a more aggressive depreciation policy.

THE YEAR AHEAD

Emeco recently announced that its Chile rental business signed a partnership agreement with leading global mine contractor Thiess. The partnership agreement relates to the four year mining contract awarded to Thiess for the pre-strip operations at AMSA's Encuentro open pit copper mine, replacing Fe Grande. Emeco will continue to provide mining and ancillary fleet support for the tenure of the contract.

In addition to the Thiess partnership Chile recently placed four 793s at AMSA's Esperanza site. This wet hire contract demonstrates the strong relationship Emeco maintains with its customers and the flexibility in our business model to meet our customer's needs. Current contracts, potential contract extensions and the project pipeline in South America is expected to maintain utilisation above 90% for H1 FY16.

Margin growth is expected in FY16 with improved productivity at Encuentro following Thiess commencement on site, reduced prep-for-rent costs compared to FY15 and cost reduction initiatives driven by Project Fit.

MEDIUM TERM OUTLOOK

The Chile mining industry maintains a strong cost curve position which is expected to underpin activity over the medium term. Greater presence in Chile continues to provide Emeco new opportunities to expand its customer base, both with contractors and mining companies. In addition the partnership with Thiess provides a platform to enter further opportunities together in the South American region. On the basis that volumes continue to grow in the Chile copper market, Emeco is well positioned to maintain and grow earnings in this business in the medium term.

DISCONTINUED OPERATIONS

During FY14 Emeco completed a strategic review on its Indonesian business deciding to exit the market given expected poor earnings over the long term. The Indonesian business has been classified as a discontinued operation for FY15 and the prior comparable period.

FIVE YEAR FINANCIAL SUMMARY

TABLE 12: FIVE YEAR FINANCIAL SUMMARY

		2015	2014	2013	2012	2011
REVENUE						
Revenue from rental income	$'000	206,718	205,368	314,068	440,299	386,530
Revenue from sale of machines and parts	$'000	2,788	8,145	23,413	66,689	62,795
Revenue from maintenance services	$'000	31,925	27,582	41,894	58,182	53,170
Total	$'000	241,431	241,095	379,375	565,170	502,495
PROFIT						
EBITDA[2]	$'000	32,856	66,064	148,268	260,507	215,379
EBIT[3]	$'000	(96,784)	(213,608)	32,075	124,820	93,206
PBT	$'000	(162,595)	(251,378)	7,459	100,406	70,247
NPAT from continuing operations	$'000	(123,131)	(224,172)	12	69,972	49,974
Profit/(loss) from discontinued operations	$'000	(4,572)	(51,137)	5,992	(227)	(365)
Profit for the year	$'000	(127,703)	(275,309)	6,004	69,745	49,609
One-off significant items	$'000	(18,652)	(202,629)	(28,487)	(1,375)	(6,395)
Operating profit	**$'000**	**(94,813)**	**(21,543)**	**28,499**	**71,120**	**56,004**
Basic EPS	cents	(15.8)	(3.6)	4.8	11.3	8.2
BALANCE SHEET						
Total assets	$'000	708,755	748,362	1,126,022	1,216,116	981,152
Total liabilities	$'000	487,284	424,390	514,846	575,729	378,918
Shareholders' equity	**$'000**	**221,471**	**323,972**	**611,176**	**640,387**	**602,234**
Total debt	$'000	423,971	343,774	415,426	459,484	297,005
CASH FLOWS						
Net cash flows from operating activities	$'000	(2,894)	82,072	181,303	230,467	214,931
Net cash flows from investing activities	$'000	(13,013)	25,032	(129,124)	(281,817)	(146,088)
Net cash flows from financing activities	$'000	(6,733)	(71,364)	(119,281)	118,958	(68,947)
Free cash flow after repayment/ (drawdown) of net debt	**$'000**	**(22,640)**	**35,740**	**(67,102)**	**67,608**	**(104)**
Free cash flow before repayment/ (drawdown) of net debt[1]	**$'000**	**(18,495)**	**85,889**	**(9,273)**	**(90,958)**	**(17,800)**
DIVIDENDS						
Number of ordinary shares at year end	'000	599,675	599,675	599,675	631,238	631,238
Total dividends paid in respect to financial year	$'000	0	0	15,109	37,874	63,124
Ordinary dividends per share declared	**cents**	**0.0**	**0.0**	**2.5**	**6.0**	**5.0**
Special dividends per share declared	**cents**	**0.0**	**0.0**	**0.0**	**0.0**	**5.0**
KEY RATIO'S						
Average fleet utilisation	%	69.0	48.0	67.0	86.0	85.0
EBIT ROC	%	(9.4)	(0.8)	7.1	13.2	11.3
EBIT ROFE (operating goodwill)	%	(9.6)	(0.9)	8.5	15.7	14.0
Net debt to operating EBITDA	x	10.29	4.78	2.15	1.47	1.38
Total debt to equity	%	191.4	106.1	68.0	71.8	49.3

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

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

2 FY15 and FY14 reported exclude tangible asset impairments and foreign exchange gains and losses being reported below EBITDA.

3 FY15 and FY14 reported exclude foreign exchange gains and losses being reported below EBIT.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FINANCIAL REPORT

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2015

The directors of Emeco Holdings Limited (**Emeco** or **Company**) present their report together with the financial reports of the consolidated entity, being Emeco and its controlled entities (**Group**) and the auditor's report for the financial year ended 30 June 2015 (**FY15**).

DIRECTORS

The directors of the Company during FY15 were:

ALEC BRENNAN AM,

BSc Hons, MBA Dist, FAICD, 68

Appointment: Independent Non-Executive Director of public company since July 2006. Chairman since November 2006.

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

» Independent Director of the New South Wales Environment Protection Authority (since 2012).

» Fellow of Senate and Chair of Sydney University Finance and Human Resources committees (since 2006). Deputy Chancellor of the Senate of the University (since 2014).

KENNETH LEWSEY

BBus, MAICD, 52

Appointment: Managing Director since November 2013. Ceased as Managing Director on 20 August 2015.

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).

JOHN CAHILL

BBus, Grad Dip Bus, FCPA, GAICD, 59

Appointment: Independent Non-Executive Director since September 2008.

Board committee membership: Chairman of the Audit and Risk Management 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 is a past Chief Executive Officer of Alinta Infrastructure Holdings and past Chief Financial Officer of Alinta Ltd. John was previously Non-Executive Director (2007 to 2013) and President and Chairman (2011 to 2013) of CPA Australia Ltd and Non-Executive Director (2009 to 2014) and Deputy Chairman (2010 to 2014) of Electricity Networks Corporation, Western Australia (trading as Western Power). John was made a life member of CPA Australia Ltd in 2013.

Current appointments:

» Non-Executive Director of Toro Energy Limited (since January 2015) and Chair of Toro Energy Limited Audit and Risk Management Committee (since April 2015).

» Non-Executive Director of Accounting Professional & Ethical Standards Board (since February 2014).

» Councillor of Edith Cowan University and Chair of the University's Resources Committee (since 2011).

PETER RICHARDS

BCom, 56

Appointment: Independent Non-Executive Director since June 2010.

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

Skills and experience: Peter has over 35 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) and Non-Executive Director (2010 to 2013), 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, 63

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 Chair of Toro Energy, 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).
» Deputy Chair 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).

The following have been appointed to the board since 30 June 2015:

IAN TESTROW

BEng (Civil), MBA, 45

Appointment: Managing Director since 20 August 2015.

Skills and experience: Ian has been Emeco's Chief Operating Officer since 2014, responsible for the Australian and Chilean operations as well as Global Asset Management. Prior to this he was President, New and Developing Business after establishing Emeco's Chilean business in 2012 in his role as President, Americas. Ian previously managed the exit of Emeco's USA business in 2010 and commenced developing Emeco's Canadian business in 2009. Ian joined Emeco in 2005, responsible for the business in Queensland and Northern Territory and, then in addition in 2007, New South Wales. Prior to Emeco Ian worked for Wesfarmers, BHP, Thiess and Dyno Nobel.

GREGORY HAWKINS

BCom, FCA, 47

Appointment: Executive Director Finance since 20 August 2015.

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

COMPANY SECRETARY

The Company Secretary of the Company during FY15 was:

THAO VANDERPLANCKE

LLB (Hons), BCom

Thao was appointed to the position of Company Secretary to the Emeco Board and General Counsel 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 FY15 is outlined in the following table below:

TABLE 13: BOARD AND COMMITTEE MEETINGS HELD AND DIRECTOR ATTENDANCE

Director	Board meetings		Audit & risk management committee meetings		Remuneration & nomination committee meetings	
	A	B	A	B	A	B
Alec Brennan	16	16	6	6	2	2
Kenneth Lewsey	16	16	6*	6	2*	2
John Cahill	16	16	6	6	2	2
Peter Richards	16	16	6	6	2*	2
Erica Smyth	16	16	6*	6	2	2

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

CORPORATE GOVERNANCE STATEMENT

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

PRINCIPAL ACTIVITIES

The principal activity during FY15 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 FY15, is set out in the operating and financial review section at pages 10 to 23 and in the accompanying financial statements.

DIVIDENDS

No dividends were declared or paid during FY15. No dividends have been declared or paid since the end of FY15.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

EVENTS SUBSEQUENT TO REPORT DATE

Subsequent to the period end, the Group refinanced its finance lease facility resulting in an extension to 15 February 2017 at a lower interest rate.

On 1 July 2015, Emeco announced that it had signed a partnership agreement with Cimic Group company, Thiess, for pre-strip operations at the Encuentro Oxides copper mine in Chile that was previously operated by Fe Grande.

On 20 August 2015, Mr Kenneth Lewsey ceased and Mr Ian Testrow commenced in the role of Managing Director and Chief Executive Officer of the Company. Mr Gregory Hawkins also commenced in the role of Executive Director, Finance on 20 August 2015.

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 10 to 23. 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 14: DIRECTORS' INTERESTS

Director	Ordinary shares	Options or rights
Alec Brennan	2,081,700 [A]	-
John Cahill	120,000	-
Gregory Hawkins	127,000	-
Peter Richards	40,000	-
Erica Smyth	71,049	-
Ian Testrow	1,015,714 [A]	2,126,639 [B]

[A] This number includes management incentive share plan shares which have been elected to be returned to the Company pursuant to terms of the MISP. See section 5.4.

[B] This comprises unvested performance shares issued under the Company's long term incentive plan and unvested shares under the employee share ownership plan. See sections 3.3.3, 5.3 and 5.5.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

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

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

The Group has not indemnified its auditor, 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 management committee to ensure they do not impact the integrity and objectivity of the auditor.
- » The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing the risks and rewards.

Details of the amounts paid to the auditor of the Group, 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.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 44 and forms part of the directors' report.

ROUNDING OFF

The amounts contained in the financial report have been rounded to the nearest $1,000 (unless otherwise stated) under the option available to the Company 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. Service contracts

1. INTRODUCTION

This report details the Group's remuneration objectives, practices and outcomes for key management personnel (**KMP**), which includes directors and senior executives, for the year ended 30 June 2015. Any reference to 'executives' in this report refers to KMP who are not non-executive directors.

The following persons were directors of the Company during FY15:

Non-executive directors	
Alec Brennan	Chair
John Cahill	
Peter Richards	
Erica Smyth	
Executive director	
Kenneth Lewsey	Managing Director & Chief Executive Officer (ceased role on 20 August 2015)

The following persons were also employed as executives of the Company during FY15:

Other executives as at the report date	Position
Gregory Hawkins [A]	Chief Financial Officer
Christopher Hayman	President North America (commenced role on 26 November 2014), previously President Americas
Kalien Selby	Executive General Manager Strategy & Business Improvement (commenced role on 18 February 2015)
Ian Testrow [B]	Chief Operating Officer
Thao Vanderplancke	Company Secretary & General Counsel
Other executives	**Position**
Kellie Benda	Executive General Manager Strategy & Corporate Development (ceased role on 19 December 2014)
David Greig	President South America (1 October 2014 to 22 June 2015)
Stuart Jenner	Executive General Manager HR, HSE & IT (ceased role on 30 June 2015)
Grant Stubbs	Executive General Manager Asset Strategy & Operational Improvement (ceased role on 1 October 2014)

[A] Mr Gregory Hawkins commenced role of Executive Director, Finance on 20 August 2015.
[B] Mr Ian Testrow commenced role of Managing Director & Chief Executive Officer on 20 August 2015.

2. REMUNERATION GOVERNANCE

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

- rewarding executives for the achievement of the Company's short and long term financial, strategic and safety goals; 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 FY15 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:

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

The remuneration structure for the Company's executives consists of fixed and variable components. The variable component ensures that a proportion of pay varies with Company 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 August. No executive received an increase in fixed remuneration in FY15 whilst as an executive.

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.

In FY15 the fixed remuneration of the chief financial officer, Mr Gregory Hawkins, was 20% lower than that of his predecessor, Mr Stephen Gobby. The fixed remuneration of the new chief executive officer and managing director, Mr Ian Testrow (appointed 20 August 2015), is 29% lower than that of his predecessor, Mr Ken Lewsey.

3.3 Variable remuneration

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

STI awards are for performance assessed over one year. See section 3.3.2 for more information.

LTI awards are for performance assessed over three years. See section 3.3.3 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 in FY15 is shown in the following table:

TABLE 15: COMPONENTS OF VARIABLE REMUNERATION

Executive [A]	Position	Target STI cash component	Target STI equity component	Stretch STI component [B]	Maximum total STI	Maximum total LTI	Maximum total variable remuneration
Kenneth Lewsey	Managing Director & Chief Executive Officer	75%	25%	33%	133%	75%	208%
Gregory Hawkins	Chief Financial officer	50%	10%	20%	80%	50%	130%
Christopher Hayman	President North America	50%	10%	20%	80%	40%	120%
Stuart Jenner	Executive General Manager HR, HSE & IT	50%	10%	20%	80%	40%	120%
Ian Testrow	Chief Operating Officer	50%	10%	20%	80%	50%	130%
Thao Vanderplancke	Company Secretary & General Counsel	37%	0%	9%	46%	37%	82%

[A] Mr Grant Stubbs and Ms Kellie Benda ceased their roles effective on 1 October 2014 and 19 December 2014 respectively and were not offered STIs or LTIs in FY15. Mr David Greig and Ms Kalien Selby were appointed as executives on 1 October 2014 and 18 February 2015 respectively and had no FY15 STI or LTI entitlements as an executive.

[B] The stretch STI component relates to additional awards for performance greater than FY15 budget EBITDA and OCF (see table 16). Stretch STI components are paid in equity to all executives, except to Ms Thao Vanderplancke which is paid in cash.

3.3.1 Remuneration arrangements with Ms Thao Vanderplancke

Ms Thao Vanderplancke was appointed to the role of company secretary and general counsel of the Company effective on 1 July 2014. Upon appointment, Ms Vanderplancke was not a direct report to the chief executive officer and managing director and, therefore, had a different variable remuneration structure to other executives.

Ms Vanderplancke's variable remuneration structure differed to that of the other executives as follows:

Thao Vanderplancke	Other executives
STI awards are in cash only	STI awards are in cash and equity
STI awards are not subject to the STI condition (see section 3.3.2)	STI awards are subject to the STI condition
Stretch STI awards are paid in cash	Stretch STI awards are paid in equity
Weighting for OCF and personal goals STI KPIs are nil and 35% respectively	Weighting for OCF and personal goals STI KPIs are 15% and 20% respectively
Dividends will be paid on all LTI securities	Dividends in respect of LTI securities will be paid only in respect of vested LTI securities at the end of the vesting period
Upon an absolute change in control of the Company, all LTI securities will automatically vest	Upon an absolute change in control of the Company, LTI securities will vest only if the performance condition has been met and in accordance with the vesting schedule

As Ms Vanderplancke now reports directly to the chief executive officer and managing director, her remuneration structure has been amended to that of all other executives effective 1 July 2015.

3.3.2 STI remuneration

Cash and equity

STIs are used to reward the performance of executives over a full financial year. The actual amount of STI awarded is determined after the end of the financial year in light of the Company and executive's performance against agreed key performance indicators (**KPIs**). All executive STI awards require review and approval by the remuneration and nomination committee and the board.

An executive's maximum achievable STI award is set as a percentage of TFR (refer to table 15 above for details). In respect of FY15, executive STIs were only awarded if Group FY15 EBITDA is at least that of FY14 (**STI condition**).*

The financial KPIs provided for pro-rata cash payments where FY15 EBITDA and OCF were between FY14 actual performance and FY15 budget (see the EBITDA and OCF KPIs set out in table 16). Stretch STI awards for above FY15 budget performance are made in equity.*

In FY15 target STI awards are made:

» for the managing director and chief executive officer, 25% in equity and 75% in cash; and
» for all other executives*, in cash up to the target STI cash component, with additional awards made in equity.

Stretch STI awards, being those above the target STI awards (refer to table 15 above for details), are made in equity.*

Where an equity component is payable, the number of shares awarded is calculated by dividing the STI equity value by the June 2015 VWAP of Emeco shares. For the managing director and chief executive officer, STI awards made in equity are granted after shareholder approval at the annual general meeting and such shares are escrowed for two years until the announcement of the Company's annual results in 2017. For all other executives, the grant of the shares are deferred and subject to the executive remaining employed by the Group the day after the announcement of Emeco's annual results in 2016. All STI awards made in equity are acquired on-market and, therefore, do not have the effect of diluting shareholdings.

As the STI condition was not met, no executive* will be awarded any STIs in respect of FY15.

Key performance indicators

Along with financial 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.

Table 16 below sets out the KPIs for the FY15 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.

* Does not apply to Ms Thao Vanderplancke. See section 3.3.1 above.

TABLE 16: FY15 STI PLAN KPI WEIGHTINGS AND ENTITLEMENTS

KPI	Weighting	Entitlement	Rationale	Achievement [B]
EBITDA	50%	0% if EBITDA is less than FY14 EBITDA. 100% if EBITDA is greater than FY15 budget EBITDA. Pro-rata payments between these levels and on the same basis up to a maximum of 150%.	This profit figure quantifies the Company's financial performance.	Below threshold
Operating Cash Flow (OCF)	15%*	0% if OCF is less than FY15 budget OCF based on FY14 EBITDA and 85% of FY15 budget disposals. 100% if OCF is greater than FY15 budget OCF. Pro-rata payments between these levels and on the same basis up to a maximum of 150%.	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.	Below threshold
Health, Safety & Environment (HSE)	7.5%	0% if TRIFR as at 30 June 2015 is less than 10% lower than TRIFR as at 30 June 2014. 100% if TRIFR as at 30 June 2015 is at least 25% lower than the TRIFR as at 30 June 2014. Pro-rata payments between these levels. Notwithstanding the above, no award if there is a serious, permanently disabling injury or a fatality. [A]	The board regularly reviews the Company's safety performance in detail and is striving to achieve a 'zero-harm' workplace at Emeco. TRIFR measures progress towards this aspiration.	Below threshold
	7.5%	Requires involvement with proactive HSE activities.	The participation in behavioural based safety programs encourages safety leadership and promotes safety throughout the workplace.	Between threshold and target
Personal Goals	20%*	Managing director's award is assessed by the board. Other executives' award 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 improving the Company's talent management, liquidity, corporate governance, service offering and strategic planning and implementation.	Between threshold and target

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

[B] Notwithstanding achievements, executives were not awarded any STIs* as the STI condition was not met.

* Does not apply to Ms Thao Vanderplancke. See section 3.3.1.

3.3.3 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 FY15, performance shares were offered to Australian based executives, with the number of performance shares offered being determined by reference to the executive's maximum LTI entitlement and the fair value of the LTI securities as at the commencement of the vesting period. Performance shares were offered at no cost to the executive, however award of the shares is subject to the performance condition described below.

Executives based outside Australia
In FY15, Emeco executives who were resident outside Australia were offered performance rights instead of performance shares due to the complexity and cost of compliance issues associated with the offer of performance shares in the relevant foreign jurisdictions. These offers were on substantially identical terms to that of the performance shares granted to Australian based executives.

Performance condition
The performance condition for the vesting of LTI securities under the FY15 LTI plan (and the FY14 and FY13 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 FY15 LTI grant, the peer group comprised a total of 123 companies from the S&P/ASX Small Industrials (excluding banks, insurance companies, property trusts/companies and investment property trusts/companies and other stapled securities). Consideration is being given to limiting the peer group only to those considered direct peers to Emeco going forward.

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

LTI securities 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:

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 reallocation.

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

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, 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.

3.4 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.

3.5 RELATIONSHIP BETWEEN REMUNERATION AND COMPANY PERFORMANCE

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

This has been achieved by ensuring that a significant proportion of an executive's 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. In respect of FY15, no executive* was awarded any STIs and no LTIs vested.

Details of the KPIs for the FY15 STI and LTI plans are set out in the following table:

KPI	LTI	STI
Financial	Total shareholder return	Budget EBITDA Budget OCF
Non-financial	Not applicable	Health, safety and environment 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 mean that STI remuneration is genuinely at risk, is highlighted by the fact that no executive will receive a STI payment in respect of FY15.* In FY11, 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 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 - no STIs in respect of financial KPIs were awarded. However, executives will not receive STI payments in respect of FY15 as they were entirely subject to the STI condition.* Details of these KPIs are set out above in section 3.3.

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

	FY15	FY14	FY13	FY12	FY11
Profit/(loss) from continuing operations ($m)	(123.1)	(224.2)	(0.0)	70.0	50.0
Profit/(loss) from discontinuing operations ($m)	(4.6)	(51.1)	6.0	(0.2)	(0.4)
Statutory profit/(loss) ($m)	(127.7)	(275.3)	6.0	69.7	49.6
Total dividends declared ($m)	-	-	15.0	37.9	63.1
Statutory return on capital employed	(20.7%)	(30.7%)	4.2%	13.0%	10.3%
Closing share price as at 30 June	$0.08	$0.20	$0.28	$0.87	$1.13

In FY15, the primary focus of the Company was to strengthen its balance sheet, improve utilisation and dispose its surplus fleet. Strategic achievements over FY15 were executed to drive the Emeco business through this current downturn in the global market and position the business for future growth, and hence greater shareholder returns.

* Does not apply to Ms Thao Vanderplancke. See section 3.3.1

Throughout FY11, the Company's share price increased nearly 100% from 58 cents at opening of trading on 1 July 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 as the share price three years prior was only 40 cents. 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. 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, 20 cents and 8 cents on 30 June 2013, 30 June 2014 and 30 June 2015 respectively. No LTI securities vested following the Company's performance in FY13 or FY14. This highlights the genuinely challenging nature of the LTI KPI.

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

4. NON-EXECUTIVE DIRECTOR REMUNERATION

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

Non-executive director fees are reviewed and benchmarked annually in August. This did not take place in FY15 as the board had already resolved in May 2014 to reduce the fixed remuneration for non-executive directors by 20% with effect from 1 July 2014.

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

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

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

5. DETAILS OF REMUNERATION

5.1 Remuneration received in relation to FY15

Details of the elements comprising the remuneration of the Group's KMP in FY15 are set out in table 17 below. The table does not include the following components of remuneration because they were either not provided to KMP during FY15 or were not available to KMP by reason of their executive role:

- » Short term cash profit sharing bonuses.
- » Long term incentives distributed in cash.
- » Post-employment benefits other than superannuation.
- » Share based payments other than shares and units and share based payments in the form of options.
- » Matching shares under the Emeco employee share ownership plan (see section 5.5).

Also, payments made in respect of a period before the appointment, or after the cessation, of a person as KMP are not included in table 17.

TABLE 17: FY15 KMP REMUNERATION (COMPANY AND CONSOLIDATED)

	Short-term employee benefits			Post-employment benefits			Share based payments			
	Salary and fees $	STIs [1] $	Non-monetary [2] $	Super-annuation benefits $	Other long term benefits $	Termina-tion benefits $	LTIs $	Total $	% of remuner-ation perfor-mance related %	Value of options as at % of total remuner-ation %
Non-executive directors										
Alec Brennan	160,495	-	-	13,566	-	-	-	174,061	-	-
John Cahill	97,594	-	-	8,651	-	-	-	106,245	-	-
Peter Richards	89,288	-	-	7,915	-	-	-	97,203	-	-
Erica Smyth	89,288	-	-	7,915	-	-	-	97,203	-	-
Executive director										
Kenneth Lewsey	809,330	-	-	73,744	-	-	333,554	1,216,628	27%	-
TOTAL ALL DIRECTORS	**1,245,995**	**-**	**-**	**111,791**	**-**	**-**	**333,554**	**1,691,340**		
Executives at report date										
Gregory Hawkins	468,356	-	-	41,644	-	-	39,859	549,859	7%	-
Christopher Hayman [A]	343,118	-	21,717	-	-	-	70,375	435,209	16%	-
Kalien Selby [B]	96,375	-	-	9,155	-	-	3,922	109,452	4%	-
Ian Testrow	443,524	-	81,671	42,135	-	-	201,793	769,123	26%	-
Thao Vanderplancke	244,615	40,800	-	22,800	-	-	40,291	348,506	12%	-
Other executives										
Kellie Benda [C]	184,849	-	-	17,561	-	-	(11,237)	191,173	0%	-
David Greig [D]	280,222	-	115,561	-	-	-	47,774	443,558	11%	-
Stuart Jenner	235,974	-	-	24,292	-	-	43,115	303,381	14%	-
Grant Stubbs [E]	158,203	-	-	15,029	-	-	(68,945)	104,287	0%	-
TOTAL ALL EXECUTIVES	**2,455,236**	**40,800**	**218,949**	**172,616**	**-**	**-**	**366,946**	**3,254,547**		
TOTAL	**3,701,231**	**40,800**	**218,949**	**284,407**	**-**	**-**	**700,500**	**4,945,887**		

[1] STI awards under the FY15 plan were finally determined on 19 August 2015 after completion of performance reviews (refer to table 18).
[2] Non-monetary benefits include housing, vehicle and health benefits.
[A] Mr Christopher Hayman's remuneration has been converted to Australian dollars on the basis of an AUD/CAD exchange rate of 0.9606.
[B] Ms Kalien Selby was appointed as an executive on 18 February 2015.
[C] Ms Kellie Benda ceased her role as an executive on 19 December 2014. All unvested LTI securities granted to Ms Benda were forfeited in accordance with the terms of the grant and reversed through the income statement.
[D] Mr David Greig was an executive from 1 October 2014 to 22 June 2015. Mr Greig's remuneration has been converted to Australian dollars on the basis of an AUD/USD exchange rate of 0.8090.
[E] Mr Grant Stubbs ceased his role as an executive on 1 October 2014. All unvested LTI securities granted to Mr Stubbs were forfeited in accordance with the terms of the respective grants and reversed through the income statement.

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

	Short-term employee benefits			Post-employment benefits			Share based payments					
	Salary and fees $	STI cash bonuses [1] $	Non-monetary [2] $	Superannuation benefits $	Other long term benefits $	Termination benefits $	LTIP $	MISP $	STI $	Total $	% of remuneration performance related %	Value of options as at % of total remuneration %
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												
Kenneth 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)	-
Christopher 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.

[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.

5.2 FY15 STI grants

The terms of the FY15 STI plan are discussed at pages 34 to 35.

Details of the vesting profile of the STI grants awarded to executives in respect of FY15 are set out below:

TABLE 18: FY15 EXECUTIVE STI VESTING INFORMATION

Executive [A]	Maximum total STI value [1]	Maximum STI cash value	Maximum STI equity value	STI cash awarded	STI equity awarded	% of STI awarded	% of STI forfeited
Kenneth Lewsey	$1,126,250	$637,500	$488,750	$0	$0	0%	100%
Gregory Hawkins	$381,600	$240,000	$141,600	$0	$0	0%	100%
Christopher Hayman [B]	$251,630	$158,258	$93,372	$0	$0	0%	100%
Stuart Jenner	$222,600	$140,000	$82,600	$0	$0	0%	100%
Ian Testrow	$369,675	$232,500	$137,175	$0	$0	0%	100%
Thao Vanderplancke	$110,400	$110,400	$0	$40,800	$0	42.5%	57.5%

[1] The minimum STI value for each KMP is zero.
[A] Mr Grant Stubbs and Ms Kellie Benda ceased as an executive on 1 October 2014 and 19 December 2014, respectively, and did not have FY15 STI entitlements. Mr David Greig and Ms Kalien Selby had no FY15 STI entitlements as executives.
[B] Mr Christopher Hayman's remuneration has been converted to Australian dollars on the basis of an AUD/CAD exchange rate of 0.9606.

5.3 FY15 LTI grants

The terms of the LTI plan are discussed at pages 36 to 37.

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

TABLE 19: LTI SECURITY GRANTS AND VESTING TO EXECUTIVES

Executive [A]	Grant date	Equity instrument	Number granted	Maximum value [1]	% vested in FY15	% forfeited in FY15	Vesting date [2]	Fair value per share/ right at grant date [3]	Number held at year end
Kenneth Lewsey	04/11/2013	Shares	4,553,571	$637,500	-	-	Sep-16	$0.15	4,553,571
	24/11/2014	Shares	4,250,000	$637,500	-	-	Sep-17	$0.12	4,250,000
David Greig	02/11/2011	Rights	53,117	$40,369	-	100%	Sep-14	$0.76	0
	05/10/2012	Rights	94,694	$53,029	-	-	Sep-15	$0.56	94,694
	07/10/2013	Rights	357,432	$60,763	-	-	Sep-16	$0.18	357,432
	24/11/2014	Rights	794,012	$119,102	-	-	Sep-17	$0.12	794,012
Gregory Hawkins	24/11/2014	Shares	1,600,000	$240,000	-	-	Sep-17	$0.12	1,600,000
Christopher Hayman	07/10/2013	Rights	986,967	$138,175	-	-	Sep-16	$0.15	986,967
	24/11/2014	Rights	844,040	$126,606	-	-	Sep-17	$0.12	844,040
Stuart Jenner	05/10/2012	Shares	64,286	$36,000	-	100%	Sep-15	$0.56	0
	07/10/2013	Shares	252,941	$43,000	-	-	Sep-16	$0.18	252,941
	24/11/2014	Shares	746,667	$112,000	-	-	Sep-17	$0.12	746,667
Kalien Selby	24/11/2014	Shares	260,000	$39,000	-	-	Sep-17	$0.12	260,000
Ian Testrow	18/11/2011	Rights	189,000	$143,640	-	100%	Sep-14	$0.76	0
	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
	24/11/2014	Shares	1,550,000	$232,500	-	-	Sep-17	$0.12	1,550,000
Thao Vanderplancke	18/11/2011	Shares	17,105	$13,000	-	100%	Sep-14	$0.76	0
	05/10/2012	Shares	53,571	$30,000	-	-	Sep-15	$0.56	53,571
	02/11/2012	Shares	5,357	$3,000	-	-	Sep-15	$0.56	5,357
	07/10/2013	Shares	199,456	$33,908	-	-	Sep-16	$0.18	199,456
	24/11/2014	Shares	640,000	$96,000	-	-	Sep-17	$0.12	640,000

[1] The minimum value of each grant is zero.
[2] For LTI securities granted in FY12, FY13, FY14 and FY15 the vesting date is the twentieth trading day after the announcement of the Company's annual results in 2014, 2015, 2016 and 2017 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 17) is the portion of the fair value of the LTI securities recognised in FY15.
[A] Ms Kellie Benda and Mr Grant Stubbs ceased employment with Emeco during FY15. Ms Benda and Mr Stubbs were not offered LTI securities in FY15. All unvested LTI securities granted to Ms Benda in FY14 and Mr Stubbs in FY13 and FY14 were forfeited in accordance with the terms of the respective grants. Further, in FY15 a grant of 68,684 LTI securities made to Mr Stubbs in FY12 failed to vest due to the TSR percentage not being met.

5.4 Management incentive share plan

Emeco offered shares pursuant to a management incentive share plan (**MISP**) between 2005 and 2008. The shares offered under this plan were not conditional on performance but rather vested over time so as to encourage participants to remain with Group.

Under the MISP, the Company provided each MISP participant with an interest free, limited recourse loan (**loan**)* to enable them to subscribe for the MISP shares. Any dividends or capital distributions which were paid on the MISP shares were applied by the Company in reducing the amount of the loan. The shares vested over a five year period.

Subject to the approval of the board, the loan was capable of repayment at any time but, in most instances, was to be repaid by 1 July 2015, being the tenth anniversary of the commencement date of the MISP.* Eligible participants of the plan at 1 July 2015 were given the option to either pay the loan amount outstanding in respect of the shares or to extinguish the loan by forfeiting their interest in the shares. All KMP participants as at the report date (see detail below) have elected to forfeit their MISP shares.

* Excluding participants that were shareholders at the time of the loan.

As detailed below, there were no share based payments to any KMP under the MISP during FY15:

KMP	Number of shares issued	Issue price of shares	Grant date	Amount of loan outstanding as at 30 June 2015	Highest amount of indebtedness during FY15	Fair value recognised as remuneration during FY15
Alec Brennan	500,000	$0.61	18/08/2005	$142,500	$142,500	$0.00
Ian Testrow	300,000	$1.16	12/06/2006	$249,000	$249,000	$0.00

5.5 Emeco employee share ownership plan

Emeco's employee share ownership plan (**ESOP**) is an elective plan which was open to all Australian employees in FY15. Australian based employees were able to salary sacrifice a minimum of $500 and a maximum of $5,000 of pre-tax salary or wage to acquire Emeco ordinary shares on market in accordance with the terms of the ESOP.

For every five shares acquired by the employee under the ESOP, Emeco acquired one matching share on market at no cost to the employee.

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

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 FY15 four 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:

Executive	Shares purchased	Matching shares granted
Stuart Jenner	35,103	7,014
Kalien Selby [A]	35,103	7,014
Ian Testrow	35,103	7,014
Thao Vanderplancke	35,103	7,014

[A] Ms Kalien Selby purchased the shares as a participant of the ESOP in FY15 both prior to and after commencing as an executive.

6. SERVICE CONTRACTS

Each executive is employed pursuant to contracts which provide for an indefinite term and which are terminable on either party giving six months' notice or on the payment to the executive of up to six months' salary in lieu of notice. No termination payments other than salary in lieu of notice and accrued statutory leave entitlements are payable under these contracts.

Signed in accordance with a resolution of the directors.

Ian Testrow
Managing Director

Dated at Perth, 26 day of August 2015

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 2015 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

G-T H

Graham Hogg
Partner

Perth
26 August 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 $'000	2014 $'000
Continuing operations			
Revenue from rental income		206,718	205,368
Revenue from the sale of machines and parts		2,788	8,145
Revenue from maintenance services		31,925	27,582
		241,431	241,095
Changes in machinery and parts inventory	8	(11,780)	(14,443)
Repairs and maintenance		(99,216)	(84,727)
Employee expenses		(43,608)	(42,931)
Hired in equipment and labour		(22,411)	(13,142)
Gross profit		64,416	85,852
Other income	7	512	1,084
Other expenses [1]	8	(32,072)	(20,873)
Impairment of tangible assets	8	(30,836)	(43,656)
Impairment of goodwill	8	-	(157,887)
Depreciation expense	8	(98,720)	(77,996)
Amortisation expense	8	(84)	(132)
Finance income	8	2,781	6,081
Finance costs	8	(52,260)	(48,632)
Net foreign exchange gain/(loss) [1]	8	(16,332)	4,781
Loss before tax expense		(162,595)	(251,378)
Tax benefit	10	39,464	27,206
Loss from continuing operations		(123,131)	(224,172)
Discontinued operations			
Loss from discontinued operations (net of tax)	14	(4,572)	(51,137)
Loss from discontinued operations		(4,572)	(51,137)
Loss for the year		(127,703)	(275,309)
Other comprehensive (loss)/income			
Items that are or may be reclassified to profit and loss:			
Foreign currency translation differences for foreign operations		28,871	(5,308)
Effective portion of changes in fair value of cash flow hedges		(4,306)	(4,853)
Total other comprehensive income/(loss) for the year		24,565	(10,161)
Total comprehensive income/(loss) for the year		(103,138)	(285,470)

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 50 to 113.

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

FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 $'000	2014 $'000
Loss attributable to:			
Owners of the Company	35	(127,703)	(275,309)
Loss for the year		(127,703)	(275,309)
Total comprehensive loss attributable to:			
Owners of the Company	35	(103,138)	(285,470)
Total comprehensive loss for the year		(103,138)	(285,470)

	Note	2015 Cents	2014 Cents
Earnings per share:			
Basic earnings per share	35	(22.90)	(48.94)
Diluted earning per share	35	(22.90)	(48.94)
Earnings per share from continuing operations			
Basic earnings per share	35	(22.08)	(48.94)
Diluted earnings per share	35	(22.08)	(48.94)

(1) Comparatives have been reclassified. Refer to note 8.

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 50 to 113.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	Note	2015 $'000	2014 $'000
Current Assets			
Cash assets	17	27,800	41,830
Trade and other receivables	18	60,272	78,154
Derivative financial instruments	19	12,761	5
Inventories	20	20,931	8,161
Prepayments		2,134	3,066
Assets held for sale	15	32,328	39,922
Total current assets		156,226	171,138
Non-current Assets			
Trade and other receivables	18	5,375	772
Derivative financial instruments	19	38,282	2,749
Intangible assets and goodwill	21	1,641	175
Property, plant and equipment	22	482,351	573,528
Deferred tax assets	12	24,880	-
Total non-current assets		552,529	577,224
Total assets		708,755	748,362
Current Liabilities			
Trade and other payables	23	45,363	53,095
Derivative financial instruments	19	-	2,546
Interest bearing liabilities	24	5,484	4,316
Provisions	26	3,652	2,694
Total current liabilities		54,499	62,651
Non-current Liabilities			
Derivative financial instruments	19	1,663	10,187
Interest bearing liabilities	24	418,487	339,458
Deferred tax liabilities	12	10,884	11,025
Provisions	26	1,751	1,069
Total non-current liabilities		432,785	361,739
Total liabilities		487,284	424,390
Net assets		221,471	323,972
Equity			
Share capital	13	593,616	593,616
Reserves		2,590	(22,612)
Retained earnings		(374,735)	(247,032)
Total equity attributable to equity holders of the Company		221,471	323,972

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 50 to 113.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

	Share capital $'000	Share based payment reserve $'000	Hedging reserve $'000	Foreign currency translation reserve $'000	Reserve for own shares $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2013	593,616	12,144	(2,344)	(4,083)	(16,434)	28,277	611,176
Total comprehensive income for the period							
Profit or (loss)	-	-	-	-	-	(275,309)	(275,309)
Other comprehensive income							
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 period	-	-	(4,977)	(5,184)	-	(275,309)	(285,470)
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Own shares acquired by employee share plan trust	-	-	-	-	(4,188)	-	(4,188)
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

	Share capital $'000	Share based payment reserve $'000	Hedging reserve $'000	Foreign currency translation reserve $'000	Reserve for own shares $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2014	593,616	14,598	(7,321)	(9,267)	(20,622)	(247,032)	323,972
Total comprehensive income for the period							
Profit or (loss)	-	-	-	-	-	(127,703)	(127,703)
Other comprehensive income							
Foreign currency translation differences	-	-	3,408	25,463	-	-	28,871
Effective portion of changes in fair value of cash flow hedge, net of tax	-	-	(4,306)	-	-	-	(4,306)
Total comprehensive income/(loss) for the period	-	-	(898)	25,463	-	(127,703)	(103,138)
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Own shares acquired by employee share plan trust	-	-	-	-	(12)	-	(12)
Share-based payment transactions	-	649	-	-	-	-	649
Total contributions by and distributions to owners	-	649	-	-	(12)	-	637
Balance at 30 June 2015	593,616	15,247	(8,219)	16,196	(20,634)	(374,735)	221,471

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 50 to 113.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2015

	Note	30 June 2015 $'000	30 June 2014 $'000
Cash flows from operating activities			
Cash receipts from customers		237,151	245,567
Cash paid to suppliers and employees		(194,510)	(144,105)
Cash generated from operations		42,641	101,462
Finance income received		240	5,761
Finance expense paid		(42,974)	(37,583)
Taxes received/(paid)		-	10,227
Net cash inflow (outflow) from operating activities of discontinued operations		(2,801)	2,205
Net cash from/(used in) operating activities	30	(2,894)	82,072
Cash flows from investing activities			
Proceeds on disposal of non-current assets		14,005	30,265
Payment for property, plant and equipment		(37,824)	(44,186)
Net cash inflow from investing activities of discontinued operations		10,806	38,953
Net cash from/(used in) investing activities		(13,013)	25,032
Cash flows from financing activities			
Proceeds from syndicated debt borrowings		-	63,501
Net proceeds from asset backed loan		-	-
Proceeds from 144A notes		-	364,282
Repayment of syndicated debt borrowings		-	(282,566)
Repayment of USPP notes		-	(154,457)
Repayment of Westpac working capital		-	(5,256)
Purchase of own shares		(12)	(4,188)
Payment for debt establishment costs		(2,576)	(17,027)
Payment of finance lease liabilities		(4,145)	(4,363)
Net cash outflow from financing activities of discontinued operations		-	(31,290)
Net cash from/(used in) financing activities		(6,733)	(71,364)
Net increase/(decrease) in cash		(22,640)	35,740
Cash at beginning of the period		41,830	5,754
Effects of exchange rate fluctuations on cash held		8,610	336
Cash at the end of the financial period		27,800	41,830

The consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 50 to 113.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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 2015 comprise the Company and its subsidiaries (together referred to as the '**Group**'). The Group is a for profit entity and primarily involved in the provision of safe, reliable and maintained heavy earthmoving equipment solutions to customers in the mining industry (refer note 16).

2 BASIS OF PREPARATION

(A) STATEMENT OF COMPLIANCE

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (**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 26 August 2015.

(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.

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).

2 BASIS OF PREPARATION (CONTINUED)

(D) USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

Recognition of tax losses

In accordance with the Company's accounting policies for deferred taxes (refer note 3(o)), a deferred tax asset is recognised for unused tax losses only if it is probable that future taxable profits will be available to utilise these losses. This includes estimates and judgements about future profitability 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.

Certain comparative amounts in the consolidated statement of profit or loss and other comprehensive income have been reclassified to conform with the current year's 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 translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

(ii) Foreign operations

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) FINANCIAL INSTRUMENTS

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

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

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

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

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

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

(ii) Non-derivative financial assets - measurement

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

Loans and receivables comprise trade and other receivables.

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

(iii) Non-derivative financial liabilities - measurement

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) FINANCIAL INSTRUMENTS (CONTINUED)

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

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(iii) Depreciation

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

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

Depreciation on buildings, leasehold improvements, furniture, fixtures and fittings, office equipment, motor vehicles and sundry plant is calculated on a straight line basis. Depreciation on plant and equipment is calculated on a units of production method and charged on machine hours worked over their estimated useful life. In certain specific contracts, depreciation methodology on some items of plant and equipment are reassessed in line with their effective lives. In these situations, depreciation is recognised in line with the pattern of economic benefits expected to be consumed. All plant and equipment is depreciated to a minimum of 100 machine hours per month (2014: depreciation on equipment that is idle for more than three months is depreciated to a minimum of 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) Research and Development

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

(iii) Other intangible assets

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(E) INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

(iv) 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.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(H) IMPAIRMENT (CONTINUED)

(i) Non-derivative financial assets (continued)

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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) 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 three 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 123 Companies (this number may change as a result of takeovers, mergers etc) and includes 16 Companies that are considered direct peers to Emeco, in addition to the S&P/ASX Small Industrials (excluding banks, insurance companies, property trust companies and investment property trust/companies and other stapled securities). The fair value of the performance rights or shares granted under the LTIP have been measured using Monte Carlo simulation analysis and are expensed evenly over the period from grant date to vesting date.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(J) EMPLOYEE BENEFITS (CONTINUED)

(v) Share based payment transactions (continued)

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

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

(e) A short term incentive (**STI**) plan allows the executive leadership team to receive 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.

(i) Restructure provision

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

(L) REVENUE

(i) Rental revenue

Revenue from the rental of machines is recognised in profit and loss based on the number of hours the machines operate each month. 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(L) REVENUE (CONTINUED)

(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.

(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 foreign currency gain or loss on financial assets and liabilities;
- 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(O) INCOME TAX

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

(i) Current tax

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

(ii) Deferred tax

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

Deferred tax is not recognised for:

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

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

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

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

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

(iii) Tax exposures

The Company and its wholly owned Australian resident entities have formed a tax consolidated group with effect from 16 December 2004 and are therefore taxed as a single entity from that date. The 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 resale.

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2015. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

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.

5 DETERMINATION OF FAIR VALUES (CONTINUED)

(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; and
- market risk.

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

Risk management framework

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

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

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

6 FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

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

		Consolidated Carrying amount	
	Note	2015 $'000	2014 $'000
Trade receivables	18	54,147	49,298
Other receivables	18	17,374	34,819
Cash and cash equivalents	17	27,800	41,830
Derivatives	19	51,043	2,754
		150,364	128,701

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 $700,000,000 (2014: $750,000,000). The Australian and Chilean businesses held insurance for the entire financial year ended 30 June 2015. The Indonesian business held credit insurance from 1 July 2013 to 30 November 2013. The Canadian business does not have credit risk insurance.

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 2015 the Group's doubtful debts provision for continuing and discontinued operations was $5,874,000 (2014: $5,191,000). As at 30 June 2015 the Group recognised bad debt write offs for continuing and discontinued operations for a total amount of $4,089,000 (2014: $14,116,000) of which $3,749,000 related to one customer in Chile, $151,000 related to one customer in Indonesia and $189,000 related to Canada.

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.

6 FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

Trade and other receivables (continued)

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

	Consolidated		Consolidated	
	Gross	Impairment provision	Gross	Impairment provision
	2015 $'000	2015 $'000	2014 $'000	2014 $'000
Australia	25,002	-	18,455	(486)
Asia	8,233	(5,376)	8,017	(4,385)
North America	9,762	(172)	18,300	(320)
South America	11,150	(326)	4,526	-
	54,147	(5,874)	49,298	(5,191)

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

	Consolidated Carrying amount	
	2015 $'000	2014 $'000
Insured	21,292	20,737
Blue chip (including subsidiaries)	12,987	16,680
Other security	9,884	314
Uninsured	9,984	11,567
	54,147	49,298

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

	Consolidated		Consolidated	
	Gross	Impairment	Gross	Impairment
	2015 $'000	2015 $'000	2014 $'000	2014 $'000
Not past due	38,565	-	11,845	(280)
Past due 0-30 days	2,292	-	15,406	(206)
Past due 31-60 days	3,329	-	4,036	-
Past due 61 days	9,961	(5,874)	18,011	(4,705)
	54,147	(5,874)	49,298	(5,191)

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

	Consolidated	
	2015 $'000	2014 $'000
Balance at 1 July	5,191	16,770
Bad debt written off	(4,089)	(3,064)
Change in provision for doubtful debts	4,772	(8,515)
Balance at 30 June	5,874	5,191

6 FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

Derivatives
The Group also held derivative assets in relation to cross currency interest rate swaps and forward exchange rate swaps to the total value of $51,043,000 (2014: $2,754,000) at 30 June 2015, which represents its maximum credit exposure on these assets. The interest rate swaps and cross currency interest rate swaps are held with bank and financial institution counter parties which are rated greater than A-.

Cash
The Group held cash and cash equivalents of $27,800,000 at 30 June 2015 (2014: $41,830,000), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties which are rated greater than AA-.

Collateral
Collateral is held for customers that are assessed to be a higher risk. At 30 June 2015 the Group held $9,884,000 of bank guarantees (2014: $Nil) and $Nil of prepayments (2014: $Nil).

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 2015 $10,491,000 guarantees were outstanding (2014: $866,013).

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 its 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 15 March 2019. The nominal interest rate is 9.875%. These notes will remain fully drawn until maturity.

During the period, the Group extinguished its A$50,000,000 revolving credit facility (multicurrency) comprising of Tranche A1: 3 year A$40,000,000 trance and Tranche A2: 3 year A$10,000,000 tranche. Associated debt raising costs were expensed on the loan extinguishment. At the time of the extinguishment, the facility remained undrawn.

On 31 December 2014, the revolving credit facility was replaced with an A$75,000,000 asset backed loan. The facility matures in December 2017 and will be available for general corporate purposes. When utilised, the nominal interest rate is equal to the aggregate of the margin of 1.75% per annum and bank bill swap rate (**BBSY**). The asset backed loan has no maintenance covenants unless the facility is more than 50% utilised, at which stage it requires Emeco to have an interest cover ratio of 1.25 times and gearing of less than 65%. At 30 June 2015 the loan was undrawn but had utilised A$9,626,000 in bank guarantees.

In December 2014, the Group entered into a facility agreement comprising a credit card facility with a limit of A$750,000 and bank guarantee where the aggregate face value shall not exceed A$866,013. The facility matures in December 2015 and will be available for general corporate purposes. The facility is secured via a cash cover account. The bank guarantee is subject to a fee of 3% per annum on the face value of the bank guarantee. At 30 June 2015 the facility was utilised at A$866,013.

The Group has finance lease facilities totalling A$4,915,000 (2014: A$8,770,000) which matures on 15 August 2015. Subsequent to the year end, the Group refinanced this facility extending the maturity until 15 February 2017.

The Group has financed its insurance payments with A$569,000 remaining at year end which matures in October 2015.

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

6 FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

Consolidated 30 June 2015	Carrying amount $'000	Contractual cash flows $'000	6 mths or less $'000	6-12 mths $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Non-derivative financial liabilities							
Secured notes issue	418,487	608,494	21,537	21,537	43,074	522,346	-
Finance lease liabilities	4,915	4,972	4,972	-	-	-	-
Insurance financing	569	569	569	-	-	-	-
Trade and other payables	15,805	15,805	15,805	-	-	-	-
	439,776	629,840	42,883	21,537	43,074	522,346	-
Derivative financial liabilities							
Cross currency interest rate swaps used for hedging asset/(liability)	49,380	43,127	329	409	607	41,781	-
Forward exchange contracts used for hedging:							
Outflow	-	-	-	-	-	-	-
Inflow	-	-	-	-	-	-	-
	49,380	43,127	329	409	607	41,781	-

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

Consolidated 30 June 2014	Carrying amount $'000	Contractual cash flows $'000	6 mths or less $'000	6-12 mths $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Non-derivative financial liabilities							
Secured notes issue	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	-	-	-	-
Trade and other payables	9,731	9,731	9,731	-	-	-	-
	353,306	551,431	29,955	19,763	40,135	461,578	-
Derivative financial liabilities							
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)	-

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.

6 FINANCIAL INSTRUMENTS (CONTINUED)

MARKET RISK

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

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

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

When possible, 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. If available, the Group uses forward exchange contracts to hedge this currency risk. Most of the forward exchange contracts have maturities of less than six months.

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

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

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

In March 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 has been applied to these instruments. When possible, the Group aims to offset the remainder of the USD foreign exchange exposure through the use of financial assets denominated in the same currency providing an economic hedge without derivatives being entered into.

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

	30 June 2015		30 June 2014	
	USD $'000	CAD $'000	USD $'000	CAD $'000
Cash	802	2,893	4,597	5,146
Secured notes issued (1)	(287,342)	(17,916)	(271,969)	-
Gross balance sheet exposure	(286,540)	(15,023)	(267,372)	5,146
Cross currency interest rate swap to hedge the secured notes issued	210,000	-	210,000	-
Forward exchange contracts (2)	-	-	4,000	-
	210,000	-	214,000	-
Net exposure	(76,540)	(15,023)	(53,372)	5,146

(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.

6 FINANCIAL INSTRUMENTS (CONTINUED)

MARKET RISK (CONTINUED)

Exposure to currency risk (continued)
The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2015	2014	2015	2014
CAD	0.9606	0.9819	0.9517	1.0043
USD	0.8131	0.9187	0.7680	0.9415
EURO	0.6878	0.6776	0.6866	0.6901
IDR	10,426	10,496	10,228	11,302
YEN	95.56	97.45	93.92	95.50
CLP	485.16	488.28	489.33	519.39
GBP	0.5309	0.5699	0.4885	0.5527

Sensitivity analysis
A weakening of the Australian dollar, as indicated below, against the following currencies at 30 June 2015 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 2014, as indicated below:

	Consolidated			
	Strengthening		Weakening	
	Equity $'000	Profit or loss $'000	Equity $'000	Profit or loss $'000
30 June 2015				
USD (10 percent movement)	(2,261)	14,032	2,763	(17,150)
CAD (10 percent movement)	(2,272)	1,732	2,777	(2,117)
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

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 two years into the future. This is achieved by entering into cross currency interest rate swaps and the issue of fixed interest notes.

6 FINANCIAL INSTRUMENTS (CONTINUED)

MARKET RISK (CONTINUED)

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

		Consolidated	
	Note	2015 $'000	2014 $'000
Variable rate instruments:			
Cash at bank	17	27,800	41,830
Effective interest rate swaps to hedge interest rate risk			
Australian dollars 144A		32,062	(7,282)
Canadian dollars 144A		17,318	(2,702)
		77,180	31,846
Fixed rate instruments:			
Interest bearing liabilities (notes)	24	(436,198)	(358,144)
Interest bearing finance leases	24	(4,915)	(8,770)
Insurance financing	24	(569)	(461)
		(441,682)	(367,375)

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

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.

6 FINANCIAL INSTRUMENTS (CONTINUED)

MARKET RISK (CONTINUED)

Fair value sensitivity analysis for fixed rate instruments (continued)

	Profit or loss		Equity	
Fair value hedges	**100bp increase $'000**	**100bp decrease $'000**	**100bp increase $'000**	**100bp decrease $'000**
30 June 2015				
Fixed rate instruments (144A notes)	7,734	(8,170)	-	-
Interest rate swap	(7,734)	8,170	-	-
Cash flow sensitivity (net)	-	-	-	-
30 June 2014				
Fixed rate instruments (144A notes)	6,989	(8,143)	-	-
Interest rate swap	(6,989)	8,143	-	-
Cash flow sensitivity (net)	-	-	-	-

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

	Profit or loss	
Financial instrument	**2015 $'000**	**2014 $'000**
Fixed to floating		
- Swap	-	5,536
Cross currency interest rate swap		
- Swap	(781)	2,749
- Hedged item (debt)	(1,762)	(2,327)
Net profit and loss impact before tax	(2,543)	5,958

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 2014.

	Profit or loss		Equity	
Cash flow hedges	**100bp increase $'000**	**100bp decrease $'000**	**100bp increase $'000**	**100bp decrease $'000**
30 June 2015				
Variable rate instruments	118	(118)	-	-
Interest rate swap	-	-	63	(119)
Cash flow sensitivity (net)	118	(118)	63	(119)
30 June 2014				
Variable rate instruments	68	(68)	-	-
Interest rate swap	-	-	90	2
Cash flow sensitivity (net)	68	(68)	90	2

6 FINANCIAL INSTRUMENTS (CONTINUED)

MARKET RISK (CONTINUED)

Fair values

Interest rates used for determining fair value

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

	2015			2014		
Derivatives	0.1%	-	2.8%	0.2%	-	2.8%
Loans and borrowings	0.1%	-	2.8%	0.2%	-	2.9%
USPP	-	-	-	4.6%	-	5.3%
Leases	7.2%	-	7.2%	7.2%	-	7.2%
144A notes	9.9%	-	9.9%	9.9%	-	9.9%

Fair values versus carrying amounts

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

		30 June 2015		30 June 2014	
	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	51,043	51,043	-	-
Forward exchange contracts used for hedging		-	-	5	5
		51,043	51,043	5	5
Assets carried at amortised cost					
Receivables	18	60,272	60,272	78,154	78,154
Cash and cash equivalents	17	27,800	27,800	41,830	41,830
		88,072	88,072	119,984	119,984
Liabilities carried at fair value					
Interest rate swaps used for hedging	19	(1,663)	(1,663)	(9,984)	(9,984)
		(1,663)	(1,663)	(9,984)	(9,984)
Liabilities carried at amortised cost					
Secured bank loans	24	1,598	-	-	-
Secured notes issue	24	(211,390)	(217,318)	(169,183)	(177,270)
Secured notes issue (1)	24	(208,695)	(218,880)	(165,360)	(178,547)
Insurance financing	24	(569)	(569)	(461)	(461)
Finance lease liabilities	24	(4,915)	(4,972)	(8,770)	(9,334)
Trade and other payables	23	(45,363)	(45,363)	(53,095)	(53,095)
		(469,334)	(487,102)	(396,869)	(418,707)

(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	
	2015 $'000	2014 $'000
Net profit on sale of non current assets (1)	320	731
Sundry income (2)	192	353
	512	1,084

(1) Included in net profit on the sale of non-current assets is the sale of rental equipment, including those non-current assets classified as held for sale. The gross proceeds from the sale of this equipment in 2015 was $14,005,000 (2014: $30,265,000).
(2) Included in sundry income are fees charged on overdue accounts, bad debts recovered and procurement fees on machines sourced for third parties.

8 PROFIT BEFORE INCOME TAX EXPENSE FOR CONTINUING OPERATIONS

		Consolidated	
	Note	2015 $'000	2014 $'000
Loss before income tax expense has been arrived at after charging/(crediting) the following items:			
Cost of sale of machines and parts		11,780	14,443
Impairment of tangible assets:			
- inventory	20	6,896	6,148
- property, plant and equipment held for sale		23,940	37,508
		30,836	43,656
Employee expenses:			
- superannuation		2,983	2,849
Other expenses:			
- bad debts		3,938	3,064
- doubtful debts/(reversal)		(328)	(2,467)
- insurance		3,157	2,916
- motor vehicles		3,664	3,356
- rental expense		4,506	4,152
- safety expenses		1,296	1,238
- travel and subsistence expense		6,621	3,746
- telecommunications		1,647	1,796
- workshop consumables, tooling and labour		1,562	1,665
- Restructuring		1,948	-
- other expenses [(1)]		4,061	1,407
		32,072	20,873
Depreciation of:			
- buildings		656	592
- plant and equipment - owned		92,966	73,156
- plant and equipment - leased		1,657	525
- furniture fittings and fixtures		172	221
- office equipment		337	430
- motor vehicles		1,228	1,428
- leasehold improvements		397	521
- sundry plant		1,307	1,123
		98,720	77,996
Amortisation of:			
- other intangibles	21	84	132
Impairment of:			
- goodwill	21	-	157,886
		84	158,018
Total depreciation, amortisation and impairment of goodwill		98,804	236,014

(1) Comparatives have been restated to exclude net foreign exchange (gain)/losses.

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

	Consolidated	
	2015 $'000	2014 $'000
Finance costs:		
- interest expense	43,877	24,206
- makewhole payment (1)	-	16,063
- witholding tax expense	2,189	1,960
- amortisation of debt establishment costs using effective interest rate	3,914	1,918
- write off previous facility costs	1,814	2,993
- other facility costs	466	1,492
Net financial costs	52,260	48,632
Finance income:		
- interest income	(238)	(123)
- hedge gains	(2,543)	(5,958)
Net financial income	(2,781)	(6,081)
Foreign exchange (gain)/loss:		
Net realised foreign exchange (gain)/loss (2)	(334)	(210)
Net unrealised foreign exchange (gain)/loss (2)	16,666	(4,571)
Net foreign exchange (gain)/loss	16,332	(4,781)

(1) Make whole payment related to the repayment of the USPP notes.

(2) Comparatives have been restated to include net foreign exchange (gain)/losses.

9 AUDITOR'S REMUNERATION

	Consolidated	
	2015 $	2014 $
Audit services		
Auditors of the Company		
KPMG Australia:		
- audit and review of financial reports	482,070	382,782
- other assurance services (1)	-	320,000
Overseas KPMG Firms:		
- audit and review of financial reports	149,622	173,118
- other assurance services (1)	4,804	36,872
	636,496	912,772
Other services		
Auditors of the Company		
KPMG Australia:		
- taxation services (2)	529,917	337,641
Overseas KPMG Firms:		
- taxation services	74,792	279,639
	604,709	617,280
	1,241,205	1,530,052

(1) Other assurance services primarily relate to the issue of secured fixed noted in the 144A high yield bond market in FY14.
(2) Taxation and other services primarily relate to corporate development activities.

10 TAXES

A. RECOGNITION IN THE INCOME STATEMENT

	Note	Consolidated 2015 $'000	Consolidated 2014 $'000
Current tax expense/(benefit):			
Current year		(62,248)	(67,325)
Adjustments for prior years		4	35
		(62,244)	(67,290)
Deferred tax expenses/(benefit):			
Origination and reversal of temporary differences		25,727	36,383
Increase in tax rate		(2,947)	-
	12	22,780	36,383
Tax expense/(benefit)		(39,464)	(30,907)
Tax expense/(benefit) from continuing operations		(39,464)	(27,206)
Tax expense/(benefit) from discontinued operations	14	(315)	(3,701)
Total tax expense/(benefit)		(39,779)	(30,907)

B. CURRENT AND DEFERRED TAX EXPENSE RECOGNISED DIRECTLY IN EQUITY

	Consolidated 2015 $'000	Consolidated 2014 $'000
Share purchase costs	(395)	(723)
	(395)	(723)

Tax recognised in other comprehensive income

	Consolidated 2015 Before tax $'000	Consolidated 2015 Tax (expense) benefit $'000	Consolidated 2015 Net of tax $'000	Consolidated 2014 Before tax $'000	Consolidated 2014 Tax (expense) benefit $'000	Consolidated 2014 Net of tax $'000
Foreign currency translation differences for foreign operations	28,871	-	28,871	(5,308)	-	(5,308)
Cash flow hedges	(6,151)	1,845	(4,306)	(6,932)	2,079	(4,853)
	22,720	1,845	24,565	(12,240)	2,079	(10,161)

10 TAXES (CONTINUED)

C. NUMERICAL RECONCILIATION BETWEEN TAX EXPENSE AND PRE-TAX NET PROFIT/(LOSS)

	Consolidated	
	2015 $'000	2014 $'000
Prima facie tax expense/(benefit) calculated at 30% on net profit	(48,780)	(75,414)
Increase/(decrease) in income tax expense due to:		
Effect on tax rate in foreign jurisdictions	1,373	(4,725)
Current year losses for which no deferred tax asset was recognised	150	1,494
Increase in tax rate	(2,947)	-
Blackhole expense addback	587	-
Goodwill impairment	-	47,366
Tangible asset impairment	169	166
Sundry	314	170
Derecognition of previously recognised tax losses	9,666	-
Under/(over) provided in prior years	4	36
Tax benefit	(39,464)	(30,907)

11 CURRENT TAX ASSETS AND LIABILITIES

The current tax asset for the Group of $Nil (2014: $Nil) represents income taxes recoverable in respect of prior periods and that arise from payment of taxes in excess of the amount due to the relevant tax authority.

12 DEFERRED TAX ASSETS AND LIABILITIES

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Consolidated	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Property, plant and equipment	(49)	(52)	65,665	61,843	65,615	61,790
Receivables	(121)	(2,353)	5,092	47	4,971	(2,306)
Accrued revenue	-	-	12	24	12	24
Inventories	(578)	(1)	458	621	(120)	620
Payables	(1,063)	(1,918)	-	2,043	(1,062)	125
Derivatives - hedge payable	(459)	(3,085)	-	1	(459)	(3,083)
Derivatives - hedge receivable	-	-	14,203	7	14,203	7
Interest bearing loans and borrowings	(21,166)	(417)	201	3,615	(20,965)	3,198
Employee benefits	(857)	(1,028)	-	1,023	(857)	(5)
Unearned revenue	(188)	-	-	-	(188)	-
Equity - capital raising costs	(477)	(20)	-	-	(477)	(20)
Provisions	(548)	-	-	-	(548)	-
Tax losses carried forward	(74,580)	(49,325)	459	-	(74,121)	(49,325)
Tax (assets)/liabilities	(100,085)	(58,199)	86,088	69,224	(13,996)	11,025
Set off of tax	75,205	-	(75,205)	-	-	-
Net tax (assets)/liabilities	(24,880)	(58,199)	10,884	69,224	(13,996)	11,025

MOVEMENT IN DEFERRED TAX BALANCES

	Consolidated				
	Balance 1 July 14 $'000	Recognised in profit or loss $'000	Recognised directly in equity $'000	Recognised in other comprehensive income $'000	Balance 30 June 15 $'000
Property, plant and equipment	61,790	3,825	-	-	65,615
Receivables	(2,282)	7,265	-	-	4,983
Inventories	620	(740)	-	-	(120)
Payables	125	(1,187)	-	-	(1,062)
Derivatives - hedge payable	(3,083)	2,624	-	-	(459)
Derivatives - hedge receivable	7	16,041	-	(1,845)	14,203
Interest bearing loans and borrowings	3,198	(24,163)	-	-	(20,965)
Employee benefits	(5)	(852)	-	-	(857)
Equity - capital raising costs	(20)	(62)	(395)	-	(477)
Unearned revenue	-	(188)	-	-	(188)
Provisions	-	(548)	-	-	(548)
Tax losses carried forward	(49,325)	(24,796)	-	-	(74,121)
	11,025	(22,780)	(395)	(1,845)	(13,996)

12 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

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

UNRECOGNISED DEFERRED TAX ASSETS

	Consolidated	
	2015 $'000	2014 $'000
The following deferred tax assets have not been brought to account as assets:		
Tax losses	35,511	21,109

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

13 CAPITAL AND RESERVES

	Consolidated	
	2015 $'000	2014 $'000
Share capital		
599,675,707 (2014: 599,675,707) ordinary shares, fully paid	669,503	669,503
Acquisition reserve	(75,887)	(75,887)
	593,616	593,616

TERMS AND CONDITIONS

Ordinary shares
The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at shareholders' meetings. Shares have no par value.

In the event of winding up of the Company, the ordinary shareholder ranks after all other creditors are fully entitled to any proceeds of liquidation.

RESERVE OF OWN SHARES [1]

The reserve of own shares comprises of shares purchased on market to satisfy the vesting of shares and rights under the LTIP. Shares that are forfeited under the Company's MISP due to employees not meeting the service vesting requirement will remain in the reserve. During the year, 637,365 treasury shares were purchased on market at an average price of $0.14. As at 30 June 2015 the Company held 30,581,304 treasury shares (2014: 27,773,441) in satisfaction of the employee share plans.

FOREIGN CURRENCY TRANSLATION RESERVE [1]

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

HEDGING RESERVE [1]

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

SHARE BASED PAYMENT RESERVE [1]

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

DIVIDENDS [1]

No dividends were paid or declared during the year (2014: $Nil) or prior to the release of this report.

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

13 CAPITAL AND RESERVES (CONTINUED)

FRANKING ACCOUNT

	The Company	
	2015 $'000	2014 $'000
Dividend franking account		
30% franking credits available to shareholders of		
Emeco Holdings Limited for subsequent financial years	18,861	18,861

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 (2014: $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 (2014: $18,861,000) franking credits.

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.

	2015 $'000	2014 $'000
Losses of discontinued operations		
Revenue	921	4,284
Other income	-	1
Direct costs	(93)	(2,794)
Profit on sale of assets	374	213
Impairment of tangible assets		
- Inventories	(61)	(1,580)
- Property, plant and equipment	(603)	(41,052)
Other expenses	(4,822)	(5,032)
Employee expenses	(401)	(2,389)
Depreciation	-	(5,524)
Finance income	-	3
Finance costs	(202)	(968)
Income tax (expense)/benefit	315	3,701
Loss for the year	(4,572)	(51,137)

14 DISCONTINUED OPERATIONS (CONTINUED)

The loss from discontinued operation of $4,572,000 (2014: loss $51,137,000) is attributable entirely to the owners of the Company.

	2015 $'000	2014 $'000
Cash flows from/(used in) discontinued operation		
Net cash used in operating activities	(2,801)	2,205
Net cash from investing activities	10,806	38,953
Net cash from financing activities	-	(31,290)
Net cash from/(used in) discontinued operation	8,005	9,868

15 DISPOSAL GROUPS AND NON-CURRENT ASSETS HELD FOR SALE

During the year $26,451,000 of non-current assets were transferred from property, plant and equipment into non-current assets held for sale. Assets previously classified as held for sale were further impaired by $5,923,000 to their fair value less cost to sell based on market prices of similar equipment.

As at 30 June 2015, the non-current assets held for sale comprised assets of $32,328,000 (2014: $39,922,000). These relate to plant and equipment from Indonesia (included in note 14), Canada, Chile and Australia. The Group is actively marketing these assets and they are expected to be disposed of within 12 months.

	2015 $'000	2014 $'000
Assets classified as held for sale		
Property, plant and equipment - continuing operations	31,783	31,564
Property, plant and equipment - discontinuing operations	545	8,354
Inventories - discontinuing operations	-	4
	32,328	39,922

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.

16 SEGMENT REPORTING (CONTINUED)

INFORMATION ABOUT REPORTABLE SEGMENTS 2015

	Australia $'000	Indonesia (discont'd) $'000	Canada $'000	Chile $'000	Other $'000	Total $'000
External revenues	136,950	921	76,276	28,205	-	242,352
Inter segment revenue	2,949	8,456	873	-	-	12,278
Depreciation	(61,674)	-	(24,494)	(12,552)	-	(98,720)
Reportable segment profit/(loss) before interest and income tax	(66,019)	(4,685)	(23,175)	(22,826)	-	(116,705)
Other material non-cash items:						
Impairment of receivables	(486)	-	(159)	317	-	(328)
Impairment on property, plant and equipment	(19,377)	(603)	(4,045)	(518)	-	(24,543)
Impairment of inventory	(3,092)	(61)	(1,768)	(2,036)	-	(6,957)
Reportable segment assets	355,642	4,118	164,942	156,253	-	680,955
Capital expenditure	(29,389)	-	(4,978)	(3,457)	-	(37,824)
Reportable segment liabilities	(30,959)	(473)	(22,064)	(9,737)	(80)	(63,313)

INFORMATION ABOUT REPORTABLE SEGMENTS 2014

	Australia $'000	Indonesia (discont'd) $'000	Canada $'000	Chile $'000	Other $'000	Total $'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 inventory	(4,948)	(1,580)	(1,200)	-	-	(7,728)
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)

16 SEGMENT REPORTING (CONTINUED)

RECONCILIATION OF REPORTABLE SEGMENT REVENUES, PROFIT OR LOSS, ASSETS AND LIABILITIES AND OTHER MATERIAL ITEMS

	2015 $'000	2014 $'000
Revenues		
Total revenue for reportable segments	254,630	278,697
Elimination of inter segment revenue	(12,278)	(33,318)
Elimination of discontinued operations	(921)	(4,284)
Consolidated revenue from continuing operations	241,431	241,095
Profit or loss		
Total EBIT for reportable segments	(116,705)	(97,635)
Elimination of discontinued operations	4,685	53,873
Unallocated amounts:		
Other corporate expenses	(1,096)	(165,065)
Net interest expense	(49,479)	(42,551)
Consolidated loss before income tax from continuing operations	(162,595)	(251,378)
Assets		
Total assets for reportable segments	680,955	706,532
Unallocated assets	27,800	41,830
Consolidated total assets	708,755	748,362
Liabilities		
Total liabilities for reportable segments	63,313	80,616
Unallocated liabilities	423,971	343,774
Consolidated total liabilities	487,284	424,390

	Reportable segment totals $'000	Discontinued operations $'000	Consolidated Total $'000
Other material items 2015			
Capital expenditure	(37,824)	-	(37,824)
Depreciation	(98,720)	-	(98,720)
Other material items 2014			
Capital expenditure	(44,186)	(1,589)	(45,775)
Depreciation	(77,996)	(5,524)	(83,520)

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 2015 the Group had three major customers that represented $76,484,000 (2014: two customers representing $57,263,000) of the Group's total revenues, as indicated below:

Segment	2015 $'000	2014 $'000
Australia	18,808	26,059
Canada	36,298	31,204
Chile	21,378	-
Total	76,484	57,263

17 CASH ASSETS

	Consolidated	
	2015 $'000	2014 $'000
Cash at bank	27,800	41,830

18 TRADE AND OTHER RECEIVABLES

	Consolidated	
	2015 $'000	2014 $'000
Current		
Trade receivables	54,147	49,298
Less: Impairment of receivables	(5,874)	(5,191)
	48,273	44,107
VAT/GST receivable	5,845	23,415
Other receivables	6,154	10,632
	60,272	78,154
Non-Current		
Other receivables	5,375	772
	5,375	772

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	
	2015 $'000	2014 $'000
Current Assets		
Forward exchange contract	-	5
Cross currency interest rate swaps	12,761	-
	12,761	5
Non Current Assets		
Cross currency interest rate swaps	38,282	2,749
	38,282	2,749
Current Liabilities		
Cross currency interest rate swaps	-	(2,546)
	-	(2,546)
Non Current Liabilities		
Cross currency interest rate swaps	(1,663)	(10,187)
	(1,663)	(10,187)

20 INVENTORIES

	Consolidated	
	2015 $'000	2014 $'000
Work in progress - at cost	7,090	5,758
Consumables, spare parts - at cost	2,807	1,177
Total at cost	9,897	6,935
Equipment and parts - at NRV [1]	11,034	1,226
Total inventory	20,931	8,161

(1) Included in this balance are amounts of $18,049,000 that have been reclassified from property, plant and equipment during FY15. During the year ended 30 June 2015 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 $6,957,000 (2014: $7,728,000).

21 INTANGIBLE ASSETS AND GOODWILL

	Consolidated	
	2015 $'000	2014 $'000
Goodwill		
Carrying amount at the beginning of the year	-	157,800
Impairment of goodwill	-	(157,887)
Effects of movement in foreign exchange	-	87
	-	-
Contract intangibles - at cost	712	712
Less: Accumulated amortisation	(712)	(712)
	-	-
Other intangibles - at cost	2,785	1,329
Less: Accumulated depreciation	(1,144)	(1,154)
	1,641	175
Total intangible assets	1,641	175

AMORTISATION AND IMPAIRMENT OF GOODWILL

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

	Consolidated	
	2015 $'000	2014 $'000
Amortisation expense	84	132
Impairment of goodwill	-	157,887
Total expense for the year for continuing operations	84	158,019

21 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

IMPAIRMENT TESTS FOR CASH GENERATING UNITS CONTAINING GOODWILL

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

IMPAIRMENT LOSS (2014)

In the year ended 30 June 2014, specifically the interim period ended 31 December 2013, impairment testing indicated the Australian and Canadian Rental CGU's were impaired. The Group recognised a total goodwill impairment charge of $157,887,000 (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.

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.

The Group has determined the recoverable amount of its cash generating units (**CGU**) using a value in use methodology 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. 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 valuations range between 7.6% and 12.0%. For future cashflows of each CGU, revenue growth to the remainder of FY15 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%. The negative CAGR of 14.6% in FY14 related to the Indonesian CGU due to the segment being designated as a discontinued operation.

Refer to note 22 for information on the impairment testing methodology adopted by the Company at 30 June 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

22 PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2015 $'000	2014 $'000
Freehold land and buildings - at cost	10,029	8,750
Less: Accumulated depreciation	(3,416)	(2,678)
	6,613	6,072
Leasehold improvements - at cost	4,966	5,162
Less: Accumulated depreciation	(3,604)	(3,270)
	1,362	1,892
Plant and equipment - at cost	928,761	1,012,773
Less : Accumulated depreciation	(470,181)	(466,558)
	458,580	546,215
Leased plant and equipment - at capitalised cost	21,228	21,228
Less : Accumulated depreciation	(11,476)	(9,819)
	9,752	11,409
Furniture, fixtures and fittings - at cost	883	1,132
Less : Accumulated depreciation	(728)	(695)
	155	437
Office equipment - at cost	2,546	2,330
Less : Accumulated depreciation	(2,138)	(1,793)
	408	537
Motor vehicles - at cost	8,451	8,556
Less : Accumulated depreciation	(6,430)	(5,416)
	2,021	3,140
Sundry plant - at cost	11,458	11,035
Less : Accumulated depreciation	(7,998)	(7,209)
	3,460	3,826
Total property, plant and equipment - at net book value	482,351	573,528

22 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Consolidated	
	2015 $'000	2014 $'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	6,072	9,585
Additions	1,685	315
Depreciation	(656)	(701)
Disposals	(803)	-
Effects of movement in foreign exchange	315	(315)
Reclassified to assets held for sale	-	(2,812)
Carrying amount at the end of the year	6,613	6,072
Leasehold improvements		
Carrying amount at the beginning of the year	1,892	2,202
Additions	79	219
Disposals	(234)	-
Depreciation	(397)	(521)
Effects of movement in foreign exchange	22	(8)
Carrying amount at the end of the year	1,362	1,892
Plant and equipment		
Carrying amount at the beginning of the year	546,215	786,162
Additions	28,992	30,186
Net movement in capital work in progress	5,257	(390)
Net movement in rental inventory (1)	(21,007)	(11,254)
Disposals	(6,210)	(62,365)
Depreciation	(92,966)	(78,243)
Impairment loss on continuing and discontinuing operations	(24,543)	(78,561)
Movement from/(to) assets held for sale	(12,926)	(36,430)
Effects of movements in foreign exchange	35,768	(2,890)
Carrying amount at the end of the year	458,580	546,215
Furniture, fixtures and fittings		
Carrying amount at the beginning of the year	437	688
Additions	6	17
Disposals	(136)	(26)
Depreciation	(172)	(228)
Movement from/(to) assets held for sale	-	(7)
Effects of movement in foreign exchange	20	(7)
Carrying amount at the end of the year	155	437

(1) Tyres rental inventory of $18,049,000 was reclassified as Inventory during the year ended 30 June 2015. Included in this movement are purchases totalling $748,000 for the year ended 30 June 2014 ($12,761,000).

22 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Consolidated	
	2015 $'000	2014 $'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	537	969
Additions	205	128
Disposals	(12)	(5)
Depreciation	(337)	(482)
Movement from/(to) assets held for sale	-	(67)
Effects of movement in foreign exchange	15	(6)
Carrying amount at the end of the year	408	537
Motor vehicles		
Carrying amount at the beginning of the year	3,140	4,639
Additions	98	250
Disposals	(18)	(234)
Depreciation	(1,228)	(1,444)
Movement from/(to) assets held for sale	-	(46)
Effects of movement in foreign exchange	29	(25)
Carrying amount at the end of the year	2,021	3,140
Sundry plant		
Carrying amount at the beginning of the year	3,826	4,031
Additions	754	1,899
Disposals	(21)	(134)
Depreciation	(1,307)	(1,377)
Movement from/(to) assets held for sale	-	(555)
Effects of movement in foreign exchange	208	(38)
Carrying amount at the end of the year	3,460	3,826
Leased plant and equipment		
Carrying amount at the beginning of the year	11,409	11,934
Depreciation	(1,657)	(525)
Carrying amount at the end of the year	9,752	11,409

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 (2014: 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. 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 2015. 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 CGUs valuations range between 6.5% and 8.8% (2014: 6.9% and 10.6%). 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 4.1% and 11.2% (2014: negative 2.4% and 12.3%).

30 June 2015 impairment testing resulted in the estimated recoverable amount of a CGU exceeding its carrying amount and zero impairment being recognised.

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 %**
Australia rental	5.4	(26)
Canada rental	4.0	(14)
Chile rental	2.6	(7)

The methodology used for FY15 impairment testing is consistent with prior periods. The business understands that market dynamics outside our control can impact the input assumptions to impairment testing. As such impairment testing sensitivities conducted included a broad range of scenarios impacting discount rates and revenue growth assumptions. These scenarios considered our capital structure, alternative approaches to discount rates input assumptions and downside views on forecasted outlook. No CGU impairment was indicated under sensitivity testing performed.

23 TRADE AND OTHER PAYABLES

	Consolidated	
	2015 $'000	**2014 $'000**
Current		
Trade payables		
Trade payables	15,805	9,731
Other payables and accruals	29,558	43,364
	45,363	53,095

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	
	2015 $'000	2014 $'000
Current		
Amortised cost		
Other financing	569	461
Lease liabilities - secured	4,915	3,855
	5,484	4,316
Non-current		
Amortised cost		
OID (1)	(4,214)	(5,043)
Notes issue - secured	217,318	177,270
Notes issue - secured (2)	218,880	178,547
Lease liabilities - secured	-	4,915
Debt raising costs (asset backed loan)	(1,598)	-
Debt raising costs (2)	(5,971)	(8,144)
Debt raising costs	(5,928)	(8,086)
	418,487	339,458

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

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

BANK LOANS

The Group extinguished its A$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 related to the senior secured syndicated loan facility were expensed on loan extinguishment.

During the year, the Group extinguished its A$50,000,000 revolving credit facility (multicurrency) comprising of Tranche A1: 3 year A$40,000,000 and Tranche A2: 3 year A$10,000,000. Associated debt raising costs were expensed on the loan extinguishment. At the time of the extinguishment, the facility remained undrawn.

On 31 December 2014, the revolving credit facility was cancelled and a A$75,000,000 asset backed loan was established. The facility matures in December 2017 and is available for general corporate purposes. When utilised, the nominal interest rate is equal to the aggregate of the margin of 1.75% per annum and bank bill swap rate (**BBSY**). The asset backed loan has no maintenance covenants unless the facility is more than 50% utilised, at which stage it requires Emeco to have an interest cover ratio of 1.25 times and gearing of less than 65%. At year end, the Group had drawn $Nil of the available facility but had utilised $9,626,000 in bank guarantees.

24 INTEREST BEARING LIABILITIES (CONTINUED)

144A NOTES ISSUE

Under the terms of the note agreement, the noteholders hold a joint fixed and floating charge with the asset backed loan 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 15 March 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.

	FY15		FY14	
	Funds drawn in functional currency $'000	Funds drawn translated to AUD $'000	Funds drawn in functional currency $'000	Funds drawn translated to AUD $'000
USD	US$335,000	$436,198	US$335,000	$355,815

WORKING CAPITAL FACILITY

In December 2014, the Group entered into a facility agreement comprising a credit card facility with a limit of A$750,000 and bank guarantee where the aggregate face value shall not exceed A$866,013. The facility matures in December 2015 and will be available for general corporate purposes. The facility is secured via a cash cover account. The bank guarantee is subject to a fee of 3% per annum on the face value of the bank guarantee. At 30 June 2015 the facility was utilised at A$866,013.

FINANCE LEASES

At 30 June 2015, the Group held finance lease facilities totalling A$4,915,000 (2014: A$8,770,000) maturing on 15 August 2015. Assets leased under the facility are secured by the assets leased. Subsequent to year end, the Group refinanced this facility extending the maturity to 15 February 2017 at a lower interest rate.

OTHER FINANCIAL LIABILITIES

At year end the Group financed its insurance premium totalling A$569,000.

FINANCE LEASE LIABILITIES

Finance lease liabilities of the Group are payable as follows:

	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Consolidated	2015 $'000	2015 $'000	2015 $'000	2014 $'000	2014 $'000	2014 $'000
Less than one year	4,972	(57)	4,915	4,362	(507)	3,855
Between one and five years	-	-	-	4,972	(57)	4,915
More than five years	-	-	-	-	-	-
	4,972	(57)	4,915	9,334	(564)	8,770

The Group leases plant and equipment under finance leases. The Group's lease liabilities are secured by the leased assets of $9,752,000 (2014: $8,211,000). 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	
	2015 $'000	2014 $'000
Total facilities available:		
Bank loans	75,000	50,000
144A notes	436,198	355,818
Finance leases	4,915	8,770
Insurance financing	569	461
Working capital	1,616	-
	518,298	415,049
Facilities utilised at reporting date:		
Bank loans [1]	9,626	-
144A notes	436,198	355,818
Finance leases	4,915	8,770
Insurance financing	569	461
Working capital	866	-
	452,174	365,049
Facilities not utilised or established at reporting date:		
Bank loans	65,374	50,000
144A notes	-	-
Finance leases	-	-
Insurance financing	-	-
Working capital	750	-
	66,124	50,000

(1) The facility was undrawn at 30 June 2015 however had issued $9,626,000 of guarantees backed by the facility.

26 PROVISIONS

	Consolidated	
	2015 $'000	2014 $'000
Current		
Employee benefits:		
- annual leave	2,469	2,220
- long service leave	557	439
- other	3	35
Provision for restructuring	623	-
	3,652	2,694
Non-current		
Employee benefits - long service leave	634	1,069
Provision for restructuring	1,117	-
	1,751	1,069

DEFINED CONTRIBUTION SUPERANNUATION FUNDS

The Group makes contributions to defined contribution superannuation funds. The expense recognised for the year was $2,983,000 (2014: $2,849,000).

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.

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
Matured in FY15:			
Performance shares/rights 2012	4,246,661	3 years service TSR ranking to a basket of direct and indirect peers of 123 listed companies. 50% entitlement for a 50.1% ranking within TSR group. Pro rata entitlement up to 100% vesting for a ranking of 75% better to TSR group. 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 2013	6,881,251	3 years service TSR ranking to a basket of direct and indirect peers of 93 listed companies. 50% entitlement for a 50.1% ranking within TSR group. Pro rata entitlement up to 100% vesting for a ranking of 75% better to TSR group.	3 years
Performance shares/rights 2014	24,491,074	3 years service TSR ranking to a basket of direct and indirect peers of 99 listed companies. 50% entitlement for a 50.1% ranking within TSR group. Pro rata entitlement up to 100% vesting for a ranking of 75% better to TSR group.	3 years
Performance shares/rights 2015	19,681,416	3 years service TSR ranking to a basket of direct and indirect peers of 123 listed companies. 50% entitlement for a 50.1% ranking within TSR group. Pro rata entitlement up to 100% vesting for a ranking of 75% better to TSR group.	3 years

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

	Number of performance shares/rights 2015	Number of performance shares/rights 2014
Outstanding at 1 July	26,483,441	16,897,192
Forfeited during the period	(11,765,125)	(11,659,726)
Exercised during the period	-	(3,245,099)
Granted during the period	19,681,416	24,491,074
Outstanding at 30 June	34,399,732	26,483,441
Exercisable at 30 June	-	-

27 SHARE BASED PAYMENTS (CONTINUED)

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 2015	Number of MISP 2014
Outstanding at 1 July	1,290,000	1,600,000
Forfeited during the period	(230,000)	(310,000)
Exercised during the period	-	-
Granted during the period	-	-
Outstanding at 30 June	1,060,000	1,290,000
Exercisable at 30 June (1)	1,060,000	1,290,000

(1) The full service and vesting requirements have been satisfied under the MISP.

EMPLOYEE SHARE OWNERSHIP PLAN

Grant date / employees entitled	Number of instruments	Vesting conditions	Contractual life of ESOP
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
Matured in January 2015 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
ESOP 2015	88,469	Service requirement. Full vesting entitlement after 1 year after the end of the calendar year in which they are acquired.	1 year
	246,756		

The number of ESOPs are as follows:

	Number of ESOP 2015	Number of ESOP 2014
Outstanding at 1 July	93,482	89,686
Forfeited during the period	(7,859)	(16,713)
Exercised during the period	102,859	(62,390)
Granted during the period	88,496	82,899
Outstanding at 30 June	276,978	93,482
Exercisable at 30 June (1)	-	-

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

27 SHARE BASED PAYMENTS (CONTINUED)

The fair value of services received in return for the performance shares and rights granted during the year are based on the fair value of the 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 2015**	**Chief executive officer 2014**	**Key management personnel 2015**	**Key management personnel 2014**	**Senior employees 2015**	**Senior employees 2014**	**ESOP 2015**	**ESOP 2014**
Fair value at grant date	$0.12	$0.15	$0.12	$0.15	$0.12	$0.18	$0.08 - $0.22	$0.20 - $0.34
Share price	$0.19	$0.24	$0.19	$0.24	$0.19	$0.24	$0.08 - $0.22	$0.20 - $0.34
Exercise price	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil
Expected volatility (weighted average volatility)	40% - 65%	45% - 65%	40% - 65%	45% - 65%	40% - 65%	45% - 65%	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	0%	8.0%	0%	8.0%	0%	8.0%	n/a	n/a
Risk-free interest rate (based on government bonds)	2.52%	3.0%	2.52%	3.0%	2.52%	3.0%	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.

For the Group's key management personnel 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	**2015**	**2014**
Performance shares/rights	1,390,172	1,694,346
ESOP	12,094	19,261
Total expense recognised as employee costs (1)	1,402,266	1,713,607

(1) Included in share based employee expenses for the year is the write back of prior year share based employee expenses as a result of the shares, rights or options being forfeited during the year because the employee does not meet the required performance hurdles or service requirements. Should an employee be made redundant, the remaining share based payment expense for the vesting period will be accelerated and recognised in the period the employee was made redundant.

28 COMMITMENTS

[A] OPERATING LEASE COMMITMENTS

	Consolidated	
	2015 $'000	2014 $'000
Future non-cancellable operating leases not provided for in the financial statements and payable:		
Less than one year	12,985	9,500
Between one and five years	19,515	6,986
More than five years	1,117	180
	33,617	16,666

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 2015 an amount of $11,546,000 (continuing and discontinuing operations) was recognised as an expense in profit or loss in respect of operating leases (2014: $4,152,000).

[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 2015 (2014: $Nil).

29 CONTINGENT LIABILITIES

Guarantees
The Group has guaranteed the repayments of $10,491,000 (2014: $866,013) in relation to performance guarantees and rental premises.

30 NOTES TO THE STATEMENT OF CASH FLOWS

[I] RECONCILIATION OF CASH

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

		Consolidated	
	Note	2015 $'000	2014 $'000
Cash assets	17	27,800	41,830

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

30 NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

(II) RECONCILIATION OF NET PROFIT TO NET CASH PROVIDED BY OPERATING ACTIVITIES

		Consolidated	
	Note	2015 $'000	2014 $'000
Net loss - continuing operations		(123,131)	(224,172)
Add/(less) items classified as investing/financing activities:			
Net profit on sale of non-current assets	7	(320)	(731)
Add/(less) non-cash items:			
Amortisation	21	84	132
Depreciation		98,720	77,996
Amortisation of borrowing costs using effective interest rate	8	3,914	1,918
Write off previous deferred borrowing costs	8	1,814	2,993
(Gain)/loss on fair value hedge	8	(2,543)	(5,958)
Withholding tax expense		5,428	1,960
Realised foreign currency exchange (gain)/loss		334	210
Unrealised foreign exchange (gain)/loss	8	16,666	(4,571)
Impairment losses on property, plant and equipment	8	23,940	37,508
Impairment of goodwill	21	-	157,887
Write down on inventory	8	6,896	6,148
Bad debts	8	3,938	3,064
Provision for doubtful debts/(reversal)	8	(328)	(2,467)
Other non-cash items and reclassifications		(5,619)	-
Equity settled share based payments		1,402	1,822
(Decrease)/increase in income taxes payable		-	(15,138)
(Decrease)/increase in deferred tax liability		(25,022)	(17,971)
Net cashflow from operating activities of discontinued operations		(2,801)	2,205
Net cash from operating activities before change in assets/(liabilities) adjusted for assets and (liabilities) acquired		3,372	22,835
(Increase)/decrease in trade and other receivables		12,596	21,379
(Increase)/decrease in inventories		(12,770)	6,597
Increase/(decrease) in payables		(7,732)	32,130
Increase/(decrease) in provisions		1,640	(869)
Net cash from/(used in) operating activities		(2,894)	82,072

31 CONTROLLED ENTITIES

(A) PARTICULARS IN RELATION TO CONTROLLED ENTITIES

	Note	Country of incorporation	Ownership interest 2015 %	Ownership interest 2014 %
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	(i)	Australia	-	100
Emeco Sales Pty Ltd	(ii)	Australia	-	100
Emeco Parts Pty Ltd	(iii)	Australia	-	100
Emeco International Pty Limited	(i)	Australia	100	-
EHL Corporate Pty Ltd (formerly Emeco Sales Pty Ltd)	(ii)	Australia	100	-
Emeco Parts Pty Ltd	(iii)	Australia	100	-
EHL Malvern Pty Ltd	(iv)	Australia	100	-
Emeco (UK) Limited		United Kingdom	100	100
Emeco Equipment (USA) LLC		United States	100	100
PT Prima Traktor IndoNusa (PTI)		Indonesia	100	100
Emeco International Europe BV		Netherlands	100	100
Emeco Europe BV		Netherlands	100	100
Euro Machinery BV		Netherlands	100	100
Emeco Canada Ltd		Canada	100	100
Enduro SpA	(v)	Chile	-	100
Emeco Holdings South America SpA	(vi)	Chile	100	-
Enduro SpA	(v)	Chile	100	-

Notes
During the year ended 30 June 2015;
(i) Emeco International Pty Ltd was transferred from Emeco Pty Ltd to Emeco Holdings Limited.
(ii) Emeco Sales Pty Ltd changed its name to EHL Corporate Pty Ltd on and ownership was transferred from Emeco International Pty Ltd to Emeco Holdings Limited.
(iii) Emeco Parts was transferred from Emeco International Pty Ltd to Emeco Holdings Limited.
(iv) EHL Malvern Pty Ltd was incorporated and remains a dormant entity.
(v) Ownership of Enduro SpA was transferred from Emeco Holdings Limited to Emeco Holdings South America SpA.
(vi) Emeco Holdings South America SpA was incorporated and is the parent of Enduro SpA.

(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.

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	Chair
John Cahill	
Peter Richards	
Erica Smyth	
Executive director	
Kenneth Lewsey	Managing Director & Chief Executive Officer (ceased role on 20 August 2015)
Other executives - as at reporting date	**Position**
Gregory Hawkins [A]	Chief Financial Officer (commenced role on 1 July 2014)
Christopher Hayman	President North America (commenced role on 26 November 2014), previously President Americas (ceased role on 26 November 2014)
Kalien Selby	Executive General Manager Strategy & Business Improvement (commenced role on 18 February 2015)
Ian Testrow [B]	Chief Operating Officer
Thao Vanderplancke	Company Secretary & General Counsel (commenced role on 1 July 2014)
Other executives - ceased prior to reporting date	**Position**
Kellie Benda	Executive General Manager Strategy & Corporate Development (ceased role on 19 December 2014)
David Greig	President - South America (commenced role 24 November 2014 and ceased role on 22 June 2015)
Stuart Jenner	Executive General Manager HR, HSE & IT (ceased role on 30 June 2015)
Grant Stubbs	Executive General Manager Asset Strategy & Operational Improvement (ceased role on 1 October 2014)

[A] Mr Gregory Hawkins commenced role of Executive Director, Finance on 20 August 2015.
[B] Mr Ian Testrow commenced role of Managing Director & Chief Executive Officer on 20 August 2015.

KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation is as follows:

	Consolidated	
In AUD	**2015**	**2014**
Short term employee benefits	3,960,980	5,071,109
Other long term benefits	-	-
Post-employment benefits	284,407	227,143
Termination benefits	-	293,866
Equity compensation benefits	700,500	294,880
	4,945,887	5,886,998

32 KEY MANAGEMENT PERSONNEL DISCLOSURE (CONTINUED)

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 31 to 43.

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

EQUITY INSTRUMENTS

Shares and rights over equity instruments granted as compensation under management incentive share plan

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

Shares and rights over equity instruments granted as compensation under long term incentive plan

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

The movement during the reporting year in the number of shares issued 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.

2015 Shares	Held at 1 July 2014	Granted as compensation	Vested during the year	Forfeited/ lapsed	Held at 30 June 2015
Directors & executives					
Kenneth Lewsey	4,553,571	4,250,000	-	-	8,803,571
Kellie Benda [(1)]	749,143	-	-	(749,143)	n/a
Stephen Gobby [(2)]	2,997,645	-	-	(2,997,645)	n/a
David Greig [(3)]	n/a	-	-	-	n/a
Gregory Hawkins [(4)]	n/a	1,600,000	-	-	1,600,000
Stuart Jenner [(5)]	n/a	-	-	(317,227)	-
Michael Kirkpatrick [(2)]	1,579,152	-	-	(1,579,152)	n/a
Kalien Selby [(5)]	n/a	n/a	-	-	260,000
Grant Stubbs [(6)]	1,196,351	-	-	(1,196,351)	n/a
Ian Testrow	-	1,550,000	-	-	1,550,000
Thao Vanderplancke [(4)]	n/a	640,000	-	(17,105)	915,489

32 KEY MANAGEMENT PERSONNEL DISCLOSURE (CONTINUED)

2014 Shares	Held at 1 July 2013	Granted as compensation	Vested during the year	Forfeited/ lapsed	Held at 30 June 2014
Directors & executives					
Kenneth Lewsey (1)	n/a	4,553,571	-	-	4,553,571
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 (7)	3,590,149	-	-	-	n/a
Anthony Halls (7)	811,990	1,160,187	-	(1,975,177)	n/a
Michael Kirkpatrick (2)	758,101	1,071,051	-	(250,000)	1,579,152
Grant Stubbs (6)	231,914	1,034,080	-	(69,643)	1,196,351
Ian Testrow	-	-	-	-	-

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. Ms Benda ceased to be a key management personnel on 19 December 2014.
(2) Mr Gobby and Mr Kirkpatrick ceased to be a key management personnel on 1 July 2014.
(3) Mr Greig become a key management personnel on 1 October 2014 and ceased to be a key management personnel on 22 June 2015.
(4) Mr Hawkins and Ms Vanderplancke became key management personnel on 1 July 2014.
(5) Mr Jenner and Ms Selby became key management personnel on 1 July 2014 and 18 February 2015 respectively.
(6) 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. Mr Stubbs ceased to be a key management personnel on 1 October 2014.
(7) Mr Gordon and Mr Halls ceased to be key management personnel on 4 November 2013 and 17 February 2014 respectively.
n/a Not applicable as not in a position of key management at relevant reporting date.

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.

2015 Rights	Held at 1 July 2014	Granted as compensation	Vested during the year	Forfeited/ lapsed	Held at 30 June 2015
Directors & executives					
Stephen Gobby (1)	-	-	-	-	n/a
David Greig (3)	n/a	794,012	-	-	n/a
Christopher Hayman (2)	986,967	844,040	-	-	1,831,007
Michael Kirkpatrick (1)	-	-	-	-	n/a
Ian Testrow	2,273,522	-	-	(189,000)	2,084,522

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

(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 Greig became a key management personnel on 1 October 2014 and ceased to be a key management personnel on 22 June 2015.
n/a Not applicable as not in a position of key management personnel at relevant reporting date.

32 KEY MANAGEMENT PERSONNEL DISCLOSURE (CONTINUED)

EQUITY HOLDINGS AND TRANSACTIONS

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

2015	Held at 1 July 2014 ordinary shares	Transferred from share plan	Purchases	Sales	Held at 30 June 2015 ordinary shares
Directors					
Alec Brennan (1)	1,581,700	-	-	-	1,581,700
Kenneth Lewsey (2)	315,000	-	713,690	-	1,028,690
John Cahill	120,000	-	-	-	120,000
Peter Richards	40,000	-	-	-	40,000
Erica Smyth	71,049	-	-	-	71,049
Other executives					
Kellie Benda (3)	-	-	-	-	n/a
David Greig (4)	n/a	-	-	-	n/a
Gregory Hawkins (5)	127,000	-	395,238	-	522,238
Christopher Hayman	9,332	-	-	-	9,332
Stuart Jenner (6)	-	-	35,103	-	35,103
Kalien Selby (6)	n/a	-	18,412	-	35,103
Grant Stubbs (7)	42,339	-	-	-	n/a
Ian Testrow (1)	715,714	-	35,103	-	750,817
Thao Vanderplancke (5)	-	2,911	35,103	-	38,014

(1) Mr Brennan's and Mr Testrow's holdings are exclusive of 500,000 and 300,000 shares respectively held as part of the Management Incentive Share Plan. Subsequent to 30 June 2015, both Mr Brennan and Mr Testrow have elected to return these shares to the Company in accordance with the terms of the MISP.
(2) Mr Lewsey was awarded 313,690 shares under the terms of Emeco's short term incentive scheme in FY14 (and approved at the Company's 2014 AGM) which are held in escrow for a period of two years until the announcement of Emeco's annual results in 2016.
(3) Ms Benda ceased to be key management personnel on 19 December 2014.
(4) Mr Greig became a key management personnel on 24 November 2014 and ceased to be a key management personnel on 22 June 2015.
(5) Mr Hawkins and Ms Vanderplancke became key management personnel on 1 July 2014.
(6) Mr Jenner and Ms Selby became key management personnel on 1 July 2014 and 18 February 2015 respectively.
(7) Mr Stubbs ceased to be a key management personnel on 1 October 2014.
n/a Not applicable as not in a position of key management personnel at relevant reporting date.

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32 KEY MANAGEMENT PERSONNEL DISCLOSURE (CONTINUED)

2014	Held at 1 July 2013 ordinary shares	Transferred from share plan	Purchases	Sales	Held at 30 June 2014 ordinary shares
Directors					
Alec Brennan	1,581,700	-	-	-	1,581,700
Kenneth Lewsey (3)	n/a	-	315,000	-	315,000
Robert Bishop (1)	566,600	-	222,400	-	n/a
John Cahill	120,000	-	-	-	120,000
Keith Gordon (2)	1,125,000	-	-	-	n/a
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	592,541	-	123,173	-	715,714

(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.

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.

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

32 KEY MANAGEMENT PERSONNEL DISCLOSURE (CONTINUED)

OTHER KEY MANAGEMENT PERSONNEL TRANSACTIONS (CONTINUED)

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

		Transaction value year ended 30 June		Balance outstanding as at 30 June	
		2015 $'000	2014 $'000	2015 $'000	2014 $'000
Revenue					
Key management person and their related parties	**Transaction**				
Mr P Richards -Sedgman Limited	Rental of heavy earthmoving equipment	31	-	1	-
Total		31	-	1	-
Expense					
Key management person and their related parties	**Transaction**				
Mr P Richards -Bradken Limited	Purchase of heavy earthmoving equipment parts	157	-	29	-
Total		157	-	29	-

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 the cost of the groups external borrowings.

ULTIMATE PARENT ENTITY

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

34 SUBSEQUENT EVENTS

Subsequent to the period end, the Group refinanced its finance lease facility resulting in an extension to 15 February 2017 at a lower interest rate.

On 1 July 2015, Emeco announced that it had signed a partnership agreement with Cimic Group company, Thiess, for pre-strip operations at the Encuentro Oxides copper mine in Chile that was previously operated by Fe Grande.

On 20 August 2015, Mr Kenneth Lewsey ceased his role as Managing Director and Chief Executive Officer of the Company and Mr Ian Testrow commenced as the Managing Director and Chief Executive Officer. Mr Gregory Hawkins commenced in the role of Executive Director Finance on 20 August 2015.

35 EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

The calculation of basic earnings per share at 30 June 2015 was based on the loss attributable to ordinary shareholders of $127,703,000 (2014: $275,309,000) and a weighted average number of ordinary shares outstanding less any treasury shares for the year ended 30 June 2015 of 557,569,229 (2014: 562,504,730).

PROFIT ATTRIBUTED TO ORDINARY SHAREHOLDERS

	Consolidated					
	2015			2014		
	Continuing operations $'000	Discontinued operations $'000	Total $'000	Continuing operations $'000	Discontinued operations $'000	Total $'000
Profit/(loss) for the year	(123,131)	(4,572)	(127,703)	(224,172)	(51,137)	(275,309)

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES

	Consolidated	
	2015 '000	2014 '000
Issued ordinary shares at 1 July	631,238	631,238
Effect of purchased treasury shares	(73,669)	(68,733)
Weighted average number of ordinary shares at 30 June	557,569	562,505

DILUTED EARNINGS PER SHARE

The calculation of diluted earnings per share at 30 June 2015 was based on the loss attributable to ordinary shareholders of $127,703,000 (2014: $275,309,000) and a weighted average number of ordinary shares outstanding less any treasury shares during the financial year ended 30 June 2015 of 558,629,229 (2014: 565,151,687).

PROFIT ATTRIBUTED TO ORDINARY SHAREHOLDERS (DILUTED)

	Consolidated					
	2015			2014		
	Continuing operations $'000	Discontinued operations $'000	Total $'000	Continuing operations $'000	Discontinued operations $'000	Total $'000
Profit/(loss) attributed to ordinary shareholders (basic)	(123,131)	(4,572)	(127,703)	(224,172)	(51,137)	(275,309)

35 EARNINGS PER SHARE (CONTINUED)

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (DILUTED)

	Consolidated	
	2015 '000	2014 '000
Weighted average number of ordinary shares at 30 June	631,238	631,238
Effect of the vesting of contingently issuable shares	1,060	2,647
Effect of purchased treasury shares	(73,669)	(68,733)
Weighted average number of ordinary shares (diluted) at 30 June	558,629	565,152

COMPARATIVE INFORMATION

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

36 PARENT ENTITY DISCLOSURE

As at and throughout the financial year ending 30 June 2015 the parent entity (the '**Company**') of the Group was Emeco Holdings Limited.

	Company	
	2015 $'000	2014 $'000
Result of the parent entity		
Profit/(loss) for the period	(613)	(148,311)
Other comprehensive income	-	-
Total comprehensive income for the period	(613)	(148,311)
Financial position of parent entity at year end		
Current assets	20	22
Non-current assets	398,232	394,377
Total assets	398,252	394,399
Current liabilities	-	-
Non-current liabilities	(38,685)	-
Total liabilities	(38,685)	-
Total equity of the parent entity comprising of:		
Share capital	593,616	593,616
Share based payment reserve	16,649	14,598
Reserve for own shares	(21,003)	(20,622)
Retained earnings	(270,289)	(269,358)
Total equity	318,973	318,234

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, Emeco International Pty Ltd is relieved from the *Corporations Act* 2001 requirements for preparation, audit and lodgement of financial reports, and directors' reports.

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

The subsidiaries subject to the deed are:

- Emeco Pty Ltd
- Emeco International Pty Limited

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 2015 is set out as follows:

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AND RETAINED EARNINGS

	Consolidated	
	2015 $'000	2014 $'000
Revenue	136,966	134,538
Cost of sales	(98,825)	(87,182)
Gross profit	38,141	47,356
Operating expense	(102,780)	(64,809)
Other income	2,590	3,609
Finance income	18,774	14,271
Finance costs	(51,048)	(42,372)
Impairment of assets	(22,553)	(39,525)
Impairment of investment	-	(151,310)
Profit before tax	(116,876)	(232,780)
Tax expense	34,932	26,498
Net profit after tax	(81,944)	(206,282)
Other comprehensive income	25,846	(4,977)
Total comprehensive income for the period	25,846	(4,977)
Retained earnings at beginning of year	(257,290)	(46,031)
Retained earnings at end of year	(313,389)	(257,290)
Attributable to:		
Equity holders of the Company	(313,389)	(257,290)
Profit/(loss) for the period	(81,944)	(206,282)

37 DEED OF CROSS GUARANTEE (CONTINUED)

STATEMENT OF FINANCIAL POSITION

	Consolidated	
	2015 $'000	2014 $'000
Current assets		
Cash assets	12,891	17,195
Trade and other receivables	29,433	21,099
Derivatives	12,761	5
Inventories	6,560	3,507
Assets held for sale	22,771	31,242
Total current assets	84,416	73,048
Non-current assets		
Trade and other receivables	195,737	176,528
Derivatives	38,282	-
Intangible assets	1,641	146
Investments	288,333	249,143
Property, plant and equipment	222,245	281,702
Deferred tax assets	53,011	27,121
Total non-current assets	799,249	734,640
Total assets	883,665	807,688
Current liabilities		
Trade and other payables	29,227	25,167
Derivatives	1,294	2,546
Interest bearing liabilities	4,915	3,855
Provisions	3,119	1,791
Total current liabilities	38,555	33,359
Non-current liabilities		
Derivatives	1,663	10,186
Interest bearing liabilities	480,572	341,397
Deferred tax liabilities	27,527	22,493
Provisions	1,762	1,385
Total non-current liabilities	511,524	375,461
Total liabilities	550,079	408,820
Net assets	333,586	398,868
Equity		
Issued capital	593,616	593,616
Share based payment reserve	15,247	14,598
Reserves	38,112	47,944
Retained earnings/(losses)	(313,389)	(257,290)
Total equity attributable to equity holders of the parent	333,586	398,868

DIRECTORS' DECLARATION

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

   (a) the consolidated financial statements and notes as set out on pages 45 to 113, and remuneration report in the directors' report, set out on pages 31 to 43 are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the Group's financial position as at 30 June 2015 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 2015.

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, 26 day of August 2015

Signed in accordance with a resolution of the directors:

Ian Testrow
Managing Director

INDEPENDENT AUDITOR'S REPORT

KPMG

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 2015, 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 1 to 37 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

KPMG

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 2015 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 2015. 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 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

G-T Hogg

Graham Hogg
Partner

Perth
26 August 2015

SHAREHOLDER INFORMATION

FINANCIAL CALENDAR

The Annual General Meeting of Emeco Holdings Limited will be held at The Rendezvous Hotel, 148 The Esplanade, Scarborough, Western Australia on Thursday, 19 November 2015 commencing at 3.00 pm (Perth time).

Event	Date
Annual General Meeting	19 November 2015
Half year end	31 December 2015
Half year results announcement	February 2016
Year end	30 June 2016

SHAREHOLDER STATISTICS

SUBSTANTIAL SHAREHOLDERS

Details regarding substantial holders of the Company's ordinary shares as at 7 September 2015, as disclosed in the substantial holding notices, are as follows:

Name	Shares	% Issued Capital
First Samuel Limited	118,757,137	19.80
Black Crane Asia Opportunities Fund	60,652,049	10.11
Dimensional Fund Advisors	36,375,691	6.07
Highclere International Investors LLP	31,002,213	5.17

DISTRIBUTION OF SHAREHOLDERS

As at 7 September 2015, there were 5,506 holders of the Company's ordinary shares. The distribution as at 7 September 2015 was as follows:

Range	Investors	Securities	% Issued Capital
100,001 and over	338	529,328,986	88.27
10,001 to 100,000	1,737	57,096,903	9.52
5,001 to 10,000	1,049	8,247,697	1.38
1,001 to 5,000	1,570	4,613,002	0.77
1 to 1,000	812	389,119	0.06
Total	**5,506**	**599,675,707**	**100.00**

The number of security investors holding less than a marketable parcel of 8,475 securities ($0.059 on 7 September 2015) is 2,988 and they hold 8,918,282 securities.

SHAREHOLDER INFORMATION

20 LARGEST SHAREHOLDERS

The names of the 20 largest holders of the Company's ordinary shares as at 7 September 2015 are:

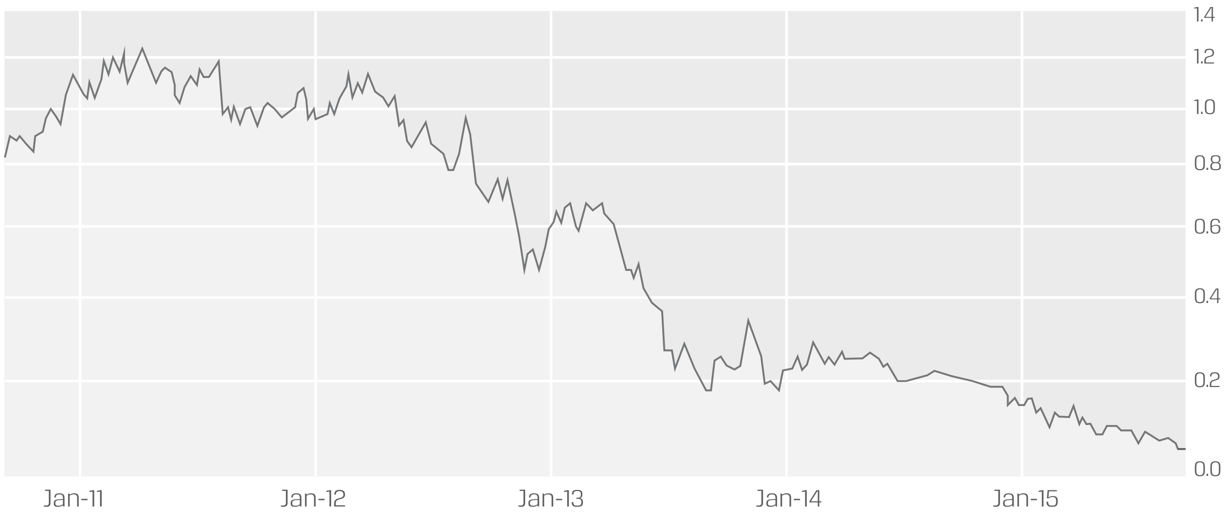
Rank	Name	Total Units	% Issued Capital
1	J P MORGAN NOMINEES AUSTRALIA LIMITED	150,594,642	25.11
2	CITICORP NOMINEES PTY LIMITED	124,198,803	20.71
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	62,561,168	10.43
4	PACIFIC CUSTODIANS PTY LIMITED	30,581,304	5.10
5	NATIONAL NOMINEES LIMITED	13,376,812	2.23
6	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	12,182,552	2.03
7	ELPHINSTONE HOLDINGS PTY LTD	6,860,000	1.14
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	6,665,307	1.11
9	G HARVEY NOMINEES PTY LIMITED	3,661,800	0.61
10	MMS1 PTY LTD	3,500,000	0.58
11	TREVOR THOMAS SAUVARIN	3,000,000	0.50
12	MR HONG KEONG CHIU & MS YOK KEE KHOO	2,777,071	0.46
13	D & C JEFFERY SUPER PTY LTD	2,253,525	0.38
14	MRS SHIVA MITTAL	2,218,030	0.37
15	MR GEORGE WALTER MOORATOFF	2,000,000	0.33
16	PACIFIC CUSTODIANS PTY LIMITED	1,973,244	0.33
17	NEGOLE PTY LIMITED	1,890,687	0.32
18	ARANEM PTY LTD	1,850,000	0.31
19	MS LINDA SAUVARIN	1,795,093	0.30
20	BNP PARIBAS NOMS PTY LTD	1,677,848	0.28

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
Ian Testrow
John Cahill
Greg Hawkins
Peter Richards
Erica Smyth

SECRETARY

Thao Vanderplancke

REGISTERED OFFICE

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SHARE REGISTRY

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Central Park Level 4,
152 St Georges Terrace
Perth WA 6000

Phone: 1300 554 474
www.linkmarketservices.com.au

AUDITORS

KPMG
235 St Georges Terrace
Perth WA 6000

SECURITIES EXCHANGE LISTING

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

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