Emeco

Earthmoving equipment solutions

Emeco Holdings Limited and its Controlled Entities

ABN 89 112 188 815

Interim Financial Report

for the half year ended 31 December 2009

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Directors' report
31 December 2009

The Board of directors of Emeco Holdings Limited (the "Company") has pleasure in submitting its report in respect of the half-year financial period ended 31 December 2009 and the review report thereon.

Directors

The following persons were directors of Emeco Holdings Limited during the half-year and up to the date of this report:

Director	Date of appointment
Non-Executive	
Mr Alec Brennan (Chairman)	16 August 2005
Mr Peter Johnston	1 September 2006
Mr John Cahill	15 September 2008
Mr Robert Bishop	22 June 2009
Executive	
Mr Keith Gordon (Chief Executive officer)	1 December 2009
Mr Laurie Freedman (Chief Executive Officer) – resigned 30 November 2009	21 January 2005
Mr Robin Adair (Executive Director Corporate Strategy and Business Development) – resigned 18 November 2009	21 January 2005

Mr Keith Gordon was appointed as the Managing Director and Chief Executive Officer with effect from 1 December 2009.

Mr Robert Bishop and Mr Peter Johnston were re-elected as non-executive directors at the Company's annual general meeting held on 18 November 2009.

Financial performance

Emeco Holdings Limited and its Controlled Entities (the "Group") achieved a net profit/(loss) after tax for the half-year ended 31 December 2009 of ($0.62) million (2008: $39.0 million) with total revenue of $208.5 million (2008: $309.8 million).

Dividends

The Company did not declare a dividend for the interim period (2008: 2.0 cents).

Review of operations

Review of operations

The key results of the Group's operations are summarised as follows:

	Half year ended		
	2009	**2008**	Change
	$m	$m	%
Net profit/(loss) after tax	(0.6)	39.0	(101.5%)
EBITDA	64.7	128.6	(49.7%)
EBITA	14.5	69.7	(79.2%)
EBIT	14.3	69.6	(79.5%)

The Group's profit to 31 December 2009 decreased when compared to the preceding interim period by $39.7 million to a loss of $0.62 million, representing a decrease of 101.7%.

Emeco Holdings Limited and its Controlled Entities
Directors' report
31 December 2009

The Group's earnings before interest and tax ("EBIT") decreased by 79.5% over the comparative period from $69.6 million to $14.3 million. The comparison of prior corresponding periods can be characterised by markedly different economic conditions resulting in the first half of the 2009 financial year being a record half for Emeco. However utilisation had been adversely impacted in the first half of the 2010 financial year (1H10) as activity in end markets remained subdued. The main contributors to the decrease of EBIT to the prior comparative period were:

- An impairment loss of $14.3M on an after-tax basis ($17.8M pre-tax) in respect of the carrying values of specific small sized equipment and inventory utilised in the construction sector of the North American businesses and slow-moving inventory in the Australian business. A decline in construction sector activity, coupled with equipment oversupply, has impacted market valuations of this equipment giving rise to the impairment.
- A $29.8M decrease in Australia predominately due to reduced mine activity, especially in Bowen Basin coking coal, Pilbara Iron Ore and base metals. Sales and Parts declines related to subdued market conditions, however the introduction of Government tax incentives diverted buyers from used to new equipment purchases.
- A $19.5M decrease in Canada due to a substantial wind back in oil sands development, natural gas drilling and general construction activity.
- A $8.6M decrease in USA due to reduced activity in the Appalachian coal region, driven by lower coal prices adversely effecting utilisation.
- A $0.5M decrease in Indonesia, however in both periods this business achieved a strong EBIT reflecting growth in thermal coal volumes and continued penetration of the Emeco rental model in this market.
- A $0.5M increase in Europe with 1H10 benefiting from the restructuring activities the group undertook at June 2009.

Significant events occurring after half-year end

On 11 February 2010 the board resolved to close the Emeco Europe operations and consolidate the Canadian and USA business into one North American business unit. As part of the North American restructure the Group will close its two facilities in Houston, Texas and London, Kentucky.

These decisions will lead to restructuring and closure costs of up to $29.5 million. The final restructure and closure costs will depend upon redundancies, lease termination costs and asset disposal programs.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 5 and forms part of the directors' report for the half year ended 31 December 2009.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities & Investments Commission, relating to the 'rounding off' of amounts in the interim financial report and directors' report. Amounts in the interim financial report and directors' report have been rounded off in accordance with the Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of directors.

Keith Gordon
Managing Director

Perth
23 February 2010

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 review for the half-year ended 31 December 2009 there have been:

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

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

KPMG

KPMG

R Gambitta
Partner

Perth

23 February 2010

Emeco Holdings Limited and its Controlled Entities
Consolidated interim statement of comprehensive income
For the six months ended 31 December 2009

	Note	31 December 2009 $'000	31 December 2008 $'000
Revenue from rental income		147,724	199,998
Revenue from the sale of machines and parts		40,196	86,997
Revenue from maintenance services		20,585	22,806
		208,505	309,801
Impairment of tangible assets	7,8	(17,805)	-
Machinery and parts purchases and consumables		(43,118)	(80,615)
Repairs and maintenance		(48,093)	(55,880)
Employee expenses		(21,460)	(26,723)
Hired in equipment and labour		(951)	(834)
Gross profit		77,078	145,749
Other income		2,961	1,760
Other expense		(15,347)	(18,941)
EBITDA(1)		64,692	128,568
Depreciation expense		(50,205)	(58,842)
Amortisation expense		(157)	(173)
EBIT(2)		14,330	69,553
Financial income	6	99	345
Financial expenses	6	(11,213)	(14,575)
Profit before income tax expense		3,216	55,323
Income tax expense		(3,834)	(16,296)
Net profit/(loss) attributed to equity holders of the company		(618)	39,027
Other comprehensive income			
Foreign currency translation differences for foreign operations		(8,498)	28,768
Effective portion of changes in fair value of cash flow hedges		1,768	(15,795)
Other comprehensive income for the period, net of income tax		(6,730)	12,973
Total comprehensive income for the period		(7,348)	52,000
Earnings per share for profit attributable to the ordinary equity holders of the company:		2009 cents	2008 cents
Basic earnings per share		(0.1)	6.2
Diluted earnings per share		(0.1)	6.2

The income statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 16.

(1) EBITDA - Earnings before interest expense, tax, depreciation and amortisation
(2) EBIT - Earnings before interest expense and tax.

Emeco Holdings Limited and its Controlled Entities
Consolidated interim statement of financial position
as at 31 December 2009

	Note	31 December 2009 $'000	30 June 2009 $'000
Current Assets			
Cash assets		10,262	10,422
Trade and other receivables, including derivatives		88,388	77,691
Inventories		116,677	142,650
Prepayments		6,905	5,310
Total current assets		222,232	236,073
Non-current assets			
Trade and other receivables		98	85
Intangible assets		213,749	215,826
Property, plant and equipment		683,859	667,969
Total non-current assets		897,706	883,880
Total assets		1,119,938	1,119,953
Current Liabilities			
Trade and other payables, including derivatives		62,689	57,922
Interest bearing liabilities		5,387	7,943
Current tax liabilities		659	12,519
Provisions		5,955	6,991
Total current liabilities		74,690	85,375
Non-current Liabilities			
Interest bearing liabilities		354,739	330,294
Deferred tax liabilities		26,211	20,626
Provisions		808	792
Total non-current liabilities		381,758	351,712
Total liabilities		456,448	437,087
Net assets		663,490	682,866
Equity			
Share capital		609,551	609,470
Reserves		(26,350)	(20,136)
Retained earnings		80,289	93,532
Total equity attributable to equity holders of the parent		663,490	682,866

The balance sheet is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 16.

Emeco Holdings Limited and its Controlled Entities
Consolidated interim statement of changes in equity
as at 31 December 2009

Reconciliation of movement in capital and reserves
Attributable to equity holders of the parent

Consolidated $000's	Note	Share capital	Reserve for own shares	Share based payment reserve	Hedging reserve	Foreign currency translation reserve	Retained earnings	Total equity
Balance at 1 July 2008		608,995	(985)	1,474	90	(16,771)	108,933	701,736
Total comprehensive income and for the period								
Profit or loss		-	-	-	-	-	39,027	39,027
Other comprehensive income								
Foreign currency translation differences		-	-	-	-	28,768	-	28,768
Effective portion of changes in fair value of cash flow hedges, net of tax		-	-	-	(15,795)	-	-	(15,795)
Total comprehensive income for the period		-	-	-	(15,795)	28,768	39,027	52,000
Transactions with owners, recorded directly in equity								
Dividends to equity holders		-	-	-	-	-	(15,663)	(15,663)
Share-based payment transactions		-	-	570	-	-	-	570
Shares acquired - trust	9	-	(2,885)	-	-	-	-	(2,885)
IPO costs		12	-	-	-	-	-	12
Total contributions by and distributions to owners		12	(2,885)	570	-	-	(15,663)	(17,966)
Balance at 31 December 2008		609,007	(3,870)	2,044	(15,705)	11,997	132,297	735,770

Consolidated $000's	Note	Share capital	Reserve for own shares	Share based payment reserve	Hedging reserve	Foreign currency translation reserve	Retained earnings	Total equity
Balance at 1 July 2009		609,470	(3,870)	1,832	(10,536)	(7,562)	93,532	682,866
Total comprehensive income and for the period								
Profit or loss		-	-	-	-	-	(618)	(618)
Other comprehensive income								
Foreign currency translation differences		-	-	-	-	(8,498)	-	(8,498)
Effective portion of changes in fair value of cash flow hedges, net of tax		-	-	-	1,768	-	-	1,768
Total comprehensive income for the period		-	-	-	1,768	(8,498)	(618)	(7,348)
Transactions with owners, recorded directly in equity								
Dividends to equity holders		-	-	-	-	-	(12,625)	(12,625)
Contribution from MISP holders (1)		81	-	-	-	-	-	81
Share-based payment transactions		-	-	516	-	-	-	516
Shares acquired - trust		-	-	-	-	-	-	-
Total contributions by and distributions to owners		81	-	516	-	-	(12,625)	(12,028)
Balance at 31 December 2009		609,551	(3,870)	2,348	(8,768)	(16,060)	80,289	663,490

(1) Includes dividends paid to existing MISP holders and payments received from resigning employees in satisfaction of their outstanding MISP loans.

Emeco Holdings Limited and its Controlled Entities
Consolidated interim statement of cash flow
For the six months ended 31 December 2009

	Note	31 December 2009 $'000	31 December 2008 $'000
Cash flows from operating activities			
Cash receipts in the course of operations		197,986	315,072
Cash payments in the course of operations		(112,167)	(176,927)
Interest received		99	345
Borrowing costs paid		(10,149)	(12,657)
Income tax paid		(9,742)	(25,533)
Net cash provided by operating activities		66,027	100,300
Cash flows from investing activities			
Proceeds on disposal of non-current assets	8	14,592	8,910
Payment for property, plant and equipment	8	(105,178)	(80,651)
Net cash used in investing activities		(90,586)	(71,741)
Cash flows from financing activities			
Proceeds from borrowings		85,833	65,607
Repayment of loans		(44,516)	(73,290)
Repurchase own shares	9	-	(2,885)
Payment of debt establishment costs		-	(4,642)
Finance lease payments		(4,853)	(5,507)
Dividends paid		(12,625)	(15,663)
Net cash provided by financing activities		23,839	(36,380)
Net decrease in cash held		(720)	(7,821)
Cash at the beginning of the period		10,422	16,804
Effects of exchange rate fluctuations on cash held		560	882
Cash at the end of the financial period		10,262	9,865

The statement of cash flow is to be read in conjunction with the notes to the financial statements set out on pages 10 to 16.

1. Reporting entity

Emeco Holdings Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial statements of the Company as at and for the six months ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2009 are available on the Company's web site at www.emecogroup.com.

2. Statement of compliance

The consolidated interim financial statements have been prepared in accordance with AASB 134: *Interim Financial Reporting* and the Corporations Act 2001.

They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 30 June 2009.

These consolidated interim financial statements were approved by the Board of Directors on 23 February 2010.

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

3. Significant accounting policies

Except as described below, the accounting policies applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2009.

(a) Change in accounting policy

(i) Determination and presentation of operating segments

As of 1 July 2009 the Group determines and presents operating segments based on the information that internally is provided to the board of directors, who are the Group's chief operating decision makers. This change in accounting policy is due to the adoption of IFRS 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with IAS 14 *Segment Reporting*. The new accounting policy is respect of segment operating disclosures is presented as follows.

Comparative segment information has been re-presented in conformity with the transitional requirements of IFRS 8. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the board of directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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 corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

3. Significant accounting policies cont'd

(ii) Presentation of financial statements

The Group applies revised IAS 1 *Presentation of Financial Statements* (2007), which became effective as of 1 July 2009. As a result, the Group presents in the consolidated statement of changes in equity all owners changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these condensed interim financial statements as of and for the six months period ended on 31 December 2009.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

4. Estimates

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

In preparing these consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key source of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2009.

During the six months ended 31 December 2009 management reassessed its estimates in respect of the net realisable value of certain inventory and recoverable amount of property, plant and equipment (see note 7 and 8).

5. Operating segments

The Group has 7 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 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:

Australian Rental	Provides a wide range of earthmoving equipment and maintenance services to customers in Australia.
Australian Sales	Sells a wide range of earthmoving equipment to customers in the civil construction and mining industries in Australia.
Australian Parts	Procuring and supplying global sourced used and reconditioned parts to external customers and internally to the rental and sales division in Australia.
Indonesia	Provides a wide range of earthmoving equipment and maintenance service to customers in Indonesia.
United States of America (USA)	Provides a wide range of earthmoving equipment for rental or sale, maintenance services and procurement and supply of used and reconditioned parts to customers both internal and external in the United States of America.
Canada	Provides a wide range of earthmoving equipment for rental or sale, maintenance services and procurement and supply of used and reconditioned parts to customers in Canada.
Europe	Provides a wide range of earthmoving equipment for rental or sale and maintenance service to customers in Europe.

5. Operating segments cont'd

	Australia Rental $000's	Australia Sales $000's	Australia Parts $000's	Indonesia $000's	Canada $000's	USA $000's	Europe $000's	Elimination $000's	Consolidated $000's
6 months ended 31 December 2009									
Revenue from external customers	118,402	19,811	7,299	25,451	18,425	12,466	6,651	-	208,505
Inter-segment revenue	786	13,676	2,145	151	-	133	75	(16,966)	-
Total segment revenue	119,188	33,487	9,444	25,602	18,425	12,599	6,726	(16,966)	208,505
Segment assets	1,257,503	100,600	44,162	124,662	116,556	53,431	45,652	(636,266)	1,106,300
Unallocated assets									13,638
Total assets									1,119,938
Segment result									
Operating profit	27,309	(1,558)	(2,555)	5,808	(6,788)	(7,445)	(441)	-	14,330
Elimination of inter-segment profit	-	(46)	97	580	9	(125)	(74)	(441)	-
Segment result [1]	27,309	(1,604)	(2,458)	6,388	(6,779)	(7,570)	(515)	(441)	14,330
Unallocated corporate expenses									(11,114)
									3,216
Income tax expense									(3,834)
Net profit/(loss)									(618)

[1] The segment result includes significant items of impairment and write-down charges for Australia Sales, Australia Parts, Canada and USA segments of $1.7 million, $2.8 million, $7.8 million and $5.5 million respectively. After excluding the significant items, the segment result for Australia Sales, Australia Parts, Canada and USA would be $0.1 million, $0.3 million, $1.0 million and ($2.1) million respectively.

	Australia Rental $000's	Australia Sales $000's	Australia Parts $000's	Indonesia $000's	Canada $000's	USA $000's	Europe $000's	Elimination $000's	Consolidated $000's
6 months ended 31 December 2008									
Revenue from external customers	154,723	48,739	10,637	25,681	35,339	23,265	11,417		309,801
Inter-segment revenue	825	10,603	1,294	27	-	1,389	74	(14,212)	-
Total segment revenue	155,548	59,342	11,931	25,708	35,339	24,654	11,491	(14,212)	309,801
Segment assets	1,120,393	204,409	61,242	132,575	162,432	106,759	60,816	(593,032)	1,255,594
Unallocated assets									10,105
Total assets									1,265,699
Segment result									
Operating profit	43,671	5,139	925	8,710	11,361	1,057	(1,310)	-	69,553
Elimination of inter-segment profit	217	479	258	639	924	388	172	(3,077)	-
Segment result	43,888	5,618	1,183	9,349	12,285	1,445	(1,138)	(3,077)	69,553
Unallocated corporate expenses									(14,230)
									55,323
Income tax expense									(16,296)
Net profit									39,027

6. Items included in profit before income tax expense

	Consolidated 2009	Consolidated 2008
Financial expenses:		
- interest on bank loans and overdrafts	9,293	12,222
- interest on finance leases	207	616
- amortisation of debt establishment costs	835	923
- other facility costs	878	814
	11,213	14,575
Financial income:		
- interest revenue	(99)	(345)
	11,114	14,230

7. Write-down of inventory

During the six months ended 31 December 2009, Emeco's USA business recognised a write-down of its sales and parts inventory to net realisable value in the amounts of $1.2 million and $0.6 million respectively. Emeco's Australian operations recognised a write-down in its sales and parts inventory to net realisable value in the amounts of $1.7 million and $2.8 million respectively. These write-downs were recognised as a result of the continued downturn in the Global used equipment market and changes in currency.

There were no inventory write-downs recognised during the six months ended 31 December 2008.

8. Property, plant and equipment

Acquisition and disposals
During the six months ended 31 December 2009, the Group acquired assets with a cost of $113.9 million (six months ended 31 December 2008: $80.7 million). The increase in property, plant and equipment includes non-cash transfers totalling $17.4 million from sales inventory. Included within the total assets acquired were three packages of large equipment, including eighteen 190 and ten 240 tonne dump trucks with a total consideration price of $61.9 million.

Assets with a carrying amount of $12.6 million (six months ended 31 December 2008: $7.4 million) were disposed of in the ordinary course of business during the six months ended 31 December 2009, resulting in a gain on disposal of $1.9 million (six months ended 31 December 2008: $1.5 million), which is included in other income.

During the six months ended 31 December 2009 the Group recognised an impairment of predominantly small civil construction equipment in Emeco's North American businesses totalling $11.6 million. This was due to ongoing oversupply of these assets classes.

There were no impairment losses recognised during the six months ended 31 December 2008.

Capital commitments
During the six months ended 31 December 2009 the Group has entered into commitments with certain suppliers for the purchase of fixed assets, primarily rental fleet assets in the amount of $19.8 million (six months ended 31 December 2008: $36.1 million) payable within one year.

9. Key management personnel

During the six months ended 31 December 2009 Mr Laurie Freedman (former Managing Director and Chief Executive Officer) and Mr Robin Adair (former Executive Director, Corporate Strategy and Business Development) resigned from their positions in the Company.

The Company also appointed Mr Keith Gordon as the Managing Director and Chief Executive Officer on 1 December 2009. Mr Gordon's annual remuneration comprises of salary, short term incentives (STI) and long term incentives (LTI). His fixed annual salary is $850,000 inclusive of superannuation. STIs of up to 100% of the value of fixed remuneration may be granted depending on the achievement of agreed targets. LTIs of up to $500,000 may be granted in this current financial year of which vesting conditions are in accordance with the terms of the current Emeco LTI plan which will be issued in the second half of 2010.

With the exception of the above there were no significant changes in key management personnel during the six months ended 31 December 2009 as other arrangements with key management personnel have remained consistent since 30 June 2009.

10. Dividends

The Company did not declare a dividend for the interim period subsequent to 31 December 2009 (six months ended 31 December 2008: 2.0 cents).

The following dividends were declared and paid by the Group for the six months ended 31 December.

	2009 $'000	2008 $'000
2.0 cents per share (2008: 2.0 cents)	12,625	12,625

11. Loans and borrowings

The following loans and borrowings (non-current and current) were issued and repaid during the six months ended 31 December 2009:

In thousands of AUD	Currency	Face value (i)	Carrying amount	Calendar year of maturity
Balance at 1 July 2009			338,237	
New issues				
Senior debt draw down	AUD	60,000	60,000	2011
Senior debt draw down	USD	20,000	24,707	2011
Senior debt draw down	CAD	1,000	1,127	2011
Senior debt draw down	EURO	-	-	2011
Repayments				
Senior debt	AUD	(23,000)	(23,000)	-
Senior debt	USD	(11,500)	(12,998)	-
Senior debt	CAD	(6,500)	(6,898)	-
Senior debt	EURO	(1,000)	(1,620)	-
Finance lease liabilities	AUD	(2,264)	(2,264)	-
Finance lease liabilities	USD	(2,221)	(3,559)	-
Finance lease liabilities	EURO	(75)	(167)	-
Effects of foreign currency translation				
Translation on foreign denominated borrowings and repayments	-		(14,274)	
Borrowing costs				
Capitalised debt establishment costs	-		-	
Amortisation of debt establishment costs	-		835	
Balance at 31 December 2009			360,126	

(i) Face value is disclosed in the specific currency.

During the six months ended 31 December 2008 there were $69,773,000 of new loans and borrowings and an amount of $79,251,000 was repaid.

During this six month period the consolidated entity reduced its revolving working capital facility to $30.0 million (2008: $35.0 million) and also obtained working capital facilities for Emeco Canada Limited and Emeco Equipment (USA) LLC of CAD$2.0 million (2008: $Nil) and USD$1.0 million (2008: $Nil) respectively.

12. Financial instruments

Hedging of fluctuations in interest rates

Pursuant to the debt facility the Group is required to implement interest rate hedging whereby at least 50 percent of its interest bearing liabilities are hedged or bears interest at a fixed rate. Interest rate swaps have been entered into to achieve an appropriate mix of fixed and floating rate exposures. At 31 December 2009 the Group is compliant with the requirements of the debt facility.

The Group classifies its interest rate swaps as cash flow hedges and measures them at fair value. At 31 December 2009, the Group's interest rate swaps had a notional contract amount of AUD$70.0M, CAD80.0M, USD$40.0M and EURO10.0M (30 June 2009: AUD$70.0M CAD80.0M, USD$40.0M and EURO10.0M). The net fair value of swaps at 31 December 2009 was ($13.7M) (30 June 2009: $16.3M) comprising assets of $Nil (30 June 2009: $Nil) and liabilities of $13.7M (30 June 2009: $16.3M).

13. Subsequent events

On 11 February 2010 the board resolved to close the Emeco Europe operations and consolidate the Canadian and USA business into one North American business unit. As part of the North American restructure the Group will close its two facilities in Houston, Texas and London, Kentucky.

These decisions will lead to restructuring and closure costs of up to $29.5 million. The final restructure and closure costs will depend upon redundancies, lease termination costs and asset disposal programs.

Directors' Declaration

In the opinion of the directors of Emeco Holdings Limited ("the company"):

1. the financial statements and notes, set out on pages 6 to 16, are in accordance with the Corporations Act 2001, including:

   (a) giving a true and fair view of the financial position of the Group as at 31 December 2009 and of its performance for the half-year ended on that date; and

   (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Dated at Perth this 23 day of February 2010

Signed in accordance with a resolution of the directors:

Keith Gordon
Managing Director

Independent auditor's review report to the members of Emeco Holdings Limited

Report on the financial report

We have reviewed the accompanying interim financial report of Emeco Holdings Limited, which comprises the consolidated statement of financial position as at 31 December 2009, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies and other explanatory notes 1 to 13 and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Emeco Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Emeco Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

R Gambitta
Partner

Perth

23 February 2010