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**Emeco Holdings Limited and its Controlled Entities**

**ABN 89 112 188 815**

**Interim Financial Report  
For the half year ended 31 December 2014**

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## Directors' Report

### 31 December 2014

The directors of Emeco Holdings Limited (the 'Company') submits its report in respect of the half year financial period ended 31 December 2014 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
<b>Non-Executive</b>	
Alec Brennan (Chairman)	16/08/2005
John Cahill	15/09/2008
Peter Richards	14/06/2010
Erica Smyth	15/12/2011
<b>Executive</b>	
Ken Lewsey (Managing Director & Chief Executive Officer)	4/11/2013

Mr Alec Brennan and Mr John Cahill stood for re-election as non-executive directors at the Company's annual general meeting held on 20 November 2014. Their re-election was approved.

### Financial performance

Emeco Holdings Limited and its Controlled Entities (the 'Group') achieved a net loss after tax for the half year ended 31 December 2014 of \$53,555,000 (2013: loss \$179,762,000) with total revenue of \$110,704,000 (2013: \$123,806,000).

### Dividends

As previously announced by the Company no dividends have been declared or paid during 1H15 (1H14: Nil cents ordinary dividend per share).

**Directors' report (continued)**  
**31 December 2014**
**Review of operations**

A\$ millions	Operating Results		Statutory Results	
	1H15	1H14	1H15	1H14
Revenue	<b>110.7</b>	123.8	<b>110.7</b>	123.8
EBITDA	<b>16.2</b>	36.9	<b>14.3</b>	35.4
EBIT	<b>(32.6)</b>	(0.9)	<b>(34.5)</b>	(160.3)
NPAT	<b>(49.6)</b>	(10.7)	<b>(52.1)</b>	(169.4)
EBITDA margin	<b>14.6%</b>	29.8%	<b>12.9%</b>	28.6%
EBIT margin	<b>(29.5)%</b>	(0.7)%	<b>(31.2)%</b>	(129.5)%

**Operating results to statutory results reconciliation**

A\$ millions	Tangible asset impairments	Redundancy	One off corporate development costs	Debt establishment costs write off	Tax effect	NPAT
<b>Operating</b>						<b>(49.6)</b>
Australia	<b>0.5</b>	<b>(0.1)</b>	<b>(2.1)</b>	<b>(1.8)</b>	<b>1.1</b>	<b>(2.4)</b>
Canada	<b>(0.1)</b>	-	-	-	-	<b>(0.1)</b>
<b>Statutory</b>	<b>0.4</b>	<b>(0.1)</b>	<b>(2.1)</b>	<b>(1.8)</b>	<b>1.1</b>	<b>(52.1)</b>

The following non-operating adjustments have been made to the statutory results:

**Tangible asset impairments:** Tangible asset impairments totalling \$0.4 million were recognised across the business on assets held for sale and subsequently disposed during the period.

**Redundancies:** A redundancy program was undertaken across the Australian business during 1H15 in response to deteriorating market conditions, resulting in costs totalling \$0.1 million before tax.

**One-off corporate development expenses:** During 1H15 Emeco undertook corporate development which resulted in one off costs totalling \$2.1 million before tax.

**Debt establishment cost write off:** Debt establishment costs of \$1.8m before tax were written off relating to a previous debt facility during 1H15.

## Directors' report (continued)

31 December 2014

### Operating results

Operating net profit after tax (NPAT) was a loss of \$49.6 million for the half year ended 31 December 2014 (1H15), down 363.6% versus the prior corresponding period (PCP).

Group Operating Revenue was \$110.7 million 1H15, down 10.6% versus PCP, primarily driven by poor market conditions in the Queensland business unit. Revenue from other geographical business units improved slightly or was flat. As a result rental revenue fell 4.8% to \$95.1 million (1H14: \$99.9 million), and maintenance services revenue fell 18.8% to \$13.8 million (1H14: \$17.0 million).

Operating EBITDA and Operating EBIT margins were 14.6% (1H14: 29.8%) and negative 29.5% (1H14: negative 0.7%) respectively.

Operating Return On Capital (ROC) was down to negative 6.6% at 31 December 2014 (2.9% at 31 December 2013).

Cash flows from continuing operating activities of negative \$7.7 million, down from \$69.9 million PCP, was driven by additional costs associated preparing previously-idle equipment for new rental contracts, the set-up and subsequent slower-than-expected ramp-up of the Chilean contract, and bond coupon payments. Cash flow before continuing financing activities of negative \$10.6 million was down from \$66.9 million PCP. Asset disposals for continuing operations totalling \$8.7 million (1H14: \$14.5 million) were achieved during 1H15. Total capex for machines, tyres and core parts incurred during the period was \$11.6 million and no dividends were declared or paid.

The Group's net debt which includes capitalised borrowing costs (\$15.6 million) and an original issue discount (\$4.6 million) was \$360.9 million at 31 December 2014, up from \$323.7 million at 30 June 2014. Net debt comprised total debt of \$395.4 million less cash of \$34.1 million.

In November the Group outlined its new three-pillar strategy aimed at rebuilding and expanding the existing business and seeking new opportunities for growth in the current challenging climate. The Group's strategy, which is currently being executed, is based on three core value-creation pillars which seek to:

1. reshape the core rental business and improve profitability;
2. extend customer relationships with specialist mining products and services; and
3. innovate, diversify and explore new business models.

### Significant events occurring after half year end

The directors are of the opinion that there were no events subsequent to 31 December 2014 that had a material impact on the business.

### Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 7 and forms part of the director's report to the half year ended 31 December 2014.

## Directors' report (continued)

31 December 2014

### Rounding of amounts

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.

The consolidated interim financial report was approved by the board of directors on 25 February 2015.

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

A handwritten signature in black ink, appearing to read "Ken Lewsey".

Ken Lewsey  
Managing Director  
Perth 25 February 2015

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***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 2014 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

G-177

Graham Hogg  
*Partner*

Perth

25 February 2015

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Emeco Holdings Limited and its Controlled Entities

**Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income**  
For the six months ended 31 December 2014

	Note	31 December 2014 \$'000	31 December 2013 <sup>(4)</sup> \$'000
<b>Continuing operations</b>			
Revenue from rental income		95,109	99,937
Revenue from the sale of machines and parts		1,812	6,858
Revenue from maintenance services		13,783	17,011
		<b>110,704</b>	<b>123,806</b>
Changes in machinery and parts inventory		(6,254)	(9,199)
Repairs and maintenance		(47,461)	(42,092)
Employee expenses		(21,918)	(20,610)
Hired in equipment and labour		(9,336)	(6,165)
Gross profit		<b>25,735</b>	<b>45,740</b>
Other income		102	408
Other expenses <sup>(1)</sup>	5	(11,897)	(9,768)
Impairment of tangible assets		379	(982)
EBITDA <sup>(2)</sup>		<b>14,319</b>	<b>35,398</b>
Impairment of goodwill		-	(157,934)
Depreciation expense		(48,770)	(37,705)
Amortisation expense		(48)	(75)
EBIT <sup>(3)</sup>		<b>(34,499)</b>	<b>(160,316)</b>
Finance income	6	127	624
Finance costs	6	(28,026)	(12,203)
Net foreign exchange losses <sup>(1)</sup>	6	(10,094)	(15)
Loss before tax expense		<b>(72,492)</b>	<b>(171,910)</b>
Tax benefit		20,351	2,557
Loss from continuing operations		<b>(52,141)</b>	<b>(169,353)</b>
<b>Discontinued operations</b>			
Loss from discontinued operations (net of tax)	7	(1,414)	(10,409)
Loss from discontinued operations		(1,414)	(10,409)
Loss for the period		<b>(53,555)</b>	<b>(179,762)</b>

(1) Comparatives have been reclassified. Refer to note 6.

(2) EBITDA – Earnings before net finance costs, net foreign exchange losses, tax, depreciation, amortisation and impairment of goodwill.

(3) EBIT – Earnings before net finance costs, net foreign exchange losses and tax.

(4) Comparative for 31 December 2013 has been restated for discontinued operations. Refer to note 7.

The condensed consolidated interim 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 13 to 29.



**Emeco Holdings Limited and its Controlled Entities**
**Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income  
(continued)**
**For the six months ended 31 December 2014**

	31 December 2014 \$'000	31 December 2013 \$'000
<b>Note</b>		
<b>Other comprehensive income</b>		
Items that may be reclassified subsequently to profit and loss:		
Foreign currency translation differences for foreign operations	(9,865)	8,534
Effective portion of changes in fair value of cash flow hedges	26,106	(183)
<b>Total other comprehensive income for the period</b>	<b>16,241</b>	<b>8,351</b>
<b>Total comprehensive loss for the period</b>	<b>(37,314)</b>	<b>(171,411)</b>
	<b>2014 \$'000</b>	<b>2013 \$'000</b>
<b>(Loss)/profit attributable to:</b>		
Equity holders of the Company	(53,555)	(179,762)
<b>Loss for the period</b>	<b>(53,555)</b>	<b>(179,762)</b>
<b>Total comprehensive (loss)/income attributable to:</b>		
Equity holders of the Company	(37,314)	(171,411)
<b>Total comprehensive loss for the period</b>	<b>(37,314)</b>	<b>(171,411)</b>
	<b>2014 Cents</b>	<b>2013 Cents</b>
<b>Earnings per share:</b>		
Basic loss per share	(9.52)	(31.11)
Diluted loss per share	(9.52)	(31.11)

The condensed consolidated interim 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 13 to 29.

Emeco Holdings Limited and its Controlled Entities  
**Condensed Consolidated Interim Statement of Financial Position**  
as at 31 December 2014

		31 December 2014	30 June 2014
	Note	\$'000	\$'000
<b>Current assets</b>			
Cash		34,128	41,830
Trade and other receivables		69,178	78,154
Derivatives financial instruments	14	4,992	5
Inventories		8,865	8,161
Prepayments		1,408	3,066
Assets held for sale	8	23,387	39,922
<b>Total current assets</b>		<b>141,958</b>	<b>171,138</b>
<b>Non-current assets</b>			
Trade and other receivables		5,059	772
Derivatives financial instruments	14	17,471	2,749
Intangible assets	10	101	175
Property, plant and equipment	9	570,488	573,528
Deferred tax assets		1,079	-
<b>Total non-current assets</b>		<b>594,198</b>	<b>577,224</b>
<b>Total assets</b>		<b>736,156</b>	<b>748,362</b>
<b>Current liabilities</b>			
Trade and other payables		51,459	53,095
Derivatives financial instruments	14	330	2,546
Interest bearing liabilities	13	6,878	4,316
Provisions		2,505	2,694
<b>Total current liabilities</b>		<b>61,172</b>	<b>62,651</b>
<b>Non-current liabilities</b>			
Derivatives financial instruments	14	-	10,187
Interest bearing liabilities	13	388,205	339,458
Deferred tax liabilities		-	11,025
Provisions		1,294	1,069
<b>Total non-current liabilities</b>		<b>389,499</b>	<b>361,739</b>
<b>Total liabilities</b>		<b>450,671</b>	<b>424,390</b>
<b>Net assets</b>		<b>285,485</b>	<b>323,972</b>
<b>Equity</b>			
Share capital		593,616	593,616
Reserves		(7,544)	(22,612)
Retained earnings		(300,587)	(247,032)
<b>Total equity attributable to equity holders of the Company</b>		<b>285,485</b>	<b>323,972</b>

The condensed consolidated interim 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 13 to 29.

**Emeco Holdings Limited and its Controlled Entities**  
**Condensed Consolidated Interim Statement of Changes in Equity**  
**For the six months ended 31 December 2014**

	Share capital \$'000	Share based payment reserve \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Reserve for own shares \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2013	593,616	12,144	(2,344)	(4,083)	(16,434)	28,277	611,176
<b>Total comprehensive income for the period</b>							
Profit or (loss)	-	-	-	-	-	(179,762)	(179,762)
<i>Other comprehensive income</i>							
Foreign currency translation differences	-	-	-	8,534	-	-	8,534
Effective portion of changes in fair value of cash flow hedge, net of tax	-	-	(183)	-	-	-	(183)
Total comprehensive income/(loss) for the period	-	-	(183)	8,534	-	(179,762)	(171,411)
<b>Transactions with owners, recorded directly in</b>							
<i>Contributions by and distributions to owners</i>							
Own shares acquired by employee share plan trust	-	-	-	-	(4,179)	-	(4,179)
Share-based payment transactions	-	1,534	-	-	-	-	1,534
Total contributions by and distributions to owners	-	1,534	-	-	(4,179)	-	(2,645)
Balance at 31 December 2013	593,616	13,678	(2,527)	4,451	(20,613)	(151,485)	437,120

	Share capital \$'000	Share based payment reserve \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Reserve for own shares \$'000	Retained losses \$'000	Total equity \$'000
Balance at 1 July 2014	593,616	14,598	(7,321)	(9,267)	(20,622)	(247,032)	323,972
<b>Total comprehensive income for the period</b>							
Profit or (loss)	-	-	-	-	-	(53,555)	(53,555)
<i>Other comprehensive income</i>							
Foreign currency translation differences	-	-	(28,045)	18,180	-	-	(9,865)
Effective portion of changes in fair value of cash flow hedge, net of tax	-	-	26,106	-	-	-	26,106
Total comprehensive income/(loss) for the period	-	-	(1,939)	18,180	-	(53,555)	(37,314)
<b>Transactions with owners, recorded directly in</b>							
<i>Contributions by and distributions to owners</i>							
Own shares acquired by employee share plan trust	-	-	-	-	(1,382)	-	(1,382)
Share-based payment transactions	-	209	-	-	-	-	209
Total contributions by and distributions to owners	-	209	-	-	(1,382)	-	(1,173)
Balance at 31 December 2014	593,616	14,807	(9,260)	8,913	(22,004)	(300,587)	285,485

The condensed consolidated interim statement of changes to equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 13 to 29.

**Emeco Holdings Limited and its Controlled Entities**  
**Condensed Consolidated Interim Statement of Cash Flows**  
**For the six months ended 31 December 2014**

	31 December 2014 \$'000	31 December 2013 <sup>(1)</sup> \$'000
<b>Cash flows from operating activities</b>		
Cash receipts from customers	106,896	146,262
Cash paid to suppliers and employees	(93,154)	(75,049)
Cash generated from operations	13,742	71,213
Finance income received	98	54
Finance expense paid	(21,540)	(11,589)
Taxes received	-	10,227
Net cash outflow from operating activities of discontinued operations	(1,016)	(868)
<b>Net cash from/(used in) operating activities</b>	<b>(8,716)</b>	<b>69,037</b>
<b>Cash flows from investing activities</b>		
Proceeds on disposal of non-current assets	8,705	14,502
Payment for property, plant and equipment	(11,598)	(17,531)
Net cash inflow from investing activities of discontinued operations	6,387	13,054
<b>Net cash from investing activities</b>	<b>3,494</b>	<b>10,025</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	-	24,374
Repayment of borrowings	-	(99,808)
Working capital, facility change, net	-	1,709
Purchase of own shares	(1)	(4,179)
Payment for debt establishment costs	(1,590)	-
Payment of finance lease liabilities	(2,182)	(2,182)
Net cash inflow/(outflow) from financing activities of discontinued operations	-	-
<b>Net cash used in financing activities</b>	<b>(3,773)</b>	<b>(80,086)</b>
<b>Net decrease in cash</b>	<b>(8,995)</b>	<b>(1,024)</b>
Cash at beginning of the period	41,830	5,754
Effects of exchange rate fluctuations on cash held	1,293	(104)
<b>Cash at the end of the financial period</b>	<b>34,128</b>	<b>4,626</b>

<sup>(1)</sup> Comparatives have been restated for discontinued operations. Refer to note 7.

The condensed consolidated interim statement of cash flows is to be read in conjunction with the notes to the financial report set out on pages 13 to 29.

**Emeco Holdings Limited and its Controlled Entities**  
**Notes to the Condensed Consolidated Interim Financial Report**  
**For the half year ended 31 December 2014**

**1. Reporting entity**

Emeco Holdings Limited (the 'Company') is a for profit company domiciled in Australia. The condensed consolidated interim financial report of the Company as at and for the six months ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the 'Group'). The Group is primarily involved in the renting, maintaining and selling of heavy earthmoving equipment to customers in the mining industries.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2014 are available on the Company's web site at [www.emecogroup.com](http://www.emecogroup.com).

**2. Basis of preparation**

**(a) Statement of compliance**

The condensed consolidated interim financial report has 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 report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2014.

This condensed consolidated interim financial report was approved by the board of directors on 25 February 2015.

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.

**(b) Estimates**

Preparing the condensed consolidated interim financial report 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.

Except as described below, in preparing this condensed consolidated interim financial report, 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 report as at and for the year ended 30 June 2014.

**Emeco Holdings Limited and its Controlled Entities**  
**Notes to the Condensed Consolidated Interim Financial Report**  
**For the half year ended 31 December 2014**

**2. Basis of preparation (continued)**

**(i) Change to minimum hours depreciation estimate**

Prior to 1 July 2014, the Group's minimum hour depreciation estimate, as disclosed in the annual report 30 June 2014, was "For plant and equipment that is idle for under three months, no depreciation is charged. Depreciation on plant and equipment that is idle for more than three months is calculated on 100 machine hours per month".

The new estimate, effective as at 1 July 2014, requires that for plant and equipment that is idle, depreciation is calculated on 100 machine hours per month. It is management's view that this change in the estimate of minimum hours, whereby idle assets attract 100 hour per month depreciation from commencing its idle period, more accurately reflects the consumption of future economic benefits over a machine's life due to softening market conditions, low utilized machines and long terms idle fleet.

For the six months ended 31 December 2014, the change in estimate has resulted in a higher depreciation charge of AUD \$3,368,000. The amount if effect in future periods has not been disclosed as it is impracticable to estimate.

**(ii) Change to residual life estimate**

The Group's depreciation policy states that estimates of remaining useful lives, residual values and the depreciation method are made on a regular basis, with annual re-assessments for major items. Consistent with this policy, the Group has reviewed the useful lives of some classes of assets to more accurately reflect the consumption of future economic benefits over a machine's life due to softening market conditions and the Group's intended residual life. For the six months ended 31 December 2014, the change in estimate has resulted in a higher depreciation charge of AUD \$6,814,000.

**3. Significant accounting policies**

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2014. The following changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 30 June 2015.

**Changes in accounting policies**

The Group has adopted the following new standard and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2014.

*AASB 13 Fair Value Measurement*

**Fair value measurement**

AASB 13 established a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other AASBs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required in interim financial statements for financial instruments; accordingly, the Group has included additional disclosures in this regard (note 14).

In accordance with the transitional provisions of AASB 13, the Group has applied the new fair value measurement guidance. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

The adoption of the new standard has had nil impact on comparative information.

**Emeco Holdings Limited and its Controlled Entities**  
**Notes to the Condensed Consolidated Interim Financial Report**  
**For the half year ended 31 December 2014**

**4. 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 in Canada.
Chile	Provides a wide range of earthmoving equipment and maintenance services to customers in Chile.
Indonesia (Discontinued)	Provided 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.

**Information about reportable segments 2014**

	Australia	Indonesia <sup>(1)</sup>	Canada	Chile	Other	Total
	\$'000	(discont'd) \$'000	\$'000	\$'000	\$'000	\$'000
Six months ended 31 December 2014						
External revenues	62,747	990	36,022	11,935	-	111,694
Inter-segment revenue	2,105	6,776	918	-	-	9,799
Depreciation	(28,758)	(432)	(12,085)	(7,927)	-	(49,202)
Reportable segment profit/(loss) before interest and income tax	(16,600)	(1,602)	(1,704)	(6,310)	-	(26,216)

<sup>(1)</sup> Indonesia has been separated out as if it was discontinued for the six months ended 31 December 2014.

Emeco Holdings Limited and its Controlled Entities  
Notes to the Condensed Consolidated Interim Financial Report  
For the half year ended 31 December 2014

#### 4. Segment reporting (continued)

##### Information about reportable segments 2013

	Australia	Indonesia ( <sup>(1)</sup> (discont'd)	Canada	Chile	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

Six months ended 31 December 2013

External revenues	74,229	2,597	37,108	12,468	-	126,402
Inter-segment revenue	2,766	8,829	14,444	-	377	26,416
Depreciation	(25,173)	(3,472)	(8,774)	(3,839)	-	(41,258)
Impairment of goodwill	(151,743)	-	(6,191)	-	-	(157,934)
Reportable segment profit/(loss) before interest and income tax <sup>(2)</sup>	(150,893)	(13,885)	(2,787)	1,548	35	(165,982)

(1) Indonesia has been separated out as if it was discontinued for the six months ended 31 December 2013.

(2) Reportable segment profit/(loss) for the six months ended 31 December 2013 has been restated to remove intercompany charges.

	31 December 2014 \$'000	31 December 2013 \$'000
<b>Reconciliation of reportable segment profit or loss</b>		
Total profit or loss of reportable segments before interest and tax	(26,216)	(165,982)
	(26,216)	(165,982)
Elimination of inter-segment profit	(8)	98
Unallocated amounts:		
Other corporate expenses	(9,722)	(7,846)
Net finance cost	(37,993)	(12,026)
Consolidated (loss)/profit before income tax	(73,939)	(185,756)



Emeco Holdings Limited and its Controlled Entities  
**Notes to the Condensed Consolidated Interim Financial Report**  
For the half year ended 31 December 2014

#### 4. Segment reporting (continued)

##### Major customer

For the six months ended 31 December 2014 the Group had two major customers that represented \$28,520,000 (2013: \$40,912,000) of the Group's total revenues, as indicated below:

SEGMENT	31 December 2014 \$'000	31 December 2013 \$'000
Australia	11,650	13,069
Canada	16,870	15,375
Chile	-	12,468
<b>Total</b>	<b>28,520</b>	<b>40,912</b>

#### 5. Other expenses

	31 December 2014 \$'000	31 December 2013 \$'000
<b>Other expenses:</b>		
- bad and doubtful debts/(reversal)	(560)	164
- insurance	1,974	1,477
- motor vehicles	1,660	1,567
- rental expense	2,138	1,984
- safety	616	615
- travel and subsistence expense	1,659	1,878
- telecommunications	765	647
- workshop consumables, tooling and labour	826	819
- other expenses <sup>(1)</sup>	2,819	617
	<b>11,897</b>	<b>9,768</b>

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

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**6. Items included in profit before income tax expense**

	31 December 2014 \$'000	31 December 2013 \$'000
<b>Finance costs:</b>		
- interest expense	21,577	10,731
- ineffective hedge expense/(reversal)	-	(84)
- amortisation of debt establishment costs using effective interest rate	1,163	624
- write off previous facility costs	1,814	-
- hedge losses	3,006	(486)
- other facility costs	466	1,418
<b>Net financial costs</b>	<b>28,026</b>	<b>12,203</b>
<b>Finance income:</b>		
- interest income	(127)	(54)
- hedge gains	-	(570)
<b>Net financial income</b>	<b>(127)</b>	<b>(624)</b>
<b>Foreign exchange (gain)/loss:</b>		
Net realised foreign exchange (gain)/loss <sup>(1)</sup>	(379)	33
Net unrealised foreign exchange (gain)/loss <sup>(1)</sup>	10,473	(18)
<b>Net foreign exchange (gain)/loss</b>	<b>10,094</b>	<b>15</b>

<sup>(1)</sup> Comparatives have been restated to include net foreign exchange (gain)/losses.

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**7. 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.

	31 December 2014 \$'000	31 December 2013 \$'000
<b>Losses of discontinued operations</b>		
Revenue	990	2,596
Other income	-	1
Direct costs	(161)	(2,433)
Profit/(loss) on sale of assets	(128)	118
Impairment of tangible assets		
- Inventories	(61)	-
- Property, Plant and Equipment	(103)	(5,551)
Other expenses	(1,224)	(3,099)
Employee expenses	(328)	(1,495)
<b>EBITDA</b>	<b>(1,015)</b>	<b>(9,863)</b>
Depreciation	(432)	(3,553)
<b>EBIT</b>	<b>(1,447)</b>	<b>(13,416)</b>
Finance income	(1)	2
Finance costs	-	(413)
Net foreign exchange losses	(281)	(18)
Income tax benefit	315	3,436
<b>Loss for the period</b>	<b>(1,414)</b>	<b>(10,409)</b>

The loss from discontinued operation of \$1,414,000 (six months ended 31 December 2013: loss \$10,409,000) is attributable entirely to the owners of the Company.

	31 December 2014 \$'000	31 December 2013 \$'000
<b>Cash flows from/(used in) discontinued operation</b>		
Net cash used in operating activities	(1,016)	(868)
Net cash from investing activities	6,387	13,054
Net cash from/(used in) financing activities	-	-
Net cash from discontinued operation	5,371	12,186

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### 8. Disposal groups and non-current assets held for sale

At 31 December 2014, the non-current assets held for sale comprised assets of \$23,387,000 (30 June 2014: \$39,922,000). These relate to land and buildings and plant and equipment from Indonesia and Australia. These assets were impaired by \$546,000 (30 June 2014: \$38,176,000) and measured at the lower of cost and fair value less costs to sell and carrying amount at 31 December 2014. The Group continues to actively market these assets and they are expected to be disposed of within 12 months.

	31 December 2014 \$'000	30 June 2014 \$'000
<b>Assets classified as held for sale</b>		
Property, plant and equipment - continuing operations	18,874	31,564
Property, plant and equipment - discontinued operations	4,513	8,354
Inventories - discontinued operations	-	4
	23,387	39,922

Since 1 July 2014 the Group identified specific equipment and marketed these assets for sale. As at 31 December 2014 the majority of the identified for sale assets were sold and a few were placed back into operation. The movement of these assets is represented in the following table:

	31 December 2014 \$'000
Opening balance 1 July 2014	39,922
Transferred to non current assets held for sale	1,764
Transferred from non current assets held for sale to PPE	(5,526)
Impairment	(546)
Assets sold	(14,201)
Effects of movement in foreign exchange	1,974
Closing balance 31 December 2014	23,387

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**9. Property, plant and equipment**

	31 December 2014	30 June 2014
	\$'000	\$'000
Freehold land and buildings - at cost	9,246	8,750
Less: Accumulated depreciation	(3,069)	(2,678)
	<u>6,177</u>	<u>6,072</u>
Leasehold improvements - at cost	5,123	5,162
Less: Accumulated depreciation	(3,446)	(3,270)
	<u>1,677</u>	<u>1,892</u>
Plant and equipment - at cost	995,005	1,012,773
Less : Accumulated depreciation	(449,972)	(466,558)
	<u>545,033</u>	<u>546,215</u>
Leased plant and equipment - at capitalised cost	21,228	21,228
Less : Accumulated depreciation	(10,497)	(9,819)
	<u>10,731</u>	<u>11,409</u>
Furniture, fixtures and fittings - at cost	938	1,132
Less : Accumulated depreciation	(706)	(695)
	<u>232</u>	<u>437</u>
Office equipment - at cost	2,379	2,330
Less : Accumulated depreciation	(1,981)	(1,793)
	<u>398</u>	<u>537</u>
Motor vehicles - at cost	8,601	8,556
Less : Accumulated depreciation	(6,036)	(5,416)
	<u>2,565</u>	<u>3,140</u>
Sundry plant - at cost	11,447	11,035
Less : Accumulated depreciation	(7,772)	(7,209)
	<u>3,675</u>	<u>3,826</u>
Total property, plant and equipment - at net book value	<u>570,488</u>	<u>573,528</u>

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**9. Property, plant and equipment (continued)**

**Acquisition and disposals**

During the six months ended 31 December 2014, the Group acquired assets with a cost of \$11,598,000 (six months ended 31 December 2013: \$18,203,000). This amount includes tyres and parts inventory to the value of \$2,559,000 (six months ended 31 December 2013: \$8,700,000) and \$368,000 (six months ended 31 December 2013: \$1,200,000) respectively were also acquired. This amount excludes \$7,290,000 transferred from the Group's discontinued operations in Indonesia to Australia's ongoing operations.

Assets with a carrying amount of \$14,201,000 (six months ended 31 December 2013: \$30,400,000), which comprised of rental assets transferred to non-current assets held for sale, were disposed of during the six months ended 31 December 2014, resulting in a loss on disposal of \$65,000 for continuing and discontinued operations (six months ended 31 December 2013: \$500,000). This is included in other income in the condensed consolidated interim statement of profit or loss and other comprehensive income.

During the six months ended 31 December 2014, assets with a carrying amount of \$5,526,000 returned to operations, resulting in a transfer from non-current assets held for sale to property, plant and equipment. Impairment expense of \$1,734,000 previously recorded at 30 June 2014 was reversed.

**Capital commitments**

During the six months ended 31 December 2014, the Group has not entered into any significant commitments that are payable within one year (six months ended 31 December 2013: \$Nil).

**10. Intangible assets and goodwill**

**Amortisation and impairment losses**

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

	31 December 2014 \$'000	31 December 2013 \$'000
Amortisation expense	48	75
Impairment of goodwill	-	157,934
<b>Total expense for the year for continuing operations</b>	<b>48</b>	<b>158,009</b>

**Impairment loss**

For the financial year ended 31 December 2014, impairment testing indicated the Australian, Canadian and Chilean Rental Cash Generating Units (CGUs) were not impaired.

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**10. Intangible assets and goodwill (continued)**

The Group has determined the recoverable amount of its cash generating units (CGU) using a value in use methodology (December 2013: value in use) which is based on discounted cash flows for five years plus a terminal value. Impairment testing is intended to assess the recoverable amount of both tangible and intangible assets. For the six months ended 31 December 2014, the Group's net tangible asset per share was higher than its share price. As such, although the Australian, Canadian and Chile Rental CGUs have nil goodwill, impairment testing has been performed for these CGUs. 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 and management 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.

Nominal post tax discount rates have been derived as a weighted cost of equity and debt. Cost of equity is calculated using country specific ten year bond rates plus an appropriate market risk premium. The cost of debt is determined using the appropriate CGU three year swap rate plus a margin for three year tenor debt of equivalently credit rated businesses at 31 December 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 CGUs valuations range between 6.7% and 9.7% (30 June 2014: 6.9% and 10.6%). 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 3.0% and 10.3% (30 June 2014: 2.4% and 12.3%).

**11. Key management personnel**

During the six months ended 31 December 2014, Mr Ken Lewsey was granted:

1. 4,553,571 shares in relation to FY14 Long Term Incentive Plan;
2. 313,690 shares under the Emeco Short Term Incentive Plan; and
3. 4,250,000 shares in respect of the FY15 Long Term Incentive Plan;

after approval was given at the November 2014 Annual General Meeting.

The Company appointed Mr Gregory Hawkins as Chief Financial Officer on 1 July 2014.

The Company appointed Ms Thao Vanderplancke as Company Secretary and General Counsel on 1 July 2014.

The Company appointed Stuart Jenner commenced role as Executive General Manager HR, HSE and IT on 1 July 2014.

The Company appointed Mr David Greig as Vice President South America on 23 September 2014.

Mr Grant Stubbs ceased role as Executive General Manager Asset Strategy & Operational Improvement on 1 October 2014, with Mr Ian Testrow taking on those responsibilities.

Ms Kellie Benda ceased role as Executive General Manager Strategy & Corporate Development on 19 December 2014.

With the exception of the above there were no significant changes in key management personnel during the six months ended 31 December 2014 as other arrangements with key management have remained consistent since 30 June 2014.

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## 12. Equity

### Dividends

No dividends were paid or declared since the end of FY14 (six months ended 31 December 2013: Nil cents per share).

(i) The following dividends were declared and paid by the Group during the six months ended 31 December 2014.

	2014 \$'000	2013 \$'000
Nil cents per share (2013: Nil cents)	-	-

(ii) Franking account

	31 December 2014 \$'000	31 December 2013 \$'000
<b>Dividend franking account</b>		
30% franking credits available to shareholders of Emeco Holdings Limited for subsequent financial years	18,861	19,164

The above available amounts are based on the balance of the dividend franking at 31 December 2014 adjusted for:

- franking credits that will arise from the payment of current tax liabilities and recovery of current tax receivables;
- franking debits that will arise from the payment of dividends recognised as a liability at 31 December 2014;
- franking credits that will arise from the receipt of dividends recognised as receivable by the tax consolidated group at 31 December 2014; and
- franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability is to reduce it by \$Nil (2013: \$Nil). In accordance with the tax consolidated legislation, the Company as the head entity in the tax-consolidated group has also assumed the benefit of \$18,861,000 (2013: \$19,164,000) franking credits.



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**13. Interest bearing liabilities**

	31 December 2014 \$'000	30 June 2014 \$'000
<b>Current</b>		
<i>Amortised cost</i>		
Insurance financing	-	461
Lease liabilities - secured	6,878	3,855
	<u>6,878</u>	<u>4,316</u>
<b>Non-current</b>		
<i>Amortised costs</i>		
OID <sup>(1)</sup>	(4,625)	(5,043)
Notes issue - secured	203,487	177,270
Notes issue - secured <sup>(2)</sup>	204,950	178,546
Lease liabilities - secured	-	4,915
Debt raising costs (bank loans)	(2,005)	-
Debt raising costs	(6,825)	(8,144)
Debt raising costs	(6,777)	(8,086)
	<u>388,205</u>	<u>339,458</u>

<sup>(1)</sup> 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.

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

**Bank loans**

During the six months ended 31 December 2014, the Group extinguished its AUD \$50,000,000 revolving credit facility (multicurrency) comprising of Tranche A1: 3 year A\$40,000,000 tranche and Tranche A2: 3 year A\$10,000,000 tranche. Associated debt raising costs were expensed on loan extinguishment. At the time of the extinguishment, the facility remained undrawn.

On 31 December 2014, the revolving credit facility was replaced with an AUD \$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 bid rate (BBSY). The asset backed loan has no maintenance covenants unless the facility is more than 50% drawn, at which stage it requires Emeco to have an income cover ratio of 1.25 times and gearing of less than 65%. At 31 December 2014 the loan was undrawn.

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**13. Interest bearing liabilities (continued)**

**Working capital facility**

In December 2014, the Group entered into a facility agreement comprising a credit card facility with a limit of AUD \$750,000 and bank guarantee where the aggregate face value shall not exceed AUD \$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 31 December 2014 the facilities were drawn to AUD \$Nil.

**144A notes issue**

In March 2014, the Group issued secured fixed interest notes in the 144A High Yield Bond market comprising USD \$335,000,000 which matures on 17 May 2019. The nominal interest rate is 9.875%. Under the terms of the note agreement, the noteholders hold a joint fixed and floating charge with the syndicated bank group over the assets and undertakings of the Group. These notes will remain fully drawn until maturity. Of the notes, USD \$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. At 31 December 2014, the notes were drawn to AUD \$408,437,000/USD \$335,000,000.

**Finance leases**

The Group has finance lease facilities totalling AUD \$6,878,000 (30 June 2014: AUD \$8,770,000) which matures on 15 August 2015. Assets leased under the facility are secured by the assets leased.

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**14. Financial instruments**
**Hedging of fluctuations in interest rates**

Pursuant to the board approved Emeco Interest Rate Hedging Policy, the Group is required to enter into and maintain interest rate hedging agreements so that interest payable on no less than 30% and no greater than 70% of the aggregate expected principal amount outstanding of total Group debt is hedged, or bears interest at, a fixed rate for an average period no less than two years into the future. Interest rate swaps have been entered into to achieve a board approved mix of fixed and floating rate exposures. At 31 December 2014 the Group is compliant with the requirements of the asset backed loan, working capital facility, 144A notes issued and hedging policy. To maintain this policy fixed to floating interest rate swaps were entered into in March 2014 to hedge the fixed rate exposure from the issue of the 144A Notes.

The Group classifies its interest rate swaps as cash flow or fair value hedges and measures them at fair value. At 31 December 2014, the Group's interest rate swaps had a notional contract amount of USD \$110,000,000 and USD \$100,000,000 (30 June 2014: USD \$110,000,000 and USD \$100,000,000). The net fair value of derivatives at 31 December 2014 is as follows:

	31 December 2014 \$'000	30 June 2014 \$'000
<b>Fixed interest rate swaps</b>		
Australian dollars 144A	1,768	(1,730)
Canadian dollars 144A	816	(1,231)
	<u>2,584</u>	<u>(2,961)</u>
<b>Variable interest rate swaps</b>		
Australian dollars 144A	10,996	(5,552)
Canadian dollars 144A	4,190	(1,470)
	<u>17,770</u>	<u>(9,983)</u>

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**14. Financial instruments (continued)**
*Fair values versus carrying amounts*

The fair values of financial assets and liabilities, together with the carrying amounts shown in the condensed consolidated interim statement of financial position, are as follows:

	31 December		30 June	
	2014		2014	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Assets carried at fair value</b>				
Interest rate swaps used for hedging	18,100	18,100	-	-
Forward exchange contracts used for hedging	4,363	4,363	5	5
	<u>22,463</u>	<u>22,463</u>	<u>5</u>	<u>5</u>
<b>Assets carried at amortised cost</b>				
Receivables	74,237	74,237	78,154	78,154
Cash and cash equivalents	34,128	34,128	41,830	41,830
	<u>108,365</u>	<u>108,365</u>	<u>119,984</u>	<u>119,984</u>
<b>Liabilities carried at fair value</b>				
Interest rate swaps used for hedging	(330)	(330)	(12,733)	(12,733)
	<u>(330)</u>	<u>(330)</u>	<u>(12,733)</u>	<u>(12,733)</u>
<b>Liabilities carried at amortised cost</b>				
Secured bank loans <sup>(2)</sup>	2,005	-	-	-
Secured notes issue	(196,710)	(203,487)	(169,183)	(177,270)
Secured notes issue <sup>(1)</sup>	(193,500)	(204,950)	(165,360)	(178,547)
Insurance financing	-	-	(461)	(461)
Finance lease liabilities	(6,878)	(7,153)	(8,770)	(9,334)
Trade and other payables	(51,459)	(51,459)	(53,095)	(53,095)
	<u>(446,542)</u>	<u>(467,049)</u>	<u>(396,869)</u>	<u>(418,707)</u>

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

<sup>(2)</sup> Capitalised asset backed loan borrowing costs.

*Fair value hierarchy*

All the Group's financial instruments carried at fair value would be categorised at level two 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.

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**15. Contingent liabilities**

The Group has guaranteed the repayments of \$866,000 (30 June 2014: \$866,000) in relation to office premises with varying expiry dates up to and including the period ended 31 December 2015.

**16. Subsequent events**

The directors are of the opinion that there were no events subsequent to 31 December 2014 that had a material impact on the business.

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## Directors' Declaration

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

1. the financial report and notes, set out on pages 8 to 29, 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 2014 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 on 25 day of February 2015

Signed in accordance with a resolution of the directors:

A handwritten signature in black ink, appearing to read "Ken Lewsey".

Ken Lewsey  
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 condensed consolidated interim statement of financial position as at 31 December 2014, condensed consolidated interim statement of profit and loss and other comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the 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 of the interim 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 interim financial report that is free from material misstatement, whether due to fraud or error.

#### *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 a Financial Report 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 2014 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 an 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*.

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*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 2014 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

G - Tim

Graham Hogg  
*Partner*

Perth

25 February 2015

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