

Emeco Holdings Limited and its Controlled Entities

ABN 89 112 188 815

Interim Financial Report

for the half year ended 31 December 2006

Emeco Holdings Limited

ABN 89 112 188 815

Interim Financial Report - 31 December 2006

Contents

	Page
Directors' report.....	3
Financial report.....	7 – 19
Directors' declaration.....	20
Independent review report to the members.....	21

Emeco Holdings Limited
Directors' report
31 December 2006

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 2006 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 Greg Minton	14 December 2004
Mr Paul McCullagh	23 December 2004
Mr Stuart Fitton	5 April 2006
Mr Peter Johnston	1 September 2006
Executive	
Mr Laurie Freedman (Chief Executive Officer)	21 January 2005
Mr Robin Adair (Chief Financial Officer)	21 January 2005

Mr Peter Johnston and Mr Stuart Fitton were re-elected as directors at the Company's annual general meeting held on 28 November 2006.

Financial performance

The Company achieved a net profit after tax for the half-year ended 31 December 2006 of \$16.1 million (2005: \$9.7 million) with total revenue of \$251.6 million (2005: \$173.1 million).

Dividends

The Company has declared a fully franked dividend of 1 cent per ordinary share for the interim period (2005: Nil).

Review of operations

Review of operations

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

	Half year ended		Change %
	2006 \$m	2005 \$m	
Pro forma net profit after tax	34.8	9.7	258.8
After tax effects of IPO transactions	(18.7)	0.0	100.0
Reported net profit after tax	16.1	9.7	66.0
Reported EBITDA	98.4	62.4	57.7
Reported EBITA	59.9	39.6	51.3
Reported EBIT	58.0	33.8	71.6

The Consolidated Entity's revenue to 31 December 2006 increased when compared to the preceding interim period by \$78.5 million to \$251.6 million, representing an increase of 45.3%. Most of this revenue increase was a result of increased demand in our existing Australian and Canadian rental businesses. The acquisition of Andy's Earthmovers Hire and Sale ("Andy's") and Bevans in Australia in January 2006 and July 2006 respectively also contributed to revenue growth.

Proforma net profit after tax increased 258.8% over the comparative period from \$9.7 million to \$34.8 million. The proforma result includes a tax effected write back of \$18.7 million. This write back includes a one off bonus paid to senior management of \$0.9 million and \$17.8 million from additional finance costs expensed under the pre IPO financing arrangement and the subsequent extinguishment of these facilities.

Emeco Holdings Limited
Directors' report
31 December 2006

The Companies earnings before interest and tax (EBIT) increased by 71.6% over the comparative period from \$33.8 million to \$58.0 million. The Australian and Canadian rental businesses all recorded strong increases in EBIT at an operational level. As expected, corporate overhead costs have increased when compared to the preceding six month period due to the additional administrative and reporting requirements associated with the Company's listing on the Australian Stock Exchange in August 2006.

The significant events to occur during the half-year were:

(a) Initial public offering

On August 4, 2006 the Company completed its initial public offering ("IPO") with the allotment of 261.7 million shares in Emeco Holdings Limited. These shares began trading on a normal basis on the Australian Stock Exchange under the issuer code "EHL" on August 7, 2006. As a result of the IPO the following transactions occurred:

(i) Emeco UK acquisition

The Company acquired all the shares of Emeco (UK) Limited ("Emeco UK") for a purchase consideration of \$117.4 million. Prior to its acquisition Emeco UK and its subsidiaries had been consolidated into Emeco Holdings Ltd as an outside equity interest. From 4 August 2006 the results of Emeco UK have been attributed to equity holders of the parent.

(ii) Notes exchange and redemption

Emeco Limited, a subsidiary of the Company had its \$125.0 million of Exchangeable Notes redeemed or converted to shares in the Company in full. Noteholders electing to exchange their notes for shares (face value:\$70.3 million) in the Company received a 2.5% discount. The remaining Exchangeable Notes (face value: \$54.7 million) were redeemed by the Company for cash at a 6.0% premium to their face value.

(iii) Repayment of debt

The consolidated entity repaid \$260 million of its senior debt facility from IPO proceeds.

(b) Acquisition of Bevans

Emeco International Pty Ltd, a subsidiary of the Company, completed its acquisition of Bevans, an independent earthmoving equipment rental and sales business based in Orange, New South Wales on 5 July 2006. The consideration paid for the acquisition comprised a cash payment of \$8.7 million and the issue of 666,666 ordinary shares in the Company (on a post share split basis). The acquisition has allowed Emeco to grow its business model within the Australian states of New South Wales and Victoria.

(c) Acquisition of equipment by Emeco Equipment (USA) LLC

On 10 July 2006, Emeco Equipment (USA) LLC ("Emeco USA"), a subsidiary of the Company, acquired from TSM North America Inc. ("TSM") a large package of TSM's heavy earth moving equipment which is partially deployed under rental contracts with coal mining companies in Kentucky and West Virginia.

Under the terms of the sale agreement Emeco USA acquired 48 machines for a purchase price of US\$11.4 million. Emeco USA was also assigned a number of TSM's equipment rental contracts.

Emeco Holdings Limited
Directors' report
31 December 2006

Significant changes in the state of affairs

Other than referred to above, there have been no significant changes in the state of affairs of the Company during the half-year.

Significant events occurring after half-year end

The following significant events occurred after 31 December 2006:

Acquisition of Euro Machinery BV and Euro Rental BV

On 4 January 2007, Emeco International Europe BV, a subsidiary of the Company acquired Euro Machinery BV and Euro Rental BV for a consideration of € 6.4 million, of which € 2.0 million was paid by way of the transfer to the vendors of shares in the Company. Euro Machinery BV and Euro Rental BV are Netherlands based heavy equipment sales and rental Companies which are based in Gramsbergen. The acquisition will accelerate the Company's growth and will provide a trading platform with trading networks into Eastern Europe, the Middle East and Africa.

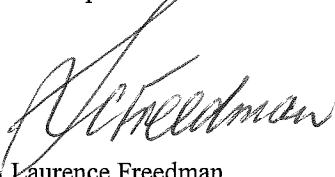
Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 6 and forms part of the directors' report for the half year ended 31 December 2006.

Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, 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.



Laurence Freedman
Managing Director

Perth
21 February 2007



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 2006 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

B C FULLARTON

Partner

Perth

21 February 2007

Emeco Holdings Limited and its Controlled Entities
Consolidated interim income statement
For the six months ended 31 December 2006

	31 December 2006	31 December 2005
	Note	\$'000
		\$'000
Revenue from rental income		145,766
Revenue from the sale of machines and parts		92,369
Revenue from maintenance services		13,490
		<u>251,625</u>
Changes in machinery and parts inventory		(44,147)
Machinery and parts purchases and consumables		(34,390)
Repairs and maintenance		(38,040)
Hired in equipment and labour		(3,613)
Employee expenses		(17,840)
Gross profit		<u>113,595</u>
Other income		3,622
Other expense		(18,767)
EBITDA ⁽¹⁾		<u>98,450</u>
Depreciation expense		(38,502)
Amortisation expense		(1,938)
EBIT ⁽²⁾		<u>58,010</u>
Financial income	6	493
Financial expenses	6	(34,003)
Profit before income tax expense		<u>24,500</u>
Income tax expense		(8,386)
Net Profit		<u>16,114</u>
Attributed to:		
Equity holders of the parent		14,793
Minority interests		1,321
Net Profit		<u>16,114</u>
Earnings per share for profit attributable to the ordinary equity holders of the company:		2006 cents
Basic earnings per share from continuing operations	14	<u>2.8</u>
Diluted earnings per share from continuing operations	14	<u>2.8</u>

The income statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 11 to 19.

⁽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 recognised income and expense
For the six months ended 31 December 2006

	31 December 2006 \$'000	31 December 2005 \$'000
Effective portion of changes in fair value on cash flow hedges, net of tax (movement for period)	(259)	628
Exchange differences on translation of foreign operations	<u>(4,200)</u>	<u>1,937</u>
Net income recognised directly in equity	(4,459)	2,565
Profit for the half year	<u>16,114</u>	<u>9,743</u>
Total recognised income and expense for half year	<u>11,655</u>	<u>12,308</u>
Total recognised income and expense for the half year attributed to		
Equity holders of the parent	11,219	5,438
Minority interest	<u>436</u>	<u>6,870</u>
Total recognised income and expense for the period	<u>11,655</u>	<u>12,308</u>

The statement of recognised income and expense is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 11 to 19.

Emeco Holdings Limited and its Controlled Entities
Consolidated interim balance sheet
as at 31 December 2006

	Note	31 December 2006 \$'000	30 June 2006 \$'000
Current Assets			
Cash assets		10,817	19,240
Trade and other receivables		89,734	87,011
Inventories		172,554	115,438
Current tax asset		-	4,018
Total current assets		<u>273,105</u>	<u>225,707</u>
Non-current assets			
Trade and other receivables		1,975	8,379
Intangible assets		215,908	214,945
Investments accounted for using the equity method		7	58
Property, plant and equipment		535,092	442,953
Deferred tax assets		5,307	-
Total non-current assets		<u>758,289</u>	<u>666,335</u>
Total assets		<u>1,031,394</u>	<u>892,042</u>
Current Liabilities			
Trade and other payables		42,536	42,627
Interest bearing liabilities		5,417	12,465
Current tax liabilities		3,710	3,754
Provisions		2,878	2,594
Total current liabilities		<u>54,541</u>	<u>61,440</u>
Non-current Liabilities			
Interest bearing liabilities		315,023	576,693
Deferred tax liabilities		17,314	17,120
Provisions		1,293	520
Total non-current liabilities		<u>333,630</u>	<u>594,333</u>
Total liabilities		<u>388,171</u>	<u>655,773</u>
Net assets		<u>643,223</u>	<u>236,269</u>
Equity			
Issued capital		610,077	174,078
Reserves		(2,379)	1,195
Retained earnings		35,525	20,732
Total equity attributable to equity holders of the parent		643,223	196,005
Minority interest		-	40,264
Total equity	9	<u>643,223</u>	<u>236,269</u>

The balance sheet is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 11 to 19.

Emeco Holdings Limited and its Controlled Entities
Consolidated interim statement of cash flow
For the six months ended 31 December 2006

	31 December 2006 \$'000	31 December 2005 \$'000
Cash flows from operating activities		
Cash receipts in the course of operations	255,154	158,938
Cash payments in the course of operations	(200,957)	(133,156)
Interest received	493	184
Interest paid	(21,009)	(18,552)
Income tax paid	(4,869)	(5,519)
Net cash provided by operating activities	<u>28,812</u>	<u>1,895</u>
Cash flows from investing activities		
Proceeds on disposal of non-current assets	14,830	5,711
Payment for business combinations	(141,604)	(15,926)
Payment for property, plant and equipment	(140,516)	(100,761)
Net cash used in investing activities	<u>(267,290)</u>	<u>(110,976)</u>
Cash flows from financing activities		
Proceeds from issue of shares (net of issue costs)	431,222	49,577
Proceeds from borrowings	119,535	125,068
Repayment of exchangeable notes	(54,694)	-
Repayment of loans	(260,000)	(66,662)
Payment for deferred borrowing costs	(870)	(950)
Finance lease payments	(4,471)	(3,627)
Net cash provided by financing activities	<u>230,722</u>	<u>103,406</u>
Net decrease in cash held	(7,756)	(5,675)
Cash at the beginning of the period	19,240	11,039
Effects of exchange rate fluctuations on cash held	(667)	-
Cash at the end of the financial period	<u><u>10,817</u></u>	<u><u>5,364</u></u>

The statement of cash flow is to be read in conjunction with the notes to the financial statements set out on pages 11 to 19.

Emeco Holdings Limited and its Controlled Entities
Notes to the consolidated interim financial statements
For the half-year period ended 31 December 2006

1. Reporting entity

Emeco Holdings Limited (the “Company”) is a company domiciled in Australia. The consolidated interim financial report of the Company for the six months ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as the “consolidated entity”) and the consolidated entity’s interest in associates and jointly controlled entities.

The consolidated annual financial report on the consolidated entity as at and for the year ended 30 June 2006 is available on the Company’s web site at www.emecoequipment.com.

2. Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting* and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2006.

This consolidated interim financial report was approved by the Board of Directors on 21 February 2007.

The consolidated entity 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 consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2006.

In the prior financial year the consolidated entity adopted AASB 132: *Financial Instruments: Disclosure and Presentation* and AASB 139: *Financial Instruments: Recognition and Measurement* in accordance with the transitional rules of AASB 1. This change has been accounted for by adjusting the opening balance of retained earnings and reserves at 1 July 2005, as disclosed in the reconciliation of movements in equity (Note 9).

4. Estimates

The preparation of the 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.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the consolidated entity’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 2006.

Emeco Holdings Limited and its Controlled Entities
Notes to the consolidated interim financial statements
For the half-year period ended 31 December 2006

5. Segment reporting

Segment information is presented in the consolidated interim financial statements in respect of the consolidated entity's business segments, which are the primary basis of segment reporting. The business segment reporting format reflects the consolidated entity's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Business Segments

The consolidated entity comprises the following main business segments, based on the consolidated entity's management reporting system:

Rental	Provides a wide range of earthmoving equipment to customers.
Sales	Sells a wide range of earthmoving equipment to customers in the civil construction and mining industries.
Parts	Procuring and supplying global sourced used and reconditioned parts to external customers and internally to the rental and sales division.
Maintenance	Maintenance, repair and refurbishment of customer plant and equipment.

Emeco Holdings Limited and its Controlled Entities
Notes to the consolidated interim financial statements
For the half-year period ended 31 December 2006

5. Segment reporting cont'd

Business segments

For the six months ended 31 December 2006

	Rental	Rental	Sales	Sales	Parts	Parts	Maintenance	Maintenance	Eliminations	Eliminations	Consolidated	Consolidated
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Sales to external customers	163,048	97,405	68,314	60,138	17,267	12,335	2,996	3,217	-	-	251,625	173,095
Inter segment sales	-	-	5,127	5,061	2,325	1,235	26	96	(7,478)	(6,392)	-	-
Total segment revenue	163,048	97,405	73,441	65,199	19,592	13,570	3,022	3,313	(7,478)	(6,392)	251,625	173,095
Segment result	53,379	28,364	2,788	3,298	1,810	1,366	33	(395)	-	-	58,010	32,633
Unallocated revenues and expenses											-	1,203
Results from operating activity											58,010	33,836

Emeco Holdings Limited and its Controlled Entities
Notes to the consolidated interim financial statements
For the half-year period ended 31 December 2006

6. Profit before income tax expense

	Consolidated 2006	Consolidated 2005
Financial expenses:		
- bank loans and overdrafts	9,019	9,822
- exchangeable notes	4,490	6,302
- finance leases	570	711
- loss on extinguishment of debt	18,848 ⁽¹⁾	-
- amortisation of debt establishment costs	187	1,729
- other facility costs	889	1,096
	<u>34,003</u>	<u>19,660</u>
Financial income:		
- interest revenue	(493)	(184)
	<u>33,510</u>	<u>19,476</u>

⁽¹⁾ Due to the extinguishment of the groups existing debt facilities and exchangeable notes, the associated deferred borrowing costs, and the discount on conversion of notes to shares in the Company have been expensed during the period.

Emeco Holdings Limited and its Controlled Entities
Notes to the consolidated interim financial statements
For the half-year period ended 31 December 2006

7. Acquisitions

- (a) On 5 July 2006, Emeco International Pty Ltd, a subsidiary of the Company acquired the Bevans business, an independent earthmoving equipment rental and sales business based in Orange, New South Wales for consideration comprised of a cash component of \$8.7 million, and an issue to the vendor of 666,666 shares (on a post split basis) in the Company. Upon acquisition the Bevans business was merged into the New South Wales division of Emeco International Pty Ltd.

Effect of acquisitions

The acquisition had the following effect on the consolidated entity's assets and liabilities.

Acquiree's net assets at the acquisition date

\$000's	Recognised ⁽¹⁾ value
Property, plant and equipment	6,699
Inventories	528
Deferred tax asset	18
Contract intangibles	1,400
Provisions	(61)
Deferred tax liability	(420)
Net identifiable assets and liabilities	<u>8,164</u>
Goodwill on acquisition	<u>1,810</u>
Total consideration	<u><u>9,974</u></u>
Consideration paid, satisfied in cash (cash outflow)	8,974
Consideration paid, satisfied in shares in the Company	<u>1,000</u>
Total consideration	<u><u>9,974</u></u>

Contract intangibles were recognised in the business combination at the date of acquisition.

- ⁽¹⁾ As the acquisition of Bevans by Emeco International Pty Limited was the acquisition of a business and not a company, the recognised values represent their fair values. The carrying amounts in the Bevans business were not determined.

- (b) On 10 July 2006, Emeco Equipment (USA) LLC ("Emeco USA"), a subsidiary of the Company, acquired a package of machines from TSM North America Inc. ("TSM") for a consideration of \$15,189,000. Included in the acquisition were machines with a fair value of \$13,473,000, goodwill of \$1,637,000, contract intangibles of \$113,000 and a deferred tax liability of \$34,000. These machines joined Emeco USA existing fleet within its rental segment.

Emeco Holdings Limited and its Controlled Entities
Notes to the consolidated interim financial statements
For the half-year period ended 31 December 2006

7. Acquisitions cont'd

- (c) Following completion of the Company's initial public offering on 4 August 2006 the Company acquired all the shares in Emeco (UK) Limited, an entity which had previously been consolidated into the Company's financial statements as an outside equity interest. Consideration paid for Emeco (UK) Limited was \$117.4 million. Subsequent to the acquisition, the profits of Emeco (UK) Limited and its subsidiaries have been attributed to the equity holders of the parent. Prior to this, Emeco (UK) Limited consolidated results had been recognised as an outside equity interest for the period 1 July 2006 to 4 August 2006.

In accordance with AASB 127: Consolidated and Separate Financial Statements, the economic entity method has been adopted for recording the acquisition of Emeco (UK) Limited. Under this method the differences between the consideration paid and the net assets acquired is recognised as an acquisition reserve in equity.

Effect of acquisitions

The acquisition had the following effect on the consolidated entity's assets and liabilities.

Acquiree's net assets at the acquisition date

\$000's	Note	Recognised value	Fair Value adjustment ⁽²⁾	Carrying amounts ⁽¹⁾
Cash and cash equivalents		5,388	-	5,388
Property, plant and equipment		171,715	-	171,715
Inventories		25,111	-	25,111
Trade and other receivables		34,267	-	34,267
Current tax asset		2,692	-	2,692
Intangibles		29,997	-	29,997
Interest-bearing loans and borrowings		(191,130)	-	(191,130)
Trade and other payables		(25,949)	-	(25,949)
Deferred tax liability		(10,412)	-	(10,412)
Provisions		(125)	-	(125)
Net identifiable assets and liabilities		<u>41,554</u>	<u>-</u>	<u>41,554</u>
Acquisition reserve	9	<u>75,887</u>		
Consideration paid, satisfied in cash		<u><u>117,441</u></u>		

⁽¹⁾ The carrying amount was the amount that Emeco (UK) Limited and its subsidiaries were recognised in the consolidated entity as an outside equity interest at acquisition.

⁽²⁾ No fair value adjustments given the assets and liabilities had been previously consolidated by the group.

Emeco Holdings Limited and its Controlled Entities
Notes to the consolidated interim financial statements
For the half-year period ended 31 December 2006

8. Property, plant and equipment

Acquisition and disposals

During the six months ended 31 December 2006, the consolidated entity acquired assets with a cost of \$160.7 million (six months ended 31 December 2005: \$126.9 million), including assets acquired through business combinations (see note 7) of \$20.2 million (six months ended 31 December 2005: \$33.9 million).

Capital commitments

The consolidated entity has entered into commitments with certain suppliers for the purchase of fixed assets, primarily rental fleet assets in the amount of \$35,750,000 (six months ended 31 December 2005: \$49.2 million) payable within one year.

9. Capital and reserves

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

Consolidated \$000's	Issued capital	Hedging reserve	Foreign currency translation reserve	Retained earnings	Total	Minority interest	Total equity
Balance at 1 July 2005	119,501	-	-	5,566	125,067	31,047	156,114
Effect of change in accounting policy relating to adoption of AASB 132 and AASB 139	-	(1,228)	-	-	(1,228)	-	(1,228)
Balance 1 July restated	119,501	(1,228)	-	5,566	123,839	31,047	154,886
Total recognised income and expense	-	628	-	4,810	5,438	6,870 ⁽¹⁾	12,308
Shares issued	50,803	-	-	-	50,803	855	51,658
Balance at 31 December 2005	170,304	(600)	-	10,376	180,080	38,772	218,852

⁽¹⁾ Included in the total recognised income and expense of the minority interest are exchange differences on transactions of foreign operations of \$1,937,000.

Consolidated \$000's	Issued capital	Hedging reserve	Foreign currency translation reserve	Retained earnings	Total	Minority interest	Total equity
Balance at 1 July 2006	174,078	1,195	-	20,732	196,005	40,264	236,269
Total recognised income and expense	-	(259)	(3,315)	14,793	11,219	436 ⁽²⁾	11,655
Shares issued (net of expenses)	439,041	-	-	-	439,041	854	439,895
Share based payments	736	-	-	-	736	-	736
Conversion of exchangeable notes	72,109	-	-	-	72,109	-	72,109
Acquisition of minority interest (see Note: 7c)	-	-	-	-	-	(41,554)	(41,554)
Acquisition reserve (see Note: 7c)	(75,887)	-	-	-	(75,887)	-	(75,887)
Balance at 31 December 2006	610,077	936	(3,315)	35,525	643,223	-	643,223

⁽²⁾ Included in the total recognised income and expense of the minority interest are exchange differences on transactions of foreign operations of (\$885,000).

Emeco Holdings Limited and its Controlled Entities
Notes to the consolidated interim financial statements
For the half-year period ended 31 December 2006

10. Issuance of securities

Ordinary shares

Date	Transaction	Number of shares	\$000's
1 July 2006	Opening ordinary shares	42,733,227	174,078
3 July 2006	Ordinary shares issued as part consideration for Bevans acquisition	333,333	1,000
4 August 2006	Preferred ordinary shares converted to ordinary shares	113,251,248	-
4 August 2006	A and B class management performance shares converted to ordinary shares	18,000,000	11,465
4 August 2006	Issue of deferred subscription ordinary shares	10,416,667	18,854
4 August 2006	2:1 split of ordinary shares on issue pre IPO	184,734,475	-
4 August 2006	Conversion of Emeco Ltd exchangeable notes to ordinary shares	37,952,218	72,109
4 August 2006	Ordinary shares issued through IPO (net of issue costs)	223,816,418	407,722
4 August 2006	Acquisition reserve	-	(75,887)
31 December 2006	IPO gift offer and period employee and management incentive plan costs	-	736
Total		631,237,586	610,077

Share options

On 4 August 2006 the Company issued 6,400,000 options over ordinary shares under an Employee Incentive Plan. These options had a fair value at grant date of \$1.2 million and will be recognised over the vesting period of the options, of which \$323,000 was expensed during the half year.

11. Dividends

The Company declared a fully franked dividend of 1 cent per ordinary share for the interim period (six months ended 31 December 2005: Nil).

12. Loans and borrowings

The following loans and borrowings (non-current and current) were issued and repaid during the six months ended 31 December 2006:

<i>In thousands of AUD</i>	Currency	Interest rate nominal %	Interest rate effective %	Face value	Carrying amount A\$'000's	Year of maturity
Balance at 1 July 2006					589,158	
<u>New Issues</u>						
Senior debt draw down	AUD	7.3	6.2	62,000	62,000	2007
Senior debt draw down	USD	5.9	5.9	26,500	34,268	2007
Senior debt draw down	CAD	5.1	4.6	18,500	20,447	2007
Senior debt draw down	EURO	3.9	3.9	1,000	1,660	2007
Translation on foreign denominated borrowings					(14,136)	
<u>Repayments</u>						
Senior debt draw down	AUD	7.3	-	(260,000)	(260,000)	-
Exchangeable notes	AUD	10.1	-	(125,000)	(125,000)	-
Finance lease liabilities	USD	9.9	-	(3,398)	(4,471)	-
<u>Borrowing Costs</u>						
Loss on extinguishment of debt	AUD	-	-	-	17,045	-
Amortisation of debt establishment costs	AUD	-	-	-	187	-
New debt establishment costs	AUD	-	-	-	(718)	-
Balance at 31 December 2006					320,440	

There were \$125,068,000 of new loans and borrowings in the prior interim period and an amount of \$66,662,000 was repaid.

13. Financial instruments

Hedging of fluctuations in interest rates

The consolidated entity adopts a policy of ensuring that 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 exposure within the consolidated entity's policy. The swaps mature over the next four years following the maturity of the related loans.

The consolidated entity classifies interest rate swaps as cash flow hedges and measures them at fair value. At 31 December 2006, the consolidated entity's interest rate swaps had a notional contract amount of AUD175,000,000 and CAD40,000,000 (30 June 2006: AUD175,000,000 and CAD40,000,000). The net fair value of swaps at 31 December 2006 was \$2,713,000 (30 June 2006: \$2,576,000) comprising assets of \$2,733,000 (30 June 2006: \$2,576,000) and liabilities of \$20,000 (30 June 2006: \$Nil).

14. Earnings per share

Comparative information

The Company has not provided any comparative EPS information for the prior period as the Company was not a listed entity during this period and was operating under a different capital structure.

15. Events subsequent to reporting date

Acquisition of entity

On 4 January 2007, the consolidated entity acquired all the shares of Euro Machinery BV and Euro Rental BV for a purchase consideration of €4.4 million and the equivalent of €2.0 million of Emeco Holdings shares which were acquired on market on behalf of the vendors' nominee. Euro Machinery BV and Euro Rental BV are heavy equipment sales and rental Companies, located in the Netherlands.

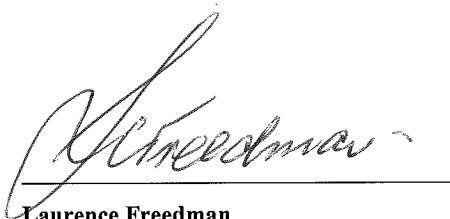
Directors' Declaration

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

1. the financial statements and notes, set out on pages 7 to 19, are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2006 and of its performance, as represented by the results of its operations and cash flows 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 21st day of February 2007

Signed in accordance with a resolution of the directors:



Laurence Freedman
Managing Director



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

Report on the Financial Report

We have reviewed the accompanying half-year financial report of Emeco Holdings Limited, which comprises the consolidated interim balance sheet as at 31 December 2006, income statement, statement of recognised income and expense and cash flow statement for the half-year ended on that date, a description of accounting policies and other explanatory notes 1 to 15 and the directors' declaration of the consolidated entity 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 Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year 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 half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 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 half-year 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.

Statement of continued independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Emeco Holdings Limited on 21 February 2007, would be unchanged if provided to the directors as at the date of this auditor's review report.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year 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 consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

KPMG

B C FULLARTON
Partner

Perth
21 February 2007