BETTER EQUIPPED
EQUIPMENT SOLUTIONS FOR MINING

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Emeco Holdings Limited ACN 112 188 815

20 February 2014

ASX Market Announcements
ASX Limited
Level 4, 20 Bridge Street
SYDNEY NSW 2000

Emeco Holdings Ltd (ASX:EHL) – Results for announcement to the market

Results for the half year ended 31 December 2013

Attached for immediate release to the market are the following documents which are to be read in conjunction with the Company's annual report for the financial year ended 30 June 2013:

- Emeco Holdings Ltd Appendix 4D – half-year financial report for the period ended 31 December 2013; and
- Emeco Holdings Ltd's half-year financial report, auditor's report and directors' report.

Yours faithfully

M. Kirkpatrick

Michael Kirkpatrick
Company Secretary

APPENDIX 4D
Half Year Report
For the period ended 31 December 2013

Name of entity

Emeco Holdings Limited

ABN or equivalent company reference

A.C.N. 112 188 815

This report is to be read in conjunction with our annual financial report as at 30 June 2013.

Results for announcement to the market

Reporting Period: 1 July 2013 to 31 December 2013 (Previous corresponding period: six months ended 31 December 2012)

	% Change	2013 $A million	2012 $A million
Revenues from ordinary activities	-48.8%	126.4	246.7
(Loss)/Profit from ordinary activities after tax attributable to members of Emeco Group	-899.1%	-179.8	22.5
Net (loss)/profit for the period attributable to members of Emeco Group	-899.1%	-179.8	22.5

Dividends

Date the dividend is payable	Not Applicable
Record date to determine entitlements to the dividend	Not Applicable

Amount per security

		Amount per security	Franked amount per security
Interim Dividend:	Current year	nil	nil
	Previous year	2.5 cents	2.5 cents

APPENDIX 4D

Half Year Report
For the period ended 31 December 2013

Ratios and Other Measures

NTA backing	Current Period	Previous corresponding Period
Net tangible asset backing per ordinary security	$0.73	$0.75

Details of loss of control of entities having material effect
No control over any entities was lost during the period.

Accounts
This report is based on accounts that have been reviewed.

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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 2013

Contents

Directors' Report
31 December 2013

The Directors of Emeco Holdings Limited (the Company) submit its report in respect of the half year financial period ended 31 December 2013 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	
Alec Brennan (Chairman)	16/08/2005
Robert Bishop	22/06/2009
John Cahill	15/09/2008
Peter Richards	14/06/2010
Erica Smyth	15/12/2011
Executive	
Ken Lewsey (Managing Director & Chief Executive Officer)	4/11/2013
Keith Gordon (Managing Director & Chief Executive Officer) ceased employment on 4 November 2013	1/12/2009

Mr Ken Lewsey was appointed as the Managing Director and Chief Executive Officer with effect from 4 November 2013.

On 4 November 2013 Mr Keith Gordon (Managing Director and Chief Executive Officer) ceased employment.

Mr Peter Richards stood for re-election and was elected as non-executive director at the Company's annual general meeting held on 20 November 2013.

Financial performance
Emeco Holdings Limited and its Controlled Entities (the Group) achieved a net loss after tax for the half year ended 31 December 2013 of $179.8 million (2012: profit $22.5 million) with total revenue of $126.4 million (2012: $246.7 million).

Dividends
As previously announced by the Company no dividends will be declared or paid during FY14 (1H13: 2.5 cents ordinary dividend per share).

Directors' report (continued)
31 December 2013

Review of operations

	Operating Results			Statutory Results		
A$ millions	**1H14**	**1H13**	**PCP %**	**1H14**	**1H13**	**PCP %**
Revenue	126.4	246.7	(48.8)%	126.4	246.7	(48.8)%
EBITDA	33.1	110.7	(70.1)%	25.5	109.1	(76.6)%
EBIT	(8.3)	49.1	(116.9)%	(173.7)	47.5	(465.7)%
NPAT	(16.3)	25.1	(164.9)%	(179.8)	22.5	(899.1)%
EBITDA margin	26.2%	44.9%		20.1%	44.2%	
EBIT margin	(6.6)%	19.9%		(137.4)%	19.3%	

Operating results to statutory results reconciliation

A$ millions	Tangible asset impair-ments	Intangible asset impair-ments	Redundancies	Tax effect	NPAT
Operating					(16.3)
Australia	(0.7)	(151.7)	(0.2)	0.2	(152.4)
Canada	(0.3)	(6.2)	-	0.1	(6.4)
Indonesia	(5.5)	-	(0.8)	1.6	(4.7)
Statutory	(6.5)	(157.9)	(1.0)	1.9	(179.8)

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

Tangible asset impairments: Tangible asset impairments totalling $6.5 million were recognised across the business on assets held for sale and subsequently disposed during the period.

Intangible asset impairments: As at 31 December 2013 Emeco's share price of $0.225 was less than Net Assets (NA) per share of $0.74, which is an indicator of impairment and triggered the need for impairment testing. Based on impairment testing Emeco has recognised impairment of goodwill in the Australian CGU and Canada CGU of $151.7 million and $6.2 million respectively. Refer to note 9 for further information on intangible asset impairments.

Redundancies: A redundancy program was undertaken across the Australian business during 1H14 in response to deteriorating market conditions, resulting in costs totalling $0.2 million before tax. Following the loss of a significant rental contract in the Indonesian business a redundancy program was undertaken to significantly reduce the workforce resulting in costs totalling $0.8 million before tax.

Operating results

Operating net profit after tax (NPAT) was negative $16.3 million for the half year ended 31 December 2013 (1H14), down 164.9% versus the prior corresponding period (PCP).

Group operating revenue was $126.4 million 1H14, down 48.8% versus PCP, primarily driven by reduced utilisation (average 1H14 Group utilisation of 45% versus 74% PCP). The lower utilisation was the result of lower activity across all segments of the business, primarily driven by the loss of significant contracts in Australian and Indonesia and soft operating market conditions over the Canadian summer. As a result rental revenue fell 50.8% to $101.6 million (1H13: $206.5 million), and maintenance services revenue fell 23.4% to $17.0 million (1H13: $22.2 million). The contribution of the sales and parts businesses also declined during 1H14 in line with the decision to wind-down these businesses, with revenue falling 56.7% to $7.8 million (1H13: $18.0 million).

Operating EBITDA and Operating EBIT margins were 26.2% (1H13: 44.9%) and negative 6.6% (1H13: 19.9%) respectively. Falling margins was driven by the combined impact of price decreases across the Australian fleet combined with reduced utilisation on the fixed portion of Emeco's cost base (fixed costs representing 26.3% of total costs in 1H14 compared to 22.5% PCP). In addition, revenue derived from lower margin maintenance services represented a larger portion of total revenue (13.5% of total revenue, up from 9.0% 1H13).

Reduced global utilisation pushed rolling 12-month operating return on capital (ROC) down to 1.7% at 31 December 2013 (11.8% at 31 December 2012).

The Group generated positive cash flows from operating activities of $69.0 million, down from $101.6 million PCP. This included $10.3 million income tax receipt, $14.5 million VAT refund in the Chilean business and the recovery of $2.8 million from long outstanding Indonesian debtors. Cash flow before financing activities of $79.1 million, up from negative $23.3 million PCP. Assets disposals totalling $28.3 million (1H13: $16.8 million) were achieved during 1H14 including $21.2 million of rental assets and $7.1 million from the sale of the Guildford property in Western Australia. Total capex of machines, tyres and core parts incurred during the period was $18.2 million and no dividends were declared or paid.

The Group's net debt which includes capitalised borrowing costs ($4.4 million) and fair value of debt ($3.4 million) was $343.5 million at 31 December 2013, down from $409.7 million at 30 June 2013. Net debt comprised total debt of $348.1 million less cash of $4.6 million, with undrawn facilities of $275.9 million. Gearing was 3.2 times (Total Debt:Rolling 12 months operating EBITDA), which remains below Emeco's amended covenant of 3.5 times.

Significant events occurring after half year end

The Directors are of the opinion that there were no events subsequent to 31 December 2013 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 2013.

Directors' report (continued)
31 December 2013

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 19 February 2014.

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

Ken Lewsey
Managing Director
Perth 19 February 2014

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 2013 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

Graham Hogg
Partner

Perth

19 February 2014

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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 2013

	Note	31 December 2013 $'000	31 December 2012 $'000
Continuing operations			
Revenue from rental income		101,625	206,548
Revenue from maintenance services		17,011	22,216
Revenue from the sale of machines and parts		7,766	17,962
		126,402	246,726
Changes in machinery and parts inventory		(10,786)	(19,112)
Repairs and maintenance		(42,938)	(70,310)
Employee expenses		(22,105)	(25,308)
Hired in equipment and labour		(6,165)	(2,987)
Gross profit		44,408	129,009
Other income		527	758
Other expenses	5	(12,864)	(20,490)
Impairment of tangible assets		(6,533)	(212)
EBITDA [(1)]		25,538	109,065
Impairment of goodwill	9	(157,934)	-
Depreciation expense		(41,258)	(61,500)
Amortisation expense	9	(75)	(103)
EBIT [(2)]		(173,729)	47,462
Finance income	6	56	651
Finance costs	6	(12,082)	(16,663)
Profit before tax expense		(185,755)	31,450
Tax benefit/(expense)		5,993	(8,922)
(Loss)/Profit from continuing operations		(179,762)	22,528
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss:			
Foreign currency translation differences for foreign operations		8,534	(1,160)
Effective portion of changes in fair value of cash flow hedges		(183)	1,270
Total other comprehensive income/(loss) for the period		8,351	110
Total comprehensive (loss)/income for the period		(171,411)	22,638

(1) EBITDA- Earnings/(loss) before finance income, finance costs, tax benefit/(expense), depreciation expense, intangible impairment and amortisation expense.

(2) EBIT – Earnings/(loss) before finance income, finance costs and tax benefit/(expense).

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 27.

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 2013

	2013 $'000	2012 $'000
(Loss)/Profit attributable to:		
Equity holders of the Company	(179,762)	22,528
(Loss)/Profit for the period	(179,762)	22,528
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	(171,411)	22,638
Total comprehensive (loss)/income for the period	(171,411)	22,638

	2013 Cents	2012 Cents
Earnings per share:		
Basic (loss)/earnings per share	(31.11)	3.77
Diluted (loss)/earnings per share	(31.11)	3.70

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 27.

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Emeco Holdings Limited and its Controlled Entities

Condensed Consolidated Interim Statement of Financial Position

as at 31 December 2013

	Note	31 December 2013 $'000	30 June 2013 $'000
Current Assets			
Cash assets		4,626	5,754
Trade and other receivables		67,544	97,073
Derivatives		996	691
Inventories		11,188	14,758
Prepayments		5,743	2,975
Current tax asset		-	13,940
Assets held for sale	7	3,686	7,200
Total current assets		93,783	142,391
Non-current Assets			
Trade and other receivables		462	856
Derivatives		5,088	4,489
Intangible assets and goodwill		238	158,076
Property, plant and equipment	8	775,713	820,210
Deferred tax assets		23	-
Total non-current assets		781,524	983,631
Total assets		875,307	1,126,022
Current Liabilities			
Trade and other payables		43,725	40,562
Derivatives		215	1,281
Interest bearing liabilities	12	12,715	9,308
Provisions		2,699	3,388
Total current liabilities		59,354	54,539
Non-current Liabilities			
Other payables		-	1,284
Derivatives		1,987	1,502
Interest bearing liabilities	12	335,389	406,118
Deferred tax liabilities		39,688	50,159
Provisions		1,769	1,244
Total non-current liabilities		378,833	460,307
Total liabilities		438,187	514,846
Net assets		437,120	611,176
Equity			
Share capital		593,616	593,616
Reserves		(5,011)	(10,717)
Retained earnings		(151,485)	28,277
Total equity attributable to equity holders of the Company		437,120	611,176

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 27.

Emeco Holdings Limited and its Controlled Entities

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 31 December 2013

	Share capital $'000	Share based payment reserve $'000	Hedging reserve $'000	Foreign currency translation reserve $'000	Reserve for own shares $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2012	610,424	9,155	(4,041)	(20,814)	(13,757)	59,419	640,386
Total comprehensive income for the period							
Profit or (loss)	-	-	-	-	-	22,528	22,528
Other comprehensive income							
Foreign currency translation differences	-	-	-	(1,160)	-	-	(1,160)
Effective portion of changes in fair value of cash flow hedge, net of tax	-	-	1,270	-	-	-	1,270
Total comprehensive income/(loss) for the period	-	-	1,270	(1,160)	-	22,528	22,638
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Own shares acquired by employee share plan trust	-	-	-	-	(2,648)	-	(2,648)
Share Buy-back	(16,919)	-	-	-	-	-	(16,919)
Dividends to equity holders	56	-	-	-	-	(22,156)	(22,100)
Share-based payment transactions	14	1,806	-	-	-	-	1,820
Total contributions by and distributions to owners	(16,849)	1,806	-	-	(2,648)	(22,156)	(39,847)
Balance at 31 December 2012	593,575	10,961	(2,771)	(21,974)	(16,405)	59,791	623,177

	Share capital $'000	Share based payment reserve $'000	Hedging reserve $'000	Foreign currency translation reserve $'000	Reserve for own shares $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2013	593,616	12,144	(2,344)	(4,083)	(16,434)	28,277	611,176
Total comprehensive income for the period							
Profit or (loss)	-	-	-	-	-	(179,762)	(179,762)
Other comprehensive income							
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)
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
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

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 27.

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Emeco Holdings Limited and its Controlled Entities

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 31 December 2013

	31 December 2013 $'000	31 December 2012 $'000
Cash flows from operating activities		
Cash receipts from customers	152,952	240,935
Cash paid to suppliers and employees	(82,516)	(112,290)
Cash generated from operations	70,436	128,645
Interest received	56	651
Interest paid	(11,682)	(13,311)
Taxes received/(paid)	10,227	(14,372)
Net cash from operating activities	69,037	101,613
Cash flows from investing activities		
Proceeds on disposal of non-current assets	28,256	16,818
Payment for property, plant and equipment	(18,231)	(141,736)
Net cash from/(used in) investing activities	10,025	(124,918)
Cash flows from financing activities		
Proceeds from borrowings	24,374	399,093
Repayment of borrowings	(99,808)	(384,565)
Working capital, facility change, net	1,709	-
Purchase of own shares	(4,179)	(19,491)
Payment for debt establishment costs	-	(4,568)
Payment of finance lease liabilities	(2,182)	(2,180)
Dividends paid	-	(22,037)
Net cash from/(used in) financing activities	(80,086)	(33,748)
Net increase/(decrease) in cash	(1,024)	(57,053)
Cash at beginning of the period	5,754	73,091
Effects of exchange rate fluctuations on cash held	(104)	38
Cash at the end of the financial period	4,626	16,076

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 27.

Emeco Holdings Limited and its Controlled Entities

Notes to the Condensed Consolidated Interim Financial Report

For the half year ended 31 December 2013

1. Reporting entity

Emeco Holdings Limited (the "Company") is a company domiciled in Australia. The condensed consolidated interim financial report of the Company as at and for the six months ended 31 December 2013 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 2013 are available on the Company's web site at 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 2013.

This condensed consolidated interim financial report was approved by the Board of Directors on 19 February 2014.

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) Going concern basis of accounting

The financial statements have been prepared using the going concern assumption which contemplates the realisation of assets and the settlement of liabilities in the ordinary course of business. As at 31 December 2013 the Group has a positive working capital position of A$42.7 million, unused debt facilities of A$275.9 million and was in compliance with its borrowing facility financial covenants as set out in note 12.

The Group has forecast the continued compliance with its borrowing facilities financial covenants (as set out in note 12). Compliance is dependent on the Group achieving its revenue, EBITDA and cash flow forecasts. However, the present economic environment, where mining industry activity has slowed and the pace of recovery remains uncertain increases the risk to the Group achieving its forecasts and in turn meeting its borrowing facility financial covenants in the future. Accordingly the Group continues to pursue a range of operational strategies, including disposal of surplus fleet, which the Directors believe will mitigate this risk and maintain continued covenant compliance.

In conjunction with these operational strategies, the Company may consider it prudent to pursue changes to current debt facilities and/or undertake a debt refinancing.

The Directors are confident a combination of these strategies will sufficiently mitigate this risk and maintain continued covenant compliance and that the going concern basis of preparation remains appropriate.

2. Basis of preparation (continued)

(c) 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

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 2013.

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 2013. 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 2014.

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 2013.

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 disclosure are specifically required in interim financial statements for financial instruments; accordingly, the Group has included additional disclosures in this regard (see note 13).

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 2013

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.
Indonesia	Provides a wide range of earthmoving equipment and maintenance services to customers in Indonesia.
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.

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 2013

	Australia $'000	Indonesia $'000	Canada $'000	Chile $'000	Other $'000	Total $'000
6 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	(150,893)	(14,870)	(2,787)	240	35	(168,275)

Emeco Holdings Limited and its Controlled Entities

Notes to the Condensed Consolidated Interim Financial Report

For the half year ended 31 December 2013

4. Segment reporting (continued)

Information about reportable segments 2012

	Australia $'000	Indonesia $'000	Canada $'000	Chile $'000	Other $'000	Total $'000
6 months ended 31 December 2012						
External revenues	163,261	31,695	47,161	4,609	-	246,726
Inter-segment revenue	25,770	1,153	7,524	3,182	-	37,629
Depreciation	(40,177)	(8,161)	(11,968)	(1,194)	-	(61,500)
Reportable segment profit/(loss) before interest and income tax	33,062	9,797	12,011	1,554	-	56,424

	31 December 2013 $'000	31 December 2012 $'000
Reconciliation of reportable segment profit or loss		
Total profit or loss of reportable segments before interest and tax	(168,275)	56,424
	(168,275)	56,424
Elimination of inter-segment profit	80	24
Unallocated amounts:		
Other corporate expenses	(5,534)	(8,986)
Net finance cost	(12,026)	(16,012)
Consolidated (loss)/profit before income tax	(185,755)	31,450

Emeco Holdings Limited and its Controlled Entities

Notes to the Condensed Consolidated Interim Financial Report

For the half year ended 31 December 2013

5. Other expenses

	31 December 2013 $'000	31 December 2012 $'000
Other expenses:		
- bad and doubtful debts/(reversal)	1,736	1,868
- insurance	1,923	2,193
- motor vehicles	1,775	2,363
- rental expense	2,141	2,112
- safety	631	859
- travel and subsistence expense	1,967	1,328
- telecommunications	695	885
- workshop consumables, tooling and labour	833	2,196
- other expenses	1,163	6,686
	12,864	20,490

6. Items included in profit before income tax expense

	31 December 2013 $'000	31 December 2012 $'000
Finance costs:		
- interest expense	10,546	12,478
- ineffective hedge expense/(reversal)	(84)	212
- Net changes in fair value of financial liabilities at fair value through profit and loss	(486)	-
- amortisation of debt establishment costs	625	1,090
- write off previous facility costs	-	1,910
- other facility costs	1,481	973
	12,082	16,663
Finance income:		
- interest income	(56)	(651)
Net financial expenses	12,026	16,012

Emeco Holdings Limited and its Controlled Entities

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7. Non-current assets held for sale

At 30 June 2013 non-current assets held for sale comprised assets of $7.2 million being Australian land and buildings. These assets were impaired by $3.04 million and disclosed at its fair value less costs to sell at 30 June 2013.

On 20 December 2013 sale of the Australian land and buildings was finalised for a consideration of $7.1 million.

	31 December 2013 $'000	30 June 2013 $'000
Assets held for sale	3,686	7,200
Total current assets	3,686	7,200

Since 1 July 2013 the Group identified specific equipment and marketed these assets for sale. As at 31 December 2013 the majority of the identified for sale assets were sold. The balance of $3.7 million was sold subsequent to 31 December 2013. The movement of these assets is represented in the following table:

	31 December 2013 $'000
Opening balance 1 July 2013	7,200
Transferred to non current assets held for sale	30,377
Impairment	(6,132)
Assets sold	(27,759)
Closing balance 31 December 2013	3,686
Proceeds from sale of non current assets held for sale	28,256
Less cost of sales	(27,759)
Profit on sale of assets	497

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8. Property, plant and equipment

	31 December 2013 $'000	30 June 2013 $'000
Freehold land and buildings - at cost	12,811	12,808
Less: Accumulated depreciation	(3,236)	(3,223)
	9,575	9,585
Leasehold improvements - at cost	5,128	4,950
Less: Accumulated depreciation	(3,018)	(2,748)
	2,110	2,202
Plant and equipment - at cost	1,213,395	1,241,920
Less: Accumulated depreciation	(512,174)	(498,572)
Work in progress	4,031	5,174
Rental tyres	25,633	23,293
Rental PSO stock	12,165	14,347
	743,050	786,162
Leased plant and equipment - at capitalised cost	21,228	21,228
Less: Accumulated depreciation	(9,489)	(9,294)
	11,739	11,934
Furniture, fixtures and fittings - at cost	1,313	1,378
Less: Accumulated depreciation	(696)	(690)
	617	688
Office equipment - at cost	2,656	2,606
Less: Accumulated depreciation	(1,899)	(1,637)
	757	969
Motor vehicles - at cost	9,087	9,644
Less: Accumulated depreciation	(5,335)	(5,005)
	3,752	4,639
Sundry plant - at cost	14,452	14,171
Less: Accumulated depreciation	(10,339)	(10,140)
	4,113	4,031
Total property, plant and equipment - at net book value	775,713	820,210

8. Property, plant and equipment (continued)

Acquisition and disposals
During the six months ended 31 December 2013, the Group acquired assets with a cost of $18.2 million (six months ended 31 December 2012: $121.2 million). This amount includes tyres and parts inventory to the value of $8.7 million (six months ended 31 December 2012: $11.9 million) and $1.2 million (six months ended 31 December 2012: $4.2 million) respectively were also acquired.

Assets with a carrying amount of $30.4 million (six months ended 31 December 2012: $15.5 million), which comprised of rental assets transferred to non-current assets held for sale, were disposed of during the six months ended 31 December 2013, resulting in a gain on disposal of $0.5 million (six months ended 31 December 2012: $0.4 million). This is included in other income in the condensed consolidated interim statement of profit or loss and other comprehensive income.

Capital commitments
During the six months ended 31 December 2013, the Group has not entered into any significant commitments that are payable within one year (six months ended 31 December 2012: $9.8 million).

9. 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 2013 $'000	31 December 2012 $'000
Amortisation expense	75	103
Impairment of goodwill	157,934	-
Total expense for the year for continuing operations	158,009	103

Impairment loss
For the financial year ended 30 June 2013, impairment testing indicated the Australian and Canadian Rental CGU's were not impaired. The recent deterioration in the business due to the challenging external environment, including lower margins, increased volatility in the mining sector and expectation that these factors will be sustained for a period of time caused the Group to assess the recoverable amount of its rental assets.

The Group determined the recoverable amount of its rental assets by using a discounted cash flow analysis. Determining recoverable amount requires the exercise of significant judgements for both internal and external factors. Judgements for external factors, including but not limited to foreign exchange, equipment hire rates and utilisation, have been made with reference to historical data and observable market data using a combination of consensus views. The recoverable amount estimate is particularly sensitive to hire rates and utilisation rates. Judgements for internal factors, including but not limited to applicable discount rate and operating costs, have been made with reference to historical data and forward looking business plans. Changes in the long term view of both internal and external judgements may impact the estimated recoverable value.

9. Intangible assets and goodwill (continued)

As a result a total goodwill impairment charge of $157.9 million has been recognised for the interim period ended 31 December 2013 (Australian CGU: $151.7 million, Canadian CGU $6.2 million). The impairment charge is included in the Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income (page 8).

The Group has determined the recoverable amount of its cash generating units (CGU) using a value in use methodology (June 2013: value in use) which is based on discounted cash flows for five years plus a terminal value. Impairment testing is intended to assess the recoverable amount of both tangible and intangible assets. As such, although the Indonesian and Chile Rental CGU's have nil goodwill, impairment testing has been performed for these CGUs. Nominal post tax discount rates have been derived as a weighted cost of equity and debt. Cost of equity is calculated using country specific ten year bond rates plus an appropriate market risk premium. The cost of debt is determined using the appropriate CGU three year swap rate plus a margin for three year tenor debt of equivalently credit rated businesses at 31 December 2013. The three year swap rates were used as the base rate to reflect the relative illiquidity for longer tenure debt in the current market. The nominal post tax discount rates for determining the rental CGU's valuations range between 7.6% and 12.0% (2013: 9.2% and 12.8%). For future cashflows of each CGU, revenue growth to the remainder of FY14 for each business reflects the best estimate for the coming year taking account of macroeconomic, business model, strategic and market factors. Growth rates for subsequent years are based on Emeco's five year outlook taking into account all available information at this current time and are subject to change over time. Compound annual growth rates (CAGR) over the five years of the forecast range between negative 14.6% and negative 2.9% (2013: 0.5% and 1.0%). The negative CAGR of 14.6% relates to the Indonesian CGU which disposed $17.8 million of rental fleet assets over the half year ended 31 December 2013, reducing forecast revenue growth for this business. The CAGR range excludes the Chilean CGU given its full first year of operation will be FY14.

10. Key management personnel

During the six months ended 31 December 2013, Mr Keith Gordon (former Managing Director and Chief Executive Officer) ceased employment with the Company on 4 November 2013.

The Company appointed Mr Ken Lewsey as the Managing Director and Chief Executive Officer on 4 November 2013.

During the six months ended 31 December 2013, Mr Ken Lewsey was granted 4,553,571 shares pending shareholder approval. This approval will be sought at the 2014 Annual General Meeting. Should the share grant not be approved by shareholders at the Annual General Meeting, the share grant will be reversed.

With the exception of the above there were no significant changes in key management personnel during the six months ended 31 December 2013 as other arrangements with key management have remained consistent since 30 June 2013.

11. Equity

Dividends

No dividends were paid or declared since the end of FY13 (six months ended 31 December 2012: 2.5 cents per share).

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

	2013 $'000	2012 $'000
Nil cents per share (2012: 3.5 cents)	-	22,093

(i) Franking account

	31 December 2013 $'000	31 December 2012 $'000
Dividend franking account		
30% franking credits available to shareholders of Emeco Holdings Limited for subsequent financial years	19,164	39,826

The above available amounts are based on the balance of the dividend franking at 31 December 2013 adjusted for:

(a) franking credits that will arise from the payment of current tax liabilities and recovery of current tax receivables;
(b) franking debits that will arise from the payment of dividends recognised as a liability at 31 December 2013;
(c) franking credits that will arise from the receipt of dividends recognised as receivable by the tax consolidated group at 31 December 2013; and
(d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability is to reduce it by $Nil (2012: $6,425,000). In accordance with the tax consolidated legislation, the Company as the head entity in the tax-consolidated group has also assumed the benefit of $19,164,000 (2012: $39,826,000) franking credits.

12. Interest bearing liabilities

	31 December 2013 $'000	30 June 2013 $'000
Current		
Amortised cost		
Working capital facility	6,964	5,256
Insurance financing	1,915	464
Lease liabilities- secured	3,836	3,588
	12,715	9,308
Non-current		
Fair value		
Notes issue - secured (USPP)	97,557	95,596
Debt raising costs (USPP)	(1,178)	(1,193)
Amortised costs		
Bank loans - secured	179,278	252,746
Notes issue - secured (USPP)	56,073	53,961
Lease liabilities - secured	6,876	8,770
Debt raising costs (bank loans)	(2,563)	(3,100)
Debt raising costs (USPP)	(654)	(662)
	335,389	406,118

The Group has a senior secured syndicated loan facility with a limit of AUD $450 million (2012: AUD $450 million) that was established on 28 September 2012. The debt facility comprises a three year AUD $200 million, a four year AUD $125 million and a five year AUD $125 million revolving multi-currency facility of AUD, USD and CAD that matures on September 2015, September 2016 and September 2017 respectively. The Group maintained its revolving working capital facilities of AUD $10.0 million (2012: $20.0 million) and CAD $2.0 million (2012: $2.0 million).

In May 2012, the Group issued secured fixed interest notes in the United States Private Placement market (USPP) comprising USD $140 million of which USD $40 million matures on 22 May 2019 and USD $100 million which matures 22 May 2022. These notes remain fully drawn until maturity.

Under the terms of the note purchase agreement, the noteholders hold a joint fixed and floating charge with the syndicated bank group over the assets and undertakings of the Group.

On 22 October 2013 the Group announced to the market amendments to the Groups debt facility. Amendments apply for the period 22 October 2013 to 30 June 2014. After 30 June 2014 the covenants will revert to the original levels.

12. Interest bearing liabilities (continued)

Current and amended ratios are as follows:

	Original Covenants	Amended Covenants [3]
Gearing (Gross Debt: EBITDA[1])	< 3.0 x	< 3.5 x
Interest Cover (EBITDA: Net Interest Expense[2])	> 4.0 x	> 3.5 x

[1] Rolling 12 month trailing Operating EBITDA
[2] Rolling 12 month trailing Net Interest Expense
[3] Amended covenants apply to the USPP Notes

All other key terms of the bank debt facility, including pricing, remain unchanged and the Group retains full access to the bank debt facility. Emeco did not incur any fees or charges from providers of the bank debt facility in relation with this amendment.

The Group has forecast the continued compliance with its financial covenants.

13. 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 2013 the Group is compliant with the requirements of the debt facility, US Private Placement notes issued and hedging policy. To maintain this policy fixed to floating interest rate swaps were entered into in May 2012 to hedge the fixed rate exposure from the issue of notes in the US Private Placement market.

The Group classifies its interest rate swaps as cash flow or fair value hedges and measures them at fair value. At 31 December 2013, the Group's interest rate swaps had a notional contract amount of AUDNil, CAD40.0M, USD$Nil (30 June 2013: AUD$80.0M, CAD$120.0M, USD$15M). The net fair value of derivatives at 31 December 2013 is as follows:

	31 December 2013 $'000	30 June 2013 $'000
Fixed interest rate swaps		
AUD $Nil (June 2013: $80m)	-	(1,061)
CAD $40m (June 2013: $120m)	(470)	(557)
USD $Nil (June 2013: $15m)	-	(82)
	(470)	(1,700)
Variable interest rate swaps		
Fixed to floating (USD $40m)	(1,733)	(1,063)
Cross currency interest rate swaps (USD $50m)	6,022	5,180
	3,819	2,417

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13. 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 2013		30 June 2013	
	Carrying Amount $'000	Fair Value $'000	Carrying Amount $'000	Fair Value $'000
Assets carried at fair value				
Interest rate swaps used for hedging	6,021	6,021	5,180	5,180
Forward exchange contracts used for hedging	63	63	-	-
	6,084	6,084	5,180	5,180
Assets carried at amortised cost				
Receivables	67,544	67,544	97,073	97,073
Cash and cash equivalents	4,626	4,626	5,754	5,754
	72,170	72,170	102,827	102,827
Liabilities carried at fair value				
Secured notes issue (USD $90m)	(96,379)	(97,557)	(94,403)	(95,596)
Interest rate swaps used for hedging	(2,202)	(2,202)	(2,763)	(2,763)
Forward exchange contracts used for hedging	-	-	(20)	(20)
	(98,581)	(99,759)	(97,186)	(98,379)
Liabilities carried at amortised cost				
Secured bank loans	(176,715)	(179,278)	(249,646)	(252,746)
Secured notes issue (USD $50m)	(55,419)	(56,073)	(53,299)	(53,961)
Insurance financing	(1,915)	(1,946)	(464)	(464)
Finance lease liabilities	(10,712)	(11,631)	(12,358)	(14,181)
Trade and other payables	(43,725)	(43,725)	(41,846)	(41,846)
	(288,486)	(292,653)	(357,613)	(363,198)

Fair value hierarchy

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

14. Contingent liabilities

The Group has guaranteed the repayments of $866,000 (30 June 2013: $75,000) in relation to office premises with varying expiry dates out to 30 June 2014.

15. Subsequent events

Subsequent to 31 December 2013, specific idle fleet assets were identified for sale and classified as held for sale in accordance with accounting standards resulting in an impairment of $8.4 million. These assets have been subsequently sold generating proceeds of $23.3 million.

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 27, 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 2013 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 19 day of February 2014

Signed in accordance with a resolution of the Directors:

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 2013, 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 2013 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.*

KPMG

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 2013 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

Graham Hogg
Partner

Perth

19 February 2014