



## **Emeco Holdings Limited and its Controlled Entities**

**ABN 89 112 188 815**

**Interim Financial Report  
For the half year ended 31 December 2017**

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## Directors' Report 31 December 2017

The directors of Emeco Holdings Limited (**Company**) submit this report in respect of the half year financial period ended 31 December 2017 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

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##### Non-executive

Peter Richards (Chair)

Peter Frank

Keith Skinner

Darren Yeates

##### Executive

Ian Testrow (Managing Director & Chief Executive Officer)

Mr Keith Skinner and Mr Darren Yeates stood for election as non-executive directors at the Company's annual general meeting held on 23 November 2017. Mr Skinner and Mr Yeates' elections were approved.

### Financial performance

Emeco Holdings Limited and its Controlled Entities (**Group**) achieved a net loss after tax for the half year ended 31 December 2017 of \$293,000 (2016: loss \$31,346,000) with total revenue of \$171,171,000 (2016: \$73,616,000).

### Dividends

No dividends have been declared or paid during 1H18 (1H17: Nil cents ordinary dividend per share).

## Directors' report (continued)

31 December 2017

### Review of operations

A\$ millions	Operating results <sup>(3)</sup>		Statutory results	
	1H18	1H17	1H18	1H17
Revenue	171.1	73.6	171.1	73.6
EBITDA <sup>(4)</sup>	67.0	27.9	57.5	25.7
EBIT <sup>(4)</sup>	37.5	3.5	22.8	1.1
NPAT	14.4	(28.8)	(0.3)	(31.7)
EBITDA margin	39.2%	37.9%	33.6%	34.5%
EBIT margin	21.9%	4.7%	13.3%	1.5%

Note:

1. Significant items have been excluded from the statutory result. This adjusted information (operating results) enables users to better understand the underlying financial performance of the business in the current period.
2. Operating and statutory results exclude profit from discontinued operations.
3. Operating results are non-IFRS.
4. EBITDA: Earnings before interest, tax, depreciation and amortisation; EBIT: Earnings before interest and tax. These measures are non-IFRS.

### Operating results to statutory results reconciliation

A\$ millions	Tangible asset impairments	Redundancy and restructuring costs	Acquisition costs	Long-term incentive program	NPAT
<b>Operating</b>					<b>14.4</b>
Australia	(5.2)	(1.4)	(1.9)	(6.2)	(14.7)
Canada	0.0	0.0	0.0	0.0	0.0
Chile	0.0	0.0	0.0	0.0	0.0
<b>Statutory</b>	<b>(5.2)</b>	<b>(1.4)</b>	<b>(1.9)</b>	<b>(6.2)</b>	<b>(0.3)</b>

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

**Tangible asset impairments:** Net impairments totalling \$5.2 million were recognised across the Australian business on assets held for sale and subsequently disposed during the period.

**Redundancies:** A redundancy program was undertaken across the Australian businesses during 1H18 as part of restructuring initiatives, resulting in costs totalling \$1.4 million before tax.

**Acquisition costs:** During 1H18 Emeco incurred costs totalling \$1.9 million in relation to the acquisition of Force Equipment Pty Ltd.

**Long-term incentive program:** During 1H18 Emeco recognised \$6.2m of non-cash expenses relating to the employee long-term incentive plan.

## Directors' report (continued)

31 December 2017

### Operating results

Operating net profit after tax (**NPAT**) of \$14.4 million for the half year ended 31 December 2017 (**1H18**), an increase of \$43.2 million versus the prior corresponding period (**PCP**).

Group operating revenue of \$171.1 million for 1H18 was up \$97.5 million compared to PCP driven by improved operating performance and the six-month contribution from the acquisition of Andy's Earthmoving Equipment (Asia Pacific) Pty Ltd (**Andy's**) and Orionstone Holdings Limited (**Orionstone**) on 31 March 2017 in addition to the Force Equipment Pty Ltd (**Force**) acquisition on 30 November 2017. Rental revenue increased 132% to \$155.0 million (1H17: \$66.6 million), and maintenance services revenue increased 142% to \$15.3 million (1H17: \$6.3 million). Operating EBITDA and operating EBIT margins improved to 39.2% (1H17: 37.9%) and 21.9% (1H17: 4.7%) respectively, driven by cost management, increase in scale and operational improvements. Operating EBITDA was \$67.0 million, an increase of \$39.1 million compared to the PCP, and EBIT was \$37.5 million, an increase of \$34.0 million compared to the PCP. Average gross utilisation increased to 87% (1H17: 83%) and average operating utilisation increased to 57% (1H17: 52%) as demand strengthened across the Australian business.

Cash flows from continuing operating activities of \$65.6 million, were up from \$18.1 million PCP, driven by improved operating earnings. Net capital expenditure outflow of \$26.6 million was up from \$8.8 million in the PCP due to the increase in capital requirements as the fleet size increased through the acquisition of Andy's, Orionstone and Force in addition to lower disposals during the period.

No dividends were declared or paid during the period.

The Group's total debt decreased from \$474.1 million at 30 June 2017 to \$463.1 million at 31 December 2017 driven by a reduction in finance lease liabilities and an appreciation of the Australian Dollar. The Group's net debt decreased over this period from \$457.1 million to \$407.1 million due to an increase in cash held by the Group. Net debt comprised total debt of \$463.1 million less cash of \$56.0 million. Leverage on a pro forma basis at 31 December 2017 decreased to 2.6x<sup>1</sup> from 3.9x<sup>2</sup> at 30 June 2017.

### Significant events occurring after half year end

The directors are of the opinion that following events subsequent to 31 December 2017 had a material impact on the business.

On 15 February 2018, an agreement was reached with noteholders of Emeco's USD notes to amend the capital expenditure limitation to A\$100,000,000 net capex for the 12-month period commencing 31 March 2017 and for each preceding 12-month period. Any unused limit can be carried forward for the preceding 12-month period.

Subsequent to 31 December 2017 discussions were entered into for the disposal of the Canadian business. On 27 February 2018, Emeco entered into an agreement to transfer Emeco Canada Limited to its local partner, HMER. The transfer is expected to complete in March 2018.

1. Pro forma run rate leverage on pro forma EBITDA calculated at 2Q18 Group operating EBITDA (including one month contribution from Force) annualised plus two-thirds of Force's FY17 operating EBITDA
2. Pro forma EBITDA calculated at 4Q17 Group operating EBITDA annualised.

**Directors' report (continued)**

31 December 2017

**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 2017.

**Rounding of amounts**

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument, dated 24 March 2016, and in accordance with that Corporations Instrument, 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 27 February 2018.

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

A handwritten signature in black ink, appearing to read 'Jan Testrow', written over a horizontal line.

Jan Testrow  
Managing Director  
Perth 27 February 2018

The Board of Directors  
Emeco Holdings Limited  
Level 3, 71 Walters Drive  
Osborne Park WA 6017

27 February 2018

Dear Board Members

## **Emeco Holdings Limited**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Emeco Holdings Limited.

As lead audit partner for the review of the financial statements of Emeco Holdings Limited for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

*Deloitte Touche Tohmatsu*

**DELOITTE TOUCHE TOHMATSU**



**Leanne Karamfiles**  
Partner  
Chartered Accountants

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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 2017**

	Note	31 December 2017 \$'000	31 December 2016 \$'000
<b>Continuing operations</b>			
Revenue from rental income		155,023	66,570
Revenue from the sale of machines and parts		811	747
Revenue from maintenance services		15,337	6,299
		<b>171,171</b>	<b>73,616</b>
Changes in machinery and parts inventory		(6,871)	(2,269)
Repairs and maintenance		(57,750)	(23,300)
Employee expenses		(14,919)	(9,344)
Hired in equipment and labour		(9,666)	(4,743)
Gross profit		<b>81,965</b>	<b>33,960</b>
Other income		3,428	1,273
Other expenses		(25,547)	(10,653)
Impairment of tangible assets	7	(5,187)	764
Depreciation expense		(29,380)	(24,262)
Amortisation expense		(509)	(324)
Business acquisition expenses	12	(1,881)	-
Finance income		168	15,377
Finance costs		(25,577)	(23,366)
Net foreign exchange gain/(loss)		2,216	(24,854)
Loss before tax expense		(304)	(32,085)
Tax benefit/(expense)		-	-
Loss from continuing operations		<b>(304)</b>	<b>(32,085)</b>
<b>Discontinued operations</b>			
Profit from discontinued operations (net of tax)	5	11	739
Profit from discontinued operations		11	739
Loss for the period		<b>(293)</b>	<b>(31,346)</b>
<b>Other comprehensive (loss)/income</b>			
Items that are or may be reclassified to profit and loss:			
Foreign currency translation differences for foreign operations		(1,286)	12,796
Effective portion of changes in fair value of cash flow hedges (net of tax)		384	(12,354)
Total other comprehensive income/(loss) for the period		<b>(902)</b>	<b>442</b>
Total comprehensive loss for the period		<b>(1,195)</b>	<b>(30,904)</b>

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 23.



**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 2017**

	Note	2017 \$'000	2016 \$'000
<b>Loss attributable to:</b>			
Owners of the Company		(293)	(31,346)
Loss for the period		(293)	(31,346)
<b>Total comprehensive loss attributable to:</b>			
Owners of the Company		(1,195)	(30,904)
Total comprehensive loss for the period		(1,195)	(30,904)
		<b>2017</b>	<b>2016</b>
	Note	cents	cents
<b>Earnings per share:</b>			
Basic loss per share		(0.01)	(5.23)
Diluted loss per share		(0.01)	(5.23)
<b>Earnings per share from continuing operations:</b>			
Basic loss per share		(0.01)	(5.23)
Diluted loss per share		(0.01)	(5.23)

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 23.

**Emeco Holdings Limited and its Controlled Entities**  
**Condensed Consolidated Interim Statement of Financial Position**  
**as at 31 December 2017**

	Note	31 December 2017 \$'000	30 June 2017 \$'000
<b>Current assets</b>			
Cash assets		56,032	16,978
Trade and other receivables		94,647	113,535
Inventories		6,422	3,114
Prepayments		1,603	2,956
Assets held for sale	6	12,999	26,421
<b>Total current assets</b>		<b>171,703</b>	<b>163,004</b>
<b>Non-current assets</b>			
Trade and other receivables		119	237
Derivatives financial instruments	11	-	4,015
Intangible assets		2,378	2,887
Property, plant and equipment	7	417,883	349,737
Deferred tax assets		781	-
Investments		799	799
<b>Total non-current assets</b>		<b>421,960</b>	<b>357,675</b>
<b>Total assets</b>		<b>593,663</b>	<b>520,679</b>
<b>Current liabilities</b>			
Trade and other payables		82,045	82,545
Liabilities directly associated with assets classified as held for sale	6	49	449
Derivative financial instruments	11	8,676	8,366
Interest bearing liabilities		4,075	6,894
Provisions		6,530	6,383
<b>Total current liabilities</b>		<b>101,375</b>	<b>104,637</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities		440,095	447,145
Derivatives financial instruments	11	711	-
Provisions		1,301	904
<b>Total non-current liabilities</b>		<b>442,107</b>	<b>448,049</b>
<b>Total liabilities</b>		<b>543,482</b>	<b>552,686</b>
<b>Net assets/(net asset deficiency)</b>		<b>50,181</b>	<b>(32,007)</b>
<b>Equity</b>			
Share capital	13	826,262	749,117
Reserves		4,799	(537)
Accumulated losses		(780,880)	(780,587)
<b>Total equity attributable to equity holders of the Company</b>		<b>50,181</b>	<b>(32,007)</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 23.

**Emeco Holdings Limited and its Controlled Entities**  
**Condensed Consolidated Interim Statement of Changes in Equity**  
**For the six months ended 31 December 2017**

	Share capital \$'000	Share based payment reserve \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Reserve for own shares \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2016	593,616	16,744	345	16,050	(20,634)	(600,124)	5,997
<b>Total comprehensive income for the period</b>							
Profit or (loss)	-	-	-	-	-	(31,346)	(31,346)
<i>Other comprehensive income</i>							
Foreign currency translation differences	-	-	12,009	787	-	-	12,796
Effective portion of changes in fair value of cash flow hedge, net of tax	-	-	(12,354)	-	-	-	(12,354)
Total comprehensive income/(loss) for the period	-	-	(345)	787	-	(31,346)	(30,904)
<b>Transactions with owners, recorded directly</b>							
<i>Contributions by and distributions to owners</i>							
Share-based payment transactions	-	324	-	-	-	-	324
Total contributions by and distributions to owners	-	324	-	-	-	-	324
Balance at 31 December 2016	593,616	17,068	(0)	16,837	(20,634)	(631,470)	(24,583)

	Share capital \$'000	Share based payment reserve \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Reserve for own shares \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2017	749,117	23,145	(2,474)	17,866	(39,074)	(780,587)	(32,007)
<b>Total comprehensive income for the period</b>							
Profit or (loss)	-	-	-	-	-	(293)	(293)
<i>Other comprehensive income</i>							
Foreign currency translation differences	-	-	(1,279)	(7)	-	-	(1,286)
Effective portion of changes in fair value of cash flow hedge, net of tax	-	-	384	-	-	-	384
Total comprehensive income/(loss) for the period	-	-	(895)	(7)	-	(293)	(1,195)
<b>Transactions with owners, recorded directly</b>							
<i>Contributions by and distributions to owners</i>							
Shares issued during the period, net of issue costs	77,145	-	-	-	-	-	77,145
Share-based payment transactions	-	6,238	-	-	-	-	6,238
Total contributions by and distributions to owners	77,145	6,238	-	-	-	-	83,383
Balance at 31 December 2017	826,262	29,383	(3,369)	17,859	(39,074)	(780,880)	50,181

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 23.

**Emeco Holdings Limited and its Controlled Entities**  
**Condensed Consolidated Interim Statement of Cash Flows**  
**For the six months ended 31 December 2017**

	31 December 2017 \$'000	31 December 2016 \$'000
<b>Cash flows from operating activities</b>		
Cash receipts from customers	199,954	68,083
Cash paid to suppliers and employees	(109,945)	(52,056)
Cash generated from operations	90,009	16,027
Finance income received	86	4,733
Finance expense paid	(24,433)	(17,017)
Cash receipts from derivatives sold	-	15,206
Net cash outflow from operating activities of discontinued operations	(4,752)	(1,287)
<b>Net cash from operating activities</b>	<b>60,910</b>	<b>17,662</b>
<b>Cash flows from investing activities</b>		
Proceeds on disposal of non-current assets	11,700	21,591
Payment for property, plant and equipment	(38,281)	(30,352)
Payment for business acquisition, net of cash acquired	12 (66,545)	-
Acquisition costs	12 (1,881)	-
Net cash inflow from investing activities of discontinued operations	526	1,836
<b>Net cash used in investing activities</b>	<b>(94,481)</b>	<b>(6,925)</b>
<b>Cash flows from financing activities</b>		
Payment of finance lease liabilities	(3,758)	(2,344)
Proceeds from issue of shares (net of issue costs)	77,140	-
Net cash outflow from financing activities of discontinued operations	(810)	(2,030)
<b>Net cash used in financing activities</b>	<b>72,572</b>	<b>(4,374)</b>
<b>Net increase/(decrease) in cash</b>	<b>39,001</b>	<b>6,363</b>
Cash at beginning of the period	16,978	24,854
Effects of exchange rate fluctuations on cash held	53	2,597
<b>Cash at the end of the financial period</b>	<b>56,032</b>	<b>33,814</b>

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 23.

**Emeco Holdings Limited and its Controlled Entities**  
**Notes to the Condensed Consolidated Interim Financial Report**  
**For the half year ended 31 December 2017**

**1. Reporting entity**

Emeco Holdings Limited (**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 2017 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 2017 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 2017.

This condensed consolidated interim financial report was approved by the board of directors on 27 February 2018.

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument, dated 24 March 2016, and in accordance with that Corporations Instrument, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

**Emeco Holdings Limited and its Controlled Entities**  
**Notes to the Condensed Consolidated Interim Financial Report**  
**For the half year ended 31 December 2017**

**3. Significant accounting policies**

There have been no new and revised standards that have had a significant impact on the measurement and disclosure of the Group.

**4. Segment reporting**

The Group has three (December 2016: three) 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 (discontinued)	Provides a wide range of earthmoving equipment and maintenance services to customers in Chile. This segment was discontinued in June 2017.

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 earnings before interest, income tax, depreciation and amortisation 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.

**Emeco Holdings Limited and its Controlled Entities**  
**Notes to the Condensed Consolidated Interim Financial Report**  
For the half year ended 31 December 2017

**4. Segment reporting (continued)**

**Information about reportable segments 2017**

	Australia	Canada	Chile (discont'd)	Total
	\$'000	\$'000	\$'000	\$'000
Six months ended 31 December 2017				
Revenue from external customers	171,171	-	2,095	173,266
Other income	1,769	1,659	(1)	3,427
<b>Segment earnings before interest, tax, depreciation and amortisation</b>	<b>58,985</b>	<b>1,964</b>	<b>35</b>	<b>60,984</b>
Depreciation and amortisation	(29,840)	(49)	-	(29,889)
<b>Segment result (EBIT)</b>	<b>29,145</b>	<b>1,915</b>	<b>35</b>	<b>31,095</b>
Corporate overheads				(8,171)
<b>EBIT</b>				<b>22,924</b>
Finance expense (net)				(25,451)
Foreign exchange movements				2,234
<b>Net loss before tax</b>				<b>(293)</b>
Tax expense				-
<b>Net loss after tax</b>				<b>(293)</b>
<b>Total assets for reportable segments</b>	<b>589,592</b>	<b>2,814</b>	<b>458</b>	<b>592,864</b>
Unallocated assets				799
<b>Total Group Assets</b>				<b>593,663</b>

**Information about reportable segments 2016**

	Australia	Canada	Chile (discont'd)	Total
	\$'000	\$'000	\$'000	\$'000
Six months ended 31 December 2016				
Revenue from external customers	67,595	6,021	14,167	87,784
Other income	255	1,016	212	1,484
<b>Segment earnings before interest, tax, depreciation and amortisation</b>	<b>20,901</b>	<b>7,413</b>	<b>6,195</b>	<b>34,509</b>
Depreciation and amortisation	(20,631)	(3,955)	(5,464)	(30,050)
<b>Segment result (EBIT)</b>	<b>270</b>	<b>3,458</b>	<b>731</b>	<b>4,459</b>
Corporate overheads				(3,077)
<b>EBIT</b>				<b>1,382</b>
Finance expense (net)				(8,193)
Foreign exchange movements				(24,535)
<b>Net loss before tax</b>				<b>(31,346)</b>
Tax expense				-
<b>Net loss after tax</b>				<b>(31,346)</b>
<b>Total assets for reportable segments</b>	<b>384,311</b>	<b>33,800</b>	<b>102,568</b>	<b>520,679</b>
Unallocated assets				-
<b>Total Group Assets</b>				<b>520,679</b>

**Emeco Holdings Limited and its Controlled Entities**  
**Notes to the Condensed Consolidated Interim Financial Report**  
**For the half year ended 31 December 2017**

**4. Segment reporting (continued)**

**Major customer**

For the six months ended 31 December 2017 the Group had three (2016: three) major customers that represented \$25,932,000 (2016: \$42,103,000) of the Group's total revenues, as indicated below:

<b>Segment</b>	<b>31 December 2017 \$'000</b>	<b>31 December 2016 \$'000</b>
Australia	24,273	22,915
Canada	1,659	5,590
Chile	-	13,598
Total	25,932	42,103



**Emeco Holdings Limited and its Controlled Entities**  
**Notes to the Condensed Consolidated Interim Financial Report**  
**For the half year ended 31 December 2017**

**5. Discontinued operations**

In June 2017 the board resolved to exit the Chilean 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 Chilean mining industry.

	<b>31 December 2017 \$'000</b>	<b>31 December 2016 \$'000</b>
<b>Losses of discontinued operations</b>		
Revenue	2,095	14,167
Other income	(1)	212
Direct costs	(2,004)	(6,287)
Reversal of impairment of property, plant and equipment	-	595
Employee expenses	-	(885)
Finance income	-	142
Finance costs	(42)	(346)
Other expenses	(55)	(1,714)
Depreciation	-	(5,464)
Net foreign exchange losses	18	319
<b>Profit/(loss) for the period</b>	<b>11</b>	<b>739</b>

The profit from discontinued operation of \$11,000 (six months ended 31 December 2016: \$739,000) is attributable entirely to the owners of the Company.

	<b>31 December 2017 \$'000</b>	<b>31 December 2016 \$'000</b>
<b>Cash flows from/(used in) discontinued operation</b>		
Net cash used in operating activities	(4,752)	(1,287)
Net cash from investing activities	526	1,836
Net cash used in financing activities	(810)	(2,030)
Net cash from discontinued operation	(5,036)	(1,481)

**Emeco Holdings Limited and its Controlled Entities**  
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**6. Disposal groups and non-current assets held for sale**

At 31 December 2017, the non-current assets held for sale comprised assets of \$12,999,000 (30 June 2017: \$26,421,000). These relate to plant and equipment in Australia. These assets were impaired by \$4,031,000 (30 June 2017: \$5,801,000) and measured at the lower of fair value less costs to sell and carrying amount at 31 December 2017. The Group continues to actively market these assets and they are expected to be disposed of within 12 months.

	<b>31 December 2017 \$'000</b>	<b>30 June 2017 \$'000</b>
<b>Assets classified as held for sale</b>		
Property, plant and equipment - continuing operations	12,999	25,834
Property, plant and equipment - discontinuing operations	-	587
	<u>12,999</u>	<u>26,421</u>
<b>Liabilities directly associated with assets classified as held for sale</b>		
Continuing operations	(49)	(449)
	<u>(49)</u>	<u>(449)</u>
Net assets classified as held for sale	<u>12,950</u>	<u>25,972</u>

Liabilities directly associated with assets classified as held for sale relate to assets designated as held for sale that have outstanding finance lease repayments remaining. All remaining payments are due within six months.

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**7. Property, plant and equipment**

During the period, the Group acquired Force Equipment Pty Ltd further increasing its fleet by \$62,528,000. Refer to note 12 for further information.

During the six months ended 31 December 2017, the Group recognised a total impairment expense of \$5,187,000 (six months ended 31 December 2016 impairment expense: \$1,359,000). This related to the transfer of assets from the rental fleet to non-current assets held for sale under the fair value less costs of disposal methodology. In determining if any further impairment adjustments are required at 31 December 2017, management have considered various factors including the Group's performance compared to budget and have determined there are no impairment triggers noted at this time.

The Company continues to monitor the appropriate componentisation, estimated useful life and residual value of the fleet, which has been impacted by improved market conditions. The financial effect of this reassessment decreases depreciation by \$9,725,000 in the current half year.

**8. Key management personnel**

There were no changes in key management personnel during the six months ended 31 December 2017 as arrangements with key management have remained consistent since 30 June 2017.

**9. Equity**

**Dividends**

No dividends were paid or declared since the end of FY17 (six months ended 31 December 2016: Nil cents per share).

**Franking account**

	<b>31 December 2017 \$'000</b>	<b>30 June 2017 \$'000</b>
<b>Dividend franking account</b>		
30% franking credits available to shareholders of Emeco Holdings Limited for subsequent financial years	65,120	46,215

The above available amounts are based on the balance of the dividend franking at 31 December 2017 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 2017;
- (c) franking credits that will arise from the receipt of dividends recognised as receivable by the tax consolidated group at 31 December 2017; 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.

**Emeco Holdings Limited and its Controlled Entities**  
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**9. Equity (continued)**

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 (2016: \$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 \$65,120,000 (2016: \$25,518,000) franking credits.

**10. Interest bearing liabilities**

**Bank loans**

At year end the Group had drawn \$Nil of the revolving cash advance facility but had utilised A\$4,433,000 of the bank guarantee facility.

**Working capital facility**

The Group has a credit card facility with a limit of A\$110,000. The facility is secured via term deposit.

**Finance leases**

At 31 December 2017, the Group held finance lease facilities totaling A\$6,517,000 (2017: A\$9,801,000) which have various maturities up to November 2020. Liabilities under the facility are secured by the assets leased

	31 December 2017 \$'000	30 June 2017 \$'000
<b>Current</b>		
<i>Amortised cost</i>		
Insurance financing	228	1,584
Lease liabilities- secured	3,847	5,310
	4,075	6,894
<b>Non-current</b>		
<i>Amortised costs</i>		
USD notes - secured <sup>(1)</sup>	456,318	462,724
Lease liabilities - secured	2,670	4,491
Debt raising costs <sup>(1)</sup>	(17,997)	(19,440)
Debt raising costs (revolving credit facility)	(896)	(630)
	440,095	447,145

No new debt or lease financing was entered into during the period and A\$3,758,000 was repaid with respect to lease financing during the period.

**Emeco Holdings Limited and its Controlled Entities**  
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**11. Financial instruments**

**Hedging of fluctuations in interest rates**

In March 2017 new hedging arrangements were entered into to hedge the FX movement on the US\$355,900,000 outstanding notes. US\$230,000,000 of the semi-annual coupon has been hedged to AUD in addition to US\$100,000,000 principle. Due to the appreciation of the Australian dollar between the inception of the hedge on 31 March 2017 and 31 December 2017, a net hedge liability of \$9,387,000 (2017: \$4,351,000) has been recognised at 31 December 2017.

	<b>31 December 2017 \$'000</b>	<b>30 June 2017 \$'000</b>
Variable interest rate swaps	(9,387)	(4,351)
	(9,387)	(4,351)

**Emeco Holdings Limited and its Controlled Entities**  
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**12. Business combinations**

**Force Equipment Pty Ltd**

On 30 November 2017, Emeco Holdings Limited acquired 100% of the shares in Force Equipment Pty Ltd (Force) for total consideration of \$72,643,000 settled by an upfront cash payment of \$69,940,000, and an additional cash payment of \$2,703,000 in relation to a working capital adjustment paid in February 2018.

The values identified in relation to the acquisition are final as at reporting date 31 December 2017. Details of the acquisition are as follows:

	<b>Force Equipment Pty Ltd \$'000</b>
Cash assets	3,395
Trade and other receivables	15,168
Inventories	3,538
Prepayments	506
Plant and equipment	62,828
Tax assets	781
Trade and other payables	(10,811)
Provisions	(2,761)
Net assets /(liabilities) acquired	<u>72,643</u>
Acquisition date fair value of consideration transferred	<u>72,643</u>
Representing:	
Cash	69,940
Cash consideration paid in respect of working capital adjustment	2,703
Total	<u>72,643</u>
Acquisition costs expensed to profit or loss	<u>1,881</u>
Cash used to acquire the business, net of cash acquired:	
Acquisition date fair value of consideration transferred	72,643
Less: cash and cash equivalents	(3,395)
Net Cash paid	<u>69,248</u>

**Emeco Holdings Limited and its Controlled Entities**  
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**13. Capital and reserves**

	<b>31 December 2017 \$'000</b>	<b>30 June 2017 \$'000</b>
<b>Share capital</b>		
2,817,622,191 (2016: 2,436,860,480 ) ordinary shares, fully paid	902,149	825,004
Acquisition reserve	(75,887)	(75,887)
	<b>826,262</b>	<b>749,117</b>

**Movements in ordinary share capital**

<b>Movements in ordinary share capital</b>				
<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue price</b>	<b>\$'000</b>
<b>Balance</b>	1 July 2017	2,436,860,480		825,004
Issue of shares for rights issue	8 November 2017	320,100,520	\$ 0.210	67,221
Issue of shares for rights issue	24 November 2017	60,661,191	\$ 0.210	12,739
Less: share issue costs, net of deferred tax				(2,815)
<b>Balance</b>	<b>31 December 2017</b>	<b>2,817,622,191</b>		<b>902,149</b>

**14. Contingent liabilities**

The Group has guaranteed the repayments of \$4,433,000 (30 June 2017: \$4,172,000) in relation to obligations under operating leases and rental premises.

**15. Subsequent events**

The directors are of the opinion that following events subsequent to 31 December 2017 had a material impact on the business.

On 15 February 2018, an agreement was reached with noteholders of Emeco's USD notes to amend the capital expenditure limitation to A\$100,000,000 net capex for the 12-month period commencing 31 March 2017 and for each preceding 12-month period. Any unused limit can be carried forward for the preceding 12-month period.

Subsequent to 31 December 2017 discussions were entered into for the disposal of the Canadian business. On 27 February 2018, Emeco entered into an agreement to transfer Emeco Canada Limited to its local partner, HMER. The transfer is expected to complete in March 2018.

**Directors' Declaration**

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

1. the financial report and notes, set out on pages 8 to 23, 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 2017 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 27 day of February 2018

Signed in accordance with a resolution of the directors:



Ian Testrow  
Managing Director



## Independent Auditor's Review Report to the members of Emeco Holdings Limited

We have reviewed the accompanying half-year financial report of Emeco Holdings Limited, which comprises the condensed consolidated interim statement of financial position as at 31 December 2017, and the condensed consolidated interim statement of profit or loss and other comprehensive income, the condensed consolidated interim statement of cash flows and the condensed consolidated interim statement of changes in equity 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 consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 8 to 24.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### *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 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 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 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the 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.

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# Deloitte.

## *Auditor's Independence Declaration*

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*, which has been given to the directors of Emeco Holdings Limited, would be in the same terms if given to the directors as at the time 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 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



**Leanne Karamfiles**

Partner

Chartered Accountants

Perth, 27 February 2018