



Emeco Holdings Limited

19 February 2008

Company Announcements Office
Australian Stock Exchange Ltd
Level 4
20 Bridge Street
SYDNEY NSW 2000

Emeco Holdings Ltd – half-year financial results for 31 December 2007

Attached for immediate release to the market are:

- a media release;
- the Emeco Holdings Ltd Appendix 4D – half-year financial report for the half-year ended 31 December 2007; and
- Emeco Holdings Ltd's half-year financial report, auditor's report and directors' report.

Yours faithfully

Mike Kirkpatrick
Company Secretary



Emeco Holdings Limited

MARKET RELEASE – 19 February 2008

Domestic operations underpin result, with international market conditions more challenging

- **First half NPAT of \$30.5 million**
- **Australian EBITA up 4.1% to \$48.7 million**
- **International EBITA down 53.6% to \$6.7 million**
- **On track to deliver full year NPAT of \$65 - \$72 million**
- **Interim dividend increased to 2.0 cents**
- **Internal review identified inventory reduction target of \$50m for 2H08**

Financial Performance Summary

Emeco today reported net profit after tax for the six months to 31 December 2007 of \$30.5 million, a 12.4% decline on the prior corresponding period. The Australian business delivered a 4.1% increase in EBITA. However, challenges in Emeco's international businesses led to the overall result being lower than 1H07.

	6 mths to Dec-07 A\$m	Pro Forma 6 mths to Dec-06 A\$m	Change %
Revenue	288.2	251.6	14.5
EBITDA	98.6	99.8	(1.2)
EBITA	55.4	61.3	(9.6)
EBIT	54.5	59.4	(8.2)
NPAT	30.5	34.8	(12.4)
EPS (cents)	4.8	5.5	(14.6)
Working capital	298.5	204.3	46.1
Funds employed	870.8	747.8	16.5

Emeco's Managing Director, Laurie Freedman said "We are pleased with the continued strength of our domestic rentals, sales and parts businesses but disappointed that this has been offset by start up costs and difficult trading conditions in our international businesses. I am pleased to report that by the end of the reporting period we were seeing a significant improvement in utilisation across our international businesses."

Rental revenues increased by 5.4% to \$171.9 million. Equipment sales revenues increased by 44.0% to \$98.4 million. The acquisition of Euro Machinery on 1 January 2007 accounted for 75% of this increase. While a higher sales contribution and lower rental utilisation reduced EBITDA margins from 39.7% to 34.2%, EBITA margins declined more sharply from 24.4% to 19.2% reflecting the impact of significant minimum depreciation charges over under utilised equipment. The pricing environment remains robust in all geographies.

Borrowing costs increased to \$11.5 million for the half reflecting incremental debt drawings to fund further investments in rental fleet and working capital. The Group's effective tax rate reduced from 34% to 29% reflecting tax effected losses in the US. Management expect the effective tax rate to remain at circa 30% (as reported at Emeco's June 2007 full year result) for FY2008 and going forward.

Australia

Although the Australian business delivered EBITA growth, the level of growth was constrained due to cutbacks in coal production in NSW and Queensland caused by shipping delays, rail congestion and poor weather conditions. Despite these challenges and an increased sales contribution in the first half, EBITA margins were roughly flat at 23.1%.

International

International EBITA was impacted in the first half as Emeco continued to commit resources to realising critical mass internationally. Funds employed in international operations increased 18% to \$259 million whilst operating earnings declined 54% to \$6.7 million.

Indonesian EBITA was \$4.4 million lower due to the loss of a substantial contract and changed market conditions as a number of mine owners reviewed their operating arrangements in favour of local contractors. Utilisation in Indonesia fell to a temporary low of 40% in the half before recovering to c.70% in the second quarter.

Canada typically demonstrates strong seasonality due to the thaw/freeze weather patterns. This was exacerbated in the first half by a further build up of larger gear for deployment in and around the oil sands region. December quarter utilisation rates hit lows of 40% through the half, however coming into spring, management expects utilisation rates to return to historic 65 - 70% levels, reflecting increased oil sands activity and reduced seasonality on larger equipment.

In the United States, where rental operations have just commenced, fleet deployment increased from 5% up to 53% at the end of December and is currently tracking at about 62%. Increased US coal exports as a result of higher prices and tightening credit markets are also increasing demand for our fleet. We're confident that we will get utilisation rates in the US up to 70% through the second half of this year as our 'dry hire' offer to US customers gains traction.

The European business continues to meet expectations with a first half operating contribution of \$1.2 million.

Operating cashflows and capex

	6 mths to Dec-07 A\$m	Pro Forma 6 mths to Dec-06 A\$m	Change %
Operating cash flow	29.4	39.5	(25.6)
Capital expenditure	80.9	139.4	(42.0)
Growth	39.4	132.9	(70.4)
Net maintenance capex			
Maintenance	50.1	21.3	135.2
Disposals	(15.4)	(14.8)	4.1
Other	6.8	-	
Total net maintenance capex	41.5	6.5	538.5
Rental machine numbers	1,054	969	8.8

Operating cash flow was lower than the prior period, primarily due to increases in working capital. This largely represents a significant increase in purchases of US gear targeted for sale in non US markets, although delivery has been delayed due to shipping constraints. An internal review of working capital and funds employed more broadly has also been undertaken, with an estimated \$50 million of surplus inventories across the Group earmarked for rationalisation. Management have also put in place a 12 month plan to continue to restore capital returns to historic levels, particularly across Emeco's international business.

Net maintenance capex was higher over the half, which is consistent with maintenance capex approximating depreciation in the long run. For FY2008 Emeco expects rental maintenance capex of approximately \$70 million net of disposals. In the first half, receipts on disposal of assets were \$15.4 million, slightly up on 1H07, resulting in profit on disposal of assets of \$2.2 million.

Balance sheet and gearing

	Dec-07 A\$m	Jun-07 A\$m	Change %
Current Assets	365.6	316.7	15.4
Non Current Assets	814.5	780.1	4.4
Total Assets	1,180.1	1,096.8	7.6
Current Liabilities	67.8	66.3	2.3
Non Current Liabilities	426.3	357.7	19.2
Total Liabilities	494.2	423.9	16.6
Net Assets	685.9	672.9	1.9
Total Equity	685.9	672.9	1.9
NTA	462.9	449.5	3.0
NTA per share	0.73	0.71 ¹	2.8
Gearing (net debt / total capitalisation)	36.6%	30.5%	
Gearing (net debt / equity)	57.6%	43.9%	

Emeco's balance sheet position remains strong and gearing is within acceptable levels.

Interest bearing debt has increased to \$408 million due to working capital and fleet expansion targeting critical mass in each of Emeco's international geographies. Although management remains confident that recent trends to increasing utilisation will continue throughout the half and going forward, all of this investment relates to movable gear that is easily relocatable to other global or domestic markets.

Gearing ratios continue to remain within acceptable levels with interest cover of approximately 4.7x for the first half, and gearing (net debt / total capitalization) of 37%.

Emeco retains significant financial capacity with circa \$150 million of headroom under its existing debt facilities as at 31 December 2007. The existing facilities have a maturity date of July 2009 and do not contain any market value based compliance tests.

Interim dividend

A fully franked interim dividend of 2 cents per ordinary share has been declared by the Board, representing a 41% payout ratio based on statutory net profit after tax. The interim distribution will be paid on 4 April 2008 on shares registered at 5.00pm on 7 March 2008.

Outlook

Mr Freedman said, "Despite the challenges throughout the half, the domestic business remains robust and we are continuing to build critical mass in each of our international markets consistent with our previously articulated strategy. The sheer size of these markets and the opportunities presenting themselves provide the basis for long term sustainable businesses. Significant recent increases in asset utilisation in all of our international businesses also confirm our confidence in the outlook for the Group.

Global demand for commodities remains strong and we expect this to drive improved demand and utilisation during the remainder of the year. In particular, structural conditions for coal globally are expected to underpin activity in each of our coal geographies with coal continuing to represent c.28% of Emeco's end market exposure by revenue.

Accordingly, Emeco confirms that we expect full year FY2008 NPAT in the range of \$65 – 72 million. This estimate reflects our current assessment of the effects of the flooding in the Bowen basin in northern Queensland. Our Mackay facility has not suffered any significant damage from the flooding; however, weather conditions are causing operational disruptions in the Bowen basin and we are currently monitoring the impact of these conditions on our customers and our current and future rentals."

Further enquiries should be directed to:

Mr Laurie Freedman
Managing Director and CEO
+61 8 9420 0222

Mr Robin Adair
Chief Financial Officer
+61 8 9420 0222

¹ Based on Pro Forma number of shares

APPENDIX 4D

Preliminary Final report

For the half year ended 31 December 2007

Name of entity

Emeco Holdings Limited

ABN or equivalent company reference

A.C.N. 112 188 815

Results for announcement to the market

Reporting Period: 1 July 2007 to 31 December 2007 (Previous corresponding period: six months ended 31 December 2006)

		% Change	2007 \$A million	2006 \$A million
Revenues from ordinary activities ⁽¹⁾	up	14.5%	288.2	251.6
Profit from ordinary activities after tax attributable to members of Emeco Group ⁽¹⁾	up	89.4%	30.5	16.1 ⁽²⁾
Net profit for the period attributable to members of Emeco Group ⁽¹⁾	up	89.4%	30.5	16.1 ⁽²⁾

Dividends

Date the dividend is payable

4 April 2008

Record date to determine entitlements to the dividend

7 March 2008

Amount per security

		Amount per security	Franked amount per security
Interim Dividend:	Current year	2.0 cents	2.0 cents
	Previous year	1.0 cent	1.0 cent

Brief explanation of any of the figures reported above:

- ⁽¹⁾ "Emeco Group" means the consolidated entities of Emeco Holdings Limited and Emeco (UK) Limited and covers the period where Emeco (UK) Limited was both an outside equity interest and when it was acquired as a subsidiary on 4 August 2006.
- ⁽²⁾ The profit results for the previous corresponding period in 2006 are statutory results which do not include the write back of one off transaction costs that occurred as a result of the Company's initial public offering (IPO) during that period. Proforma net profit after tax for the previous corresponding period before the effects of the IPO transactions was \$34.8 million.

APPENDIX 4D

**Preliminary Final report
For the half year ended 31 December 2007**

Ratios and Other Measures

NTA backing

Net tangible asset backing per ordinary security

Current Period	Previous corresponding Period
\$0.73	\$0.68

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.

Emeco Holdings Limited and its Controlled Entities

ABN 89 112 188 815

Interim Financial Report

for the half year ended 31 December 2007

Emeco Holdings Limited and its Controlled Entities

ABN 89 112 188 815

Interim Financial Report - 31 December 2007

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Emeco Holdings Limited

Directors' report

31 December 2007

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 2007 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 (resigned 17 August 2007)	5 April 2006
Mr Peter Johnston	1 September 2006
Executive	
Mr Laurie Freedman (Chief Executive Officer)	21 January 2005
Mr Robin Adair (Executive Director Corporate Strategy and Business Development)	21 January 2005

Mr Greg Minton was re-elected as a director at the Company's annual general meeting held on 7 November 2007.

On 1 November 2007, Mr Robin Adair was appointed to the position of Executive Director Corporate Strategy and Business Development to focus on the Group's internal strategic capabilities.

Financial performance

Emeco Holdings Limited and its Controlled Entities (the "Group") achieved a net profit after tax for the half-year ended 31 December 2007 of \$30.5 million (2006: \$16.1 million) with total revenue of \$288.2 million (2006: \$251.6 million).

Dividends

The Company has declared a fully franked dividend of 2 cents per ordinary share for the interim period (2006: 1 cent).

Review of operations

Review of operations

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

	Half year ended		
	2007	2006	Change
	\$m	\$m	%
Net profit after tax	30.5	34.8 ⁽¹⁾	(12.3)
After tax effects of IPO transactions	-	(18.7) ⁽¹⁾	N/A
Reported net profit after tax	30.5	16.1	89.4
Reported EBITDA	98.6	98.4	-
Reported EBITA	55.4	59.9	(7.5)
Reported EBIT	54.5	58.0	(6.0)

The Group's revenue to 31 December 2007 increased when compared to the preceding interim period by \$36.6 million to \$288.2 million, representing an increase of 14.5%.

Net profit after tax before the effects of the IPO transactions decreased 12.3% over the comparative period from \$34.8 million to \$30.5 million.

Emeco Holdings Limited and its Controlled Entities
Directors' report
31 December 2007

- ⁽¹⁾ The comparative interim period net profit after tax is a proforma number as it includes the write back of one off transactions that occurred as a result of the Company's initial public offering ("IPO") during the period. 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.

The Group's earnings before interest and tax ("EBIT") decreased by 6.0% over the comparative period from \$58.0 million to \$54.5 million. The main contributors to the lower comparative period EBIT earnings on a net pcg basis were:

- Lower Sales and Rental activity in the USA (\$3.0M).
- A slower than anticipated recovery in the Indonesian business following a drop in asset utilisation levels (\$4.5M).
- Lower asset utilisation levels in Canada as a result of disruption to Canadian oil and gas demand. (\$2.0M).

Offsetting the above were:

- A \$1.9M EBIT increase in Australia, albeit that further improvement was hampered by shipping delays on sales inventory and growth constraints due to cut backs in coal production in New South Wales and Queensland.
- A \$1.6M EBIT uplift in Europe due to the contribution from our Euro Machinery business acquired in January 2007.
- A \$1.0M reduction in the amortisation charge.
- The impact of the (\$1.4M) EBIT one-off bonuses paid to senior management in August 2006 due to the IPO.

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 Group during the half-year.

Significant events occurring after half-year end

The following significant events occurred after 31 December 2007.

Appointment of Chief Financial Officer

The Company announced on 11 February 2008 that Mr Stephen Gobby was appointed Chief Financial Officer and will formally take up the position on 4 March 2008.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 5 and forms part of the directors' report for the half year ended 31 December 2007.

Rounding of amounts

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

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



Laurence Freedman
Managing Director

Perth
18 February 2008



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 2007 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.

A stylized signature of the KPMG firm, written in a cursive script.

KPMG

A handwritten signature of B C Fullarton, written in a cursive script.

B C Fullarton
Partner

Perth
18 February 2008

Emeco Holdings Limited and its Controlled Entities
Consolidated interim income statement
For the six months ended 31 December 2007

	31 December 2007	31 December 2006
	Note	
	\$'000	\$'000
Revenue from rental income	148,552	145,766
Revenue from the sale of machines and parts	119,725	92,369
Revenue from maintenance services	19,935	13,490
	<u>288,212</u>	<u>251,625</u>
Changes in machinery and parts inventory	(67,315)	(44,147)
Machinery and parts purchases and consumables	(32,449)	(34,390)
Repairs and maintenance	(43,709)	(38,040)
Hired in equipment and labour	(2,988)	(3,613)
Employee expenses	<u>(20,217)</u>	<u>(17,840)</u>
Gross profit	121,534	113,595
Other income	2,630	3,622
Other expense	<u>(25,521)</u>	<u>(18,767)</u>
EBITDA ⁽¹⁾	98,643	98,450
Depreciation expense	(43,199)	(38,502)
Amortisation expense	<u>(949)</u>	<u>(1,938)</u>
EBIT ⁽²⁾	54,495	58,010
Financial income	6 1,010	493
Financial expenses	6 <u>(12,521)</u>	<u>(34,003)</u>
Profit before income tax expense	42,984	24,500
Income tax expense	<u>(12,506)</u>	<u>(8,386)</u>
Net Profit	<u>30,478</u>	<u>16,114</u>
Attributed to:		
Equity holders of the parent	30,478	14,793
Minority interests	-	1,321
Net Profit	<u>30,478</u>	<u>16,114</u>
Earnings per share for profit attributable to the ordinary equity holders of the company:	2007	2006
	cents	cents
Basic earnings per share from continuing operations	<u>4.8</u>	<u>2.8</u>
Diluted earnings per share from continuing operations	<u>4.8</u>	<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 10 to 16.

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

⁽²⁾ EBIT - Earnings before interest expense and tax.

Emeco Holdings Limited and its Controlled Entities
Consolidated interim statement of recognised income and expense
For the six months ended 31 December 2007

	31 December 2007 \$'000	31 December 2006 \$'000
Effective portion of changes in fair value of cash flow hedges	72	(259)
Foreign currency translation differences for foreign operations	(1,459)	(4,200)
Net income recognised directly in equity	(1,387)	(4,459)
Profit for the half year	30,478	16,114
Total recognised income and expense for half year	29,091	11,655
Total recognised income and expense for the half year attributed to		
Equity holders of the Company	29,091	11,219
Minority interest	-	436
Total recognised income and expense for the period	29,091	11,655

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 10 to 16.

Emeco Holdings Limited and its Controlled Entities
Consolidated interim balance sheet
as at 31 December 2007

	Note	31 December 2007 \$'000	30 June 2007 \$'000
Current Assets			
Cash and cash equivalents		12,696	27,740
Trade and other receivables		84,387	90,093
Inventories		255,359	187,131
Current tax asset		2,787	2,932
Prepayments		10,334	8,846
Total current assets		<u>365,563</u>	<u>316,742</u>
Non-current assets			
Trade and other receivables		4,388	2,279
Intangible assets		222,975	223,390
Property, plant and equipment		584,851	544,303
Deferred tax assets		3,372	10,105
Total non-current assets		<u>815,586</u>	<u>780,077</u>
Total assets		<u>1,181,149</u>	<u>1,096,819</u>
Current Liabilities			
Trade and other payables		43,157	43,621
Interest bearing liabilities		7,567	6,521
Current tax liabilities		13,300	12,489
Provisions		3,817	3,636
Total current liabilities		<u>67,841</u>	<u>66,267</u>
Non-current Liabilities			
Interest bearing liabilities		400,338	326,323
Deferred tax liabilities		26,049	30,826
Provisions		1,039	524
Total non-current liabilities		<u>427,426</u>	<u>357,673</u>
Total liabilities		<u>495,267</u>	<u>423,940</u>
Net assets		<u>685,882</u>	<u>672,879</u>
Equity			
Issued capital		609,044	609,278
Other equity		832	1,023
Reserves		(8,407)	(7,020)
Retained earnings		84,413	69,598
Total equity attributable to equity holders of the parent	8	<u>685,882</u>	<u>672,879</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 10 to 16.

Emeco Holdings Limited and its Controlled Entities
Consolidated interim statement of cash flow
For the six months ended 31 December 2007

	Note	31 December 2007 \$'000	31 December 2006 \$'000
Cash flows from operating activities			
Cash receipts in the course of operations		294,450	255,154
Cash payments in the course of operations		(260,250)	(200,957)
Interest received		1,010	493
Interest paid		(13,018)	(21,009)
Income tax paid		(7,905)	(4,869)
Net cash provided by operating activities		<u>14,287</u>	<u>28,812</u>
Cash flows from investing activities			
Proceeds on disposal of non-current assets		15,364	14,830
Payment for business combinations		-	(141,604)
Payment for property, plant and equipment		(96,334)	(140,516)
Net cash used in investing activities		<u>(80,970)</u>	<u>(267,290)</u>
Cash flows from financing activities			
Proceeds from issue of shares (net of issue costs)		-	431,222
Proceeds from borrowings		84,208	119,535
Repayment of exchangeable notes		-	(54,694)
Repayment of loans		(11,614)	(260,000)
Repurchase own shares	9	(590)	-
Payment for deferred borrowing costs		-	(870)
Finance lease payments		(4,748)	(4,471)
Dividends paid		(15,663)	-
Net cash provided by financing activities		<u>51,593</u>	<u>230,722</u>
Net decrease in cash held		(15,090)	(7,756)
Cash at the beginning of the period		27,740	19,240
Effects of exchange rate fluctuations on cash held		46	(667)
Cash at the end of the financial period		<u>12,696</u>	<u>10,817</u>

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

Emeco Holdings Limited and its Controlled Entities
Notes to the consolidated interim financial statements
For the half-year period ended 31 December 2007

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 2007 comprise the Company and its subsidiaries (together referred to as the “Group”).

The consolidated annual financial report of the Group as at and for the year ended 30 June 2007 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 Group as at and for the year ended 30 June 2007.

This consolidated interim financial report was approved by the Board of Directors on 18 February 2008.

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

3. Significant accounting policies

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2007.

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 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 2007.

5. Segment reporting

Segment information is presented in the consolidated interim financial statements in respect of the Group's business segments, which are the primary basis of segment reporting. The business segment reporting format reflects the Group'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 Group comprises the following main business segments, based on the Group'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 2007

5. Segment reporting cont'd

Business segments

For the six months ended 31 December 2007

	Rental	Rental	Sales	Sales	Parts	Parts	Maintenance	Maintenance	Eliminations	Eliminations	Consolidated	Consolidated
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Revenue from external customers	171,861	163,048	98,378	68,314	16,230	17,267	1,743	2,996	-	-	288,212	251,625
Inter segment revenue	-	-	2,281	5,127	1,912	2,325	403	26	(4,596)	(7,478)	-	-
Total segment revenue	171,861	163,048	100,659	73,441	18,142	19,592	2,146	3,022	(4,596)	(7,478)	288,212	251,625
Segment result	48,407	53,379	3,759	2,788	2,161	1,810	168	33	-	-	54,495	58,010
Results before interest and tax											54,495	58,010

Emeco Holdings Limited and its Controlled Entities
Notes to the consolidated interim financial statements
For the half-year period ended 31 December 2007

6. Items included in profit before income tax expense

	Consolidated 2007	Consolidated 2006
Financial expenses:		
- bank loans and overdrafts	11,512	9,019
- exchangeable notes	-	4,490
- finance leases	209	570
- loss on extinguishment of debt	-	18,848 ⁽¹⁾
- amortisation of debt establishment costs	149	187
- other facility costs	651	889
	<u>12,521</u>	<u>34,003</u>
Financial income:		
- interest revenue	<u>(1,010)</u>	<u>(493)</u>
	<u>11,511</u>	<u>33,510</u>

- ⁽¹⁾ Due to the extinguishment of the Group's debt facilities and exchangeable notes, the associated deferred borrowing costs, and the discount on conversion of notes to shares in the Company were expensed during the comparative period.

Emeco Holdings Limited and its Controlled Entities
Notes to the consolidated interim financial statements
For the half-year period ended 31 December 2007

7. Property, plant and equipment

Acquisition and disposals

During the six months ended 31 December 2007, the Group acquired assets with a cost of \$96.3 million (six months ended 31 December 2006: \$160.7 million), including assets acquired through business combinations of \$Nil (six months ended 31 December 2006: \$20.2 million).

Assets with a carrying amount of \$13.2 million (2006: \$12.2 million) were disposed of in the ordinary course of business, resulting in a gain on disposal of \$2.2 million (2006: \$2.6 million), which is included in other income.

Capital commitments

The Group has entered into commitments with certain suppliers for the purchase of fixed assets, primarily rental fleet assets in the amount of \$68.3 million (six months ended 31 December 2006: \$35.7 million) payable within one year.

8. Capital and reserves

Reconciliation of movement in capital and reserves

Attributable to equity holders of the parent

Consolidated \$000's	Share capital	Other contributed equity	Hedging reserve	Foreign currency translation reserve	Retained earnings	Total	Minority interest	Total equity
Balance at 1 July 2006	173,928	150	1,195	-	20,732	196,005	40,264	236,269
Total recognised income and expense	-	-	(259)	(3,315)	14,793	11,219	436 ⁽¹⁾	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	-	-	-	-	-	-	(41,554)	(41,554)
Acquisition reserve	(75,887)	-	-	-	-	(75,887)	-	(75,887)
Balance at 31 December 2006	609,191	886	936	(3,315)	35,525	643,223	-	643,223

- ⁽¹⁾ Included in the total recognised income and expense of the minority interest are exchange differences on transactions of foreign operations of (\$885,000).

Consolidated \$000's	Note	Share capital	Own shares acquired employee share plan trust	Other contributed equity	Hedging reserve	Foreign currency translation reserve	Retained earnings	Total equity
Balance at 1 July 2007		609,278	-	1,023	915	(7,935)	69,598	672,879
Total recognised income and expense		-	-	-	72	(1,459)	30,478	29,091
Share based payments		-	-	399	-	-	-	399
Shares acquired - trust	9	-	(590)	-	-	-	-	(590)
IPO costs		(234)	-	-	-	-	-	(234)
Dividends paid		-	-	-	-	-	(15,663)	(15,663)
Balance at 31 December 2007		609,044	(590)	1,422	987	(9,394)	84,413	685,882

9. Key management personnel

During the period the Company implemented a long term incentive plan ("LTIP") for certain senior management personnel. Under the LTIP shares granted to each LTIP participant vest to the employee after 3 years if the prescribed performance condition is met. The performance condition is a performance hurdle based on relative total shareholder return ("TSR"). The peer group that the Company's TSR is measured against consists of 105 Companies and includes 12 Companies that are considered direct peers to Emeco, in addition to the S&P/ASX Small Industrials (excluding banks, insurance companies, property trust companies and investment property trust/companies and other stapled securities). During the period the Company acquired shares on market at a fair value of \$590,000 to be held in trust to satisfy the potential vesting of shares under the LTIP. Shares that have been forfeited under the Company's Management Incentive Share Plan due to employees under that plan not meeting the service vesting requirement have also been transferred to the LTIP trust. At period end 1.14 million shares were held in the trust.

10. Dividends

The Company declared a fully franked dividend of 2 cents per ordinary share for the interim period subsequent to 31 December 2007 (six months ended 31 December 2006: 1 cent). These dividends have not been provided for as at 31 December 2007.

11. Loans and borrowings

The following loans and borrowings (non-current and current) were issued and repaid during the six months ended 31 December 2007:

<i>In thousands of AUD</i>	Currency	Interest rate nominal %	Interest rate effective %	Face value	Carrying amount	Year of maturity
Balance at 1 July 2007					332,844	2009
<u>New issues</u>						
Senior debt draw down	AUD	7.3	6.8	57,000	57,000	2009
Senior debt draw down	CAD	5.2	4.8	18,300	23,889	2009
Senior debt draw down	EURO	4.8	4.8	5,000	9,170	2009
Finance leases	AUD	7.8	7.8	5,134	5,134	2008
<u>Repayments</u>						
Senior debt draw down	USD	5.4	-	(10,000)	(11,614)	-
Finance lease liabilities	USD	9.8	-	(3,911)	(4,716)	-
<u>Effects of foreign currency translation</u>						
Translation on foreign denominated borrowings and repayments	-	-	-	-	(3,653)	-
<u>Borrowing costs</u>						
Amortisation of debt establishment costs	-	-	-	-	(149)	-
Balance at 31 December 2007					<u>407,905</u>	

There were \$118,375,000 of new loans and borrowings in the prior interim period and an amount of \$389,471,000 was repaid.

12. Financial instruments

Hedging of fluctuations in interest rates

The Group 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 Group's policy. The swaps mature over the next four years following the maturity of the related loans.

The Group classifies interest rate swaps as cash flow hedges and measures them at fair value. At 31 December 2007, the Group's interest rate swaps had a notional contract amount of AUD95.0M CAD80.0M, USD \$30.0M and EURO10.0M (30 June 2007: AUD175.0M and CAD40.0M). The net fair value of swaps at 31 December 2007 was \$1.4M (30 June 2007: \$2.9M) comprising assets of \$2.3M (30 June 2007: \$2.9M) and liabilities of \$0.9M (30 June 2007: Nil).

Directors' Declaration

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

1. the financial statements and notes, set out on pages 6 to 16, are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the financial position of the Group as at 31 December 2007 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 18th day of February 2008

Signed in accordance with a resolution of the directors:

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

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 2007, 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 12 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 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 establishing 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 Group's financial position as at 31 December 2007 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.

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 Group's financial position as at 31 December 2007 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



B C Fullarton
Partner

Perth
18 February 2008