

Emeco Holdings Limited and its Controlled Entities

ABN 89 112 188 815

Interim Financial Report

for the half year ended 31 December 2010

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Emeco Holdings Limited and its Controlled Entities
Directors' report
31 December 2010

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 2010 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 Peter Johnston	1 September 2006
Mr John Cahill	15 September 2008
Mr Robert Bishop	22 June 2009
Mr Peter Richards	14 June 2010
Executive	
Mr Keith Gordon (Chief Executive officer)	1 December 2009

Mr Peter Richards stood for election and was elected as non-executive director at the Company's annual general meeting held on 16 November 2010.

Financial performance

Emeco Holdings Limited and its Controlled Entities (the "Group") achieved a net profit/(loss) after tax for the half-year ended 31 December 2010 of \$24.1 million (2009: (\$0.62) million) with total revenue of \$264.4 million (2009: \$208.5 million).

Dividends

The Company declared a fully franked ordinary dividend in February 2011 of 2.0 cents per ordinary share for the interim period to 31 December 2010 (2009: 0.0 cents).

The Company also declared a fully franked special dividend in February 2011 of 5.0 cents (2009: \$0.0 cents) per ordinary share.

The Company declared a fully franked dividend in August 2010 of 2.0 cents per ordinary share in relation to the financial year ended 30 June 2010.

Review of operations

A\$ millions	Operating Results			Statutory Results (including Discontinued Operations)		
	2010	2009	PCP	2010	2009	PCP
	(1H11)	(1H10)	%	(1H11)	(1H10)	%
Revenue	253.6	208.5	21.6	264.4	208.5	26.8
EBITDA	115.0	82.5	39.4	117.2	65.4	79.2
EBIT	54.7	32.1	70.4	54.7	15.0	264.7
NPAT	23.5	13.6	72.8	24.1	(0.6)	4,116.7
Normalised NPAT [^]	29.5	13.6	116.9	30.1	(0.6)	5,116.7

[^]Excludes one-off Impairment of Indonesian debtor (\$6.0M post-tax) in 2010. There were no material debtor impairments in the prior corresponding period.

Emeco Holdings Limited and its Controlled Entities
Directors' report
31 December 2010

Operating results

Group operating revenue was \$253.6 million in 1H11, being 21.6% higher than the prior corresponding period (PCP), primarily due to higher average rental fleet utilisation in all of Emeco's core markets: Australia, Indonesia and Canada.

Offsetting the revenues generated from higher rental fleet utilisation, the strategic decisions taken during FY10 to exit the underperforming USA, Europe and Victorian civil rental businesses reduced revenue but have been accretive to EBITDA, EBIT and/or Return on Capital (ROC) on a PCP basis.

Operating rental revenue increased 40.8% from \$152.4 million in 1H10 to \$214.6 million in 1H11. This reflects the significant improvement in operating conditions in the current period versus global financial crisis levels 12 months earlier. Mining activity has been robust in 1H11 due to the strong global commodity environment. This robust activity across the industry, with a particular focus on production, has been positive for Emeco with global fleet utilisation averaging 87.6% across the period (versus 70.0% on a PCP basis).

Higher utilisation has led to a 39.4% PCP increase in operating EBITDA as compared to a 21.6% PCP increase in revenue, with operating EBIT up 70.4% to \$54.7 million. The increase in EBITDA and EBIT margin by 5.7% and 6.2% respectively on a PCP basis is partially due to fixed cost leverage within the business. The increased contribution of higher margin rental revenue to overall Group revenue has also positively impacted margins.

A post-tax impairment charge of \$6.0 million (\$7.93 million pre-tax) relating to the one-off impairment of an Indonesian debtor has somewhat dampened the Group's 1H11 NPAT result. Operating NPAT after normalising for this one-off impairment increased 116.9%, from \$13.6 million in 1H10 to \$29.5 million in 1H11.

NPAT from discontinued operations was \$0.6 million comprising the following:

- Victorian Civil Rental – \$(0.6) million
- USA – \$1.1 million
- Europe – \$0.1 million

At 31 December 2010, Emeco's ROC was 11.2% compared to 6.3% at 31 December 2009. This improvement reflects a combination of significant improvement in utilisation of Emeco's fleet, the release of underperforming capital from the USA, Europe and Victoria businesses and the investment in larger mining equipment.

The Emeco debt facility was successfully refinanced in November 2010 with the execution of a \$450 million senior debt package with a syndicate of seven banks. The debt package comprises a 3 year \$300 million and a 5 year \$150 million revolving multi-currency facility, which has provided an extended maturity profile. Interest costs in the period were broadly in-line on a PCP basis due to the higher interest margin of the new facility being offset by a lower average debt level.

Significant events occurring after half-year end

The directors are of the opinion that there were no events subsequent to 31 December 2010 that had a material impact on the business.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 6 and forms part of the directors' report for the half year ended 31 December 2010.



Emeco Holdings Limited and its Controlled Entities
Directors' report
31 December 2010

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.

These consolidated interim financial statements were approved by the Board of Directors on 21 February 2011.

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

A handwritten signature in dark ink, appearing to read 'Keith Gordon', with a stylized, cursive script.

Keith Gordon
Managing Director
Perth 21 February 2011



Lead Auditor's Independence Declaration under Section 307C of the Corporation 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 2010, 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

A handwritten signature in black ink, appearing to be 'R Gambitta', written over a horizontal line.

R Gambitta
Partner

Perth
21 February 2011

Emeco Holdings Limited and its Controlled Entities
Condensed Consolidated interim statement of comprehensive income
For the six months ended 31 December 2010

		31 December	31 December
		2010	2009 ⁽¹⁾
	Note	\$'000	\$'000
Continuing operations			
Revenue from rental income		192,243	134,901
Revenue from the sale of machines and parts		36,033	27,782
Revenue from maintenance services		25,307	16,786
		<u>253,583</u>	<u>179,469</u>
Changes in machinery and parts inventory		(38,226)	(35,769)
Repairs and maintenance		(58,567)	(42,106)
Employee expenses		(20,770)	(16,690)
Hired in equipment and labour		(4,424)	(816)
Gross profit		<u>131,596</u>	<u>84,088</u>
Other income		348	2,469
Other expense		(16,957)	(11,873)
Impairment of tangible assets	9, 10	25	(7,793)
EBITDA ⁽²⁾		<u>115,012</u>	<u>66,891</u>
Depreciation expense		(60,200)	(45,342)
Amortisation expense		(141)	(156)
EBIT ⁽³⁾		<u>54,671</u>	<u>21,393</u>
Financial income	6	605	95
Financial expenses	6	(21,589)	(10,899)
Profit before income tax expense		<u>33,687</u>	<u>10,589</u>
Income tax expense		(10,161)	(3,833)
Profit from continuing operations		<u>23,526</u>	<u>6,756</u>
Discontinued operations			
Profit/(Loss) from discontinued operations	7	317	(7,374)
Income tax (expense)/benefit attributable to discontinued operations	7	268	-
Profit/(Loss) from discontinued operations		<u>585</u>	<u>(7,374)</u>
Profit/(Loss) for the period		<u>24,111</u>	<u>(618)</u>

⁽¹⁾ Please note comparatives have been restated. Refer to note 7.

⁽²⁾ EBITDA - Earnings before interest expense, tax, depreciation and amortisation.

⁽³⁾ EBIT - Earnings before interest expense and tax.

The statement of comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 12 to 21.

Emeco Holdings Limited and its Controlled Entities
Condensed Consolidated interim statement of comprehensive income continued
For the six months ended 31 December 2010

	31 December 2010 \$'000	31 December 2009 ⁽¹⁾ \$'000
Other comprehensive income		
Foreign currency translation differences for continuing foreign operations	(12,686)	(7,964)
FCTR of discontinued operations ⁽²⁾	(444)	(534)
Effective portion of changes in fair value of cash flow hedges	2,006	1,768
Other comprehensive loss for the period	(11,124)	(6,730)
 Total comprehensive income/(loss) for the period	 12,987	 (7,348)
 Profit attributable to: Equity holders of the parent	 24,111	 (618)
 Total comprehensive income attributable to: Equity holders of the parent	 12,987	 (7,348)
 Earnings per share:	 2010 Cents	 2009 Cents
Basic earnings/(loss) per share	3.94	(0.10)
Diluted earnings/(loss) per share	3.94	(0.10)
 Continuing operations	 2010 Cents	 2009 Cents
Basic earnings per share	3.84	1.07
Diluted earnings per share	3.84	1.07

⁽¹⁾ Please note comparatives have been restated. Refer to note 7.

⁽²⁾ FCTR – Foreign currency translation reserve.

The statement of comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 12 to 21.

Emeco Holdings Limited and its Controlled Entities
Condensed Consolidated interim statement of financial position
as at 31 December 2010

		31 December 2010 \$'000	30 June 2010 \$'000
	Note		
Current Assets			
Cash assets		9,678	5,239
Trade and other receivables		81,719	90,327
Inventories		61,620	87,017
Prepayments		4,053	4,550
Current tax asset		435	656
Assets classified as held for sale	8	17,797	38,413
Total current assets		175,302	226,202
Non-current assets			
Trade and other receivables		49	14
Intangible assets		174,191	178,192
Property, plant and equipment		610,147	610,346
Total non-current assets		784,387	788,552
Total assets		959,689	1,014,754
Current Liabilities			
Trade and other payables		45,744	50,737
Interest bearing liabilities		5,282	5,203
Current tax liabilities		6,055	5,858
Provisions		3,592	5,302
Liabilities classified as held for sale	8	-	2,196
Total current liabilities		60,673	69,296
Non-current Liabilities			
Interest bearing liabilities		256,076	298,892
Deferred tax liabilities		21,952	23,020
Provisions		1,033	803
Total non-current liabilities		279,061	322,715
Total liabilities		339,734	392,011
Net assets		619,955	622,743
Equity			
Share capital		610,268	609,578
Reserves		(33,179)	(18,429)
Retained earnings		42,866	31,594
Total equity		619,955	622,743

The statement of financial position sheet is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 12 to 21.

Emeco Holdings Limited and its Controlled Entities
Condensed Consolidated interim statement of changes in equity
as at 31 December 2010

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

Consolidated \$000's	Note	Share capital	Reserve for own shares	Share based payment reserve	Hedging reserve	Foreign currency translation reserve	Retained earnings	Total equity
Balance at 1 July 2009		609,470	(3,870)	1,832	(10,536)	(7,562)	93,532	682,866
Total comprehensive income and for the period								
Profit or loss		-	-	-	-	-	(618)	(618)
Other comprehensive income								
Foreign currency translation differences		-	-	-	-	(8,498)	-	(8,498)
Effective portion of changes in fair value of cash flow hedges, net of tax		-	-	-	1,768	-	-	1,768
Total comprehensive income for the period		-	-	-	1,768	(8,498)	(618)	(7,348)
Transactions with owners, recorded directly in equity								
Dividends to equity holders		-	-	-	-	-	(12,625)	(12,625)
Contribution from MISP holders ⁽¹⁾		81	-	-	-	-	-	81
Share-based payment transactions		-	-	516	-	-	-	516
Total contributions by and distributions to owners		81	-	516	-	-	(12,625)	(12,028)
Balance at 31 December 2009		609,551	(3,870)	2,348	(8,768)	(16,060)	80,289	663,490

Consolidated \$000's	Note	Share capital	Reserve for own shares	Share based payment reserve	Hedging reserve	Foreign currency translation reserve	Retained earnings	Total equity
Balance at 1 July 2010		609,578	(6,247)	2,728	(7,246)	(7,664)	31,594	622,743
Total comprehensive income and for the period								
Profit or loss		-	-	-	-	-	24,111	24,111
Other comprehensive income								
Foreign currency translation differences		-	-	-	-	(13,130)	-	(13,130)
Effective portion of changes in fair value of cash flow hedges, net of tax		-	-	-	2,006	-	-	2,006
Total comprehensive income for the period		-	-	-	2,006	(13,130)	24,111	12,987
Transactions with owners, recorded directly in equity								
Dividends to equity holders		275	-	-	-	-	(12,839)	(12,564)
Contribution from MISP holders ⁽¹⁾		415	-	-	-	-	-	415
Share-based payment transactions		-	(4,497)	871	-	-	-	(3,626)
Total contributions by and distributions to owners		690	(4,497)	871	-	-	(12,839)	(15,775)
Balance at 31 December 2010		610,268	(10,744)	3,599	(5,240)	(20,794)	42,866	619,955

⁽¹⁾ Includes dividends paid to existing Management Incentive Share Plan (MISP) holders and payments received from resigning employees in satisfaction of their outstanding MISP loans.

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 12 to 21.

Emeco Holdings Limited and its Controlled Entities
Condensed Consolidated interim statement of cash flow
For the six months ended 31 December 2010

		31 December 2010 \$'000	31 December 2009 \$'000
	Note		
Cash flows from operating activities			
Cash receipts in the course of operations		251,936	197,986
Cash payments in the course of operations		(126,231)	(112,167)
Interest received		215	99
Borrowing costs paid		(10,128)	(10,149)
Income tax paid		(10,603)	(9,742)
Net cash provided by operating activities		<u>105,189</u>	<u>66,027</u>
Cash flows from investing activities			
Disposal of discontinued operations	7	14,423	-
Proceeds on disposal of non-current assets	10	19,346	14,592
Payment for property, plant and equipment	10	(75,128)	(105,178)
Net cash used in investing activities		<u>(41,359)</u>	<u>(90,586)</u>
Cash flows from financing activities			
Proceeds from borrowings ⁽¹⁾		336,474	85,833
Repayment of loans ⁽¹⁾		(371,313)	(44,516)
Repurchase own shares for employee incentives		(4,497)	-
Payment of debt establishment costs		(4,054)	-
Finance lease payments		(3,534)	(4,853)
Dividends paid		(12,839)	(12,625)
Net cash provided by/(used in) financing activities		<u>(59,763)</u>	<u>23,839</u>
Net increase/(decrease) in cash held		4,067	(720)
Cash at the beginning of the period		5,239	10,422
Effects of exchange rate fluctuations on cash held		372	560
Cash at the end of the financial period		<u>9,678</u>	<u>10,262</u>

⁽¹⁾ Includes extinguishment of previous facility with the repayment of loans and proceeds from borrowings of new facility \$271,065,000.

The statement of cash flow is to be read in conjunction with the notes to the financial statements set out on pages 12 to 21.

1. Reporting entity

Emeco Holdings Limited (the “Company”) is a company domiciled in Australia. The condensed consolidated interim financial statements of the Company as at and for the six months ended 31 December 2010 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 statements of the Group as at and for the year ended 30 June 2010 are available on the Company’s web site at www.emecogroup.com.

2. Statement of compliance

The condensed 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*.

They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 30 June 2010.

These consolidated interim financial statements were approved by the Board of Directors on 21 February 2011.

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 these consolidated interim financial statements are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2010.

4. Estimates

The preparation of the interim financial statements 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 these consolidated interim financial statements, 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 statements as at and for the year ended 30 June 2010.

During the six months ended 31 December 2010 management reassessed its estimates in respect of the net realisable value of certain inventory and recoverable amount of property, plant and equipment (see note 9 and 10).



5. Operating segments

The Group has seven reportable segments, as described below, which are the Group's strategic business units (apart from discontinued). The strategic business units offer different products and services, and are managed separately because they require different operational strategies. 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:

Australian Rental	Provides a wide range of earthmoving equipment and maintenance services to customers in Australia. During the year ended 30 June 2010 the Victorian Rental business was classified as a discontinued operation and a disposal group held for sale and continues to be this half year.
Australian Sales	Sells a wide range of earthmoving equipment to customers in the civil construction and mining industries in Australia.
Australian Parts	Procuring and supplying global sourced used and reconditioned parts to external customers and internally to the rental and sales division in Australia.
Indonesia	Provides a wide range of earthmoving equipment and maintenance service to customers in Indonesia.
Canada	Provides a wider range of earthmoving equipment and maintenance services to customers who are predominately within Canada.
United States of America (USA) (Discontinued)	Provides a wide range of earthmoving equipment for rental or sale, maintenance services and procurement and supply of used and reconditioned parts to customers both internal and external in the United States of America. During the year ended 30 June 2010 this segment was discontinued and continues to be this half year.
Europe (Discontinued)	Provides a wide range of earthmoving equipment for rental or sale and maintenance service to customers in Europe. During the year ended 30 June 2010 this segment was discontinued and continues to be this half year.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax as included in the internal management reports that are reviewed by the Group's Managing Director and Board of Directors. Segment profit 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 statements
For the half-year period ended 31 December 2010

5. Operating segments cont'd

	Australia Rental	Victorian Rental (Discont'd)	Australia Sales	Australia Parts	Indonesia	Canada	USA (Discont'd)	Europe (Discont'd)	Other	Consolidated
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
6 months ended 31 December 2010										
External revenue	157,907	7,328	29,915	8,873	24,689	32,199	3,083	409	-	264,403
Inter-segment revenue	1,907	94	1,664	973	1,036	-	891	-	-	6,565
Reportable segment profit before interest and income tax	48,967	(896)	(242)	4	7,372	7,780	1,010	(128)	-	63,867

	Australia Rental	Victorian Rental (Discont'd)	Australia Sales	Australia Parts	Indonesia	Canada	USA (Discont'd)	Europe (Discont'd)	Other	Consolidated
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
6 months ended 31 December 2009										
External revenue	108,483	9,919	19,811	7,299	25,451	18,425	12,466	6,651	-	208,505
Inter-segment revenue	786	-	13,676	2,145	151	-	133	75	-	16,966
Reportable segment profit before interest and income tax	28,934	1,688	(1,512)	(2,593)	8,816	(7,026)	(7,521)	(537)	-	20,249

Emeco Holdings Limited and its Controlled Entities
Notes to the condensed consolidated interim financial statements
For the half-year period ended 31 December 2010

5. Operating segments cont'd

	31 December 2010 \$'000	31 December 2009 \$'000
Reconciliation of reportable segment profit or loss		
Total profit or loss for reportable segments	63,867	20,249
	63,867	20,249
Elimination of inter segment profit	919	1,251
Elimination of discontinued operations	14	6,370
Unallocated amounts:		
Other corporate expenses	(10,129)	(6,477)
Net interest expenses	(11,704)	(10,252)
Impairment loss on trade receivables ⁽¹⁾	(9,280)	(552)
Profit before income tax from continuing operations	33,687	10,589

⁽¹⁾ Includes impairment loss of \$7.9 million (pre-tax) relating to an Indonesian debtor in December 2010.

Segment assets

The major changes in segment assets related to:

- The sale of the Victorian rental segment in November 2010.
- The exit from USA and European segment.
- The strategy to downsize sales inventory.

6. Items included in profit before income tax expense

	31 December 2010 \$'000	31 December 2009 \$'000
Financial expenses:		
- interest on bank loans and overdrafts	8,759	8,590
- interest on finance leases	552	207
- amortisation of debt establishment costs ⁽¹⁾	1,402	672
- other facility costs	1,596	878
- impairment loss on trade receivables ⁽²⁾	9,280	552
	21,589	10,899
Financial income:		
- interest revenue	(213)	(95)
- hedge gains	(392)	-
	(605)	(95)
Total	20,984	10,804

⁽¹⁾ Includes \$0.8 million expensed relating to the previous facility in December 2010.

⁽²⁾ Includes impairment loss of \$7.9 million (pre-tax) relating to an Indonesian debtor in December 2010.

7. Discontinued operations

At 30 June 2010 Emeco Europe, USA parts and the Victorian rental businesses were classified as discontinued operations. On 1 October 2010 part of the Victorian rental business was sold for \$11.2 million leaving a net carrying amount of \$17.8 million of assets available for sale at 31 December 2010. The remaining assets in USA parts and Emeco Europe were sold on 1 October 2010 and 29 December 2010 respectively. During the 6 months ending 31 December 2010 additional assets of \$7.8 million were disposed of. The operations were not discontinued at 31 December 2009, however, the comparative statement of comprehensive income has been represented to show the discontinued operation separately from continued operations.

Profit/(losses) of discontinued operations	31 December 2010 \$'000	31 December 2009 \$'000
Revenue	10,820	29,036
Other income	437	105
Direct costs	(5,895)	(17,564)
Depreciation	(2,160)	(4,864)
Writedown of stock	-	(2,165)
Impairment of fixed assets	(1,263)	(3,753)
Profit/(loss) on sale of assets	(11)	389
Other expenses	(1,027)	(2,784)
Financial income/(expense)	331	(1,004)
Employee expenses	(915)	(4,770)
Profit/(Loss) from operating activities (before tax)	317	(7,374)
Income tax (expense)/benefit	268	-
Loss from operating activities, net of income tax	585	(7,374)
Gain/(loss) on sale of discontinued operation	(242)	-
Income tax on sale of discontinued operation	73	-
Effect on profit/(loss) for the period	(169)	-
Cash flows from discontinued operation		
Net cash used in operating activities	15,226	8,011
Net cash from investing activities	14,423	2,389
Net cash from financing activities	(27,684)	(9,087)
Effect on cash flows	1,965	1,313

7. Discontinued operations cont'd

Effect on disposal of the financial position of the group	31 December 2010 \$'000
Property, plant and equipment	12,295
Inventories	2,953
Trade and other receivables	55
Trade and other payables	(455)
Net assets and liabilities	14,848
Consideration received, satisfied in cash	14,423
Cash and cash equivalents disposed of	-
Net cash inflow	14,423

The profit from discontinued operation of \$585,000 (2009: loss of \$7,374,000) is attributable entirely to the owners of the Group.

8. Non-current assets held for sale

At 30 June 2010 the USA parts business and the Victorian rental business were presented as disposal groups held for sale. On 1 October 2010 the Victorian rental business and the USA parts assets were sold. During the year an additional \$7.8 million of assets were disposed of, leaving a net carrying amount of \$17.8 million of Victorian rental business assets remaining.

Assets classified as held for sale	31 December 2010 \$'000	30 June 2010 \$'000
Property, plant and equipment	17,797	35,989
Inventories	-	1,905
Trade and other receivables	-	519
	17,797	38,413

Liabilities classified as held for sale	31 December 2010 \$'000	30 June 2010 \$'000
Trade and other payables	-	56
Provisions	-	2,140
	-	2,196

9. Write-down of inventory

During the six months ended 31 December 2010, Emeco's Australian Equipment Sales business recognised a write-down in its sales inventory to net realisable value in the amount of \$0.475 million (2009: \$1.7 million). The write-down for this half year was recognised as a result of a strong Australian dollar and subdued buying activity in the civil earthmoving equipment market.

10. Property, plant and equipment

Acquisition and disposals

During the six months ended 31 December 2010, the Group acquired assets with a cost of \$96.3 million (six months ended 31 December 2009: \$113.9 million). The increase in property, plant and equipment includes non-cash transfers totalling \$1.3 million from sales inventory. Included within the total assets acquired was a package of large mining equipment, consisting of five 240 tonne dump trucks with a total consideration price of \$21.2 million.

Assets with a carrying amount of \$12.3 million (six months ended 31 December 2009: \$2.4 million) were disposed of as part of the discontinued operation (refer note 7). Other assets with a carrying amount of \$3.2 million (six months ended 31 December 2009: \$10.2 million) were disposed of as part of the continuing operations during the six months ended 31 December 2010, resulting in a gain on disposal of \$0.3 million (six months ended 31 December 2009: \$1.6 million), which is included in other income.

During the six months ended 31 December 2010 the Group recognised an impairment of small civil construction equipment in Emeco's Victorian business totalling \$1.3 million. This was due to ongoing oversupply of these asset classes. The Group also recognised a reversal in impairment of \$0.5 million on the Somersby property in line with recent market valuations.

During the six months ended 31 December 2009 the Group recognised an impairment of small civil construction equipment in Emeco's North American businesses totalling \$11.6 million. This was due to ongoing oversupply of these asset classes in the global market.

Capital commitments

During the six months ended 31 December 2010 the Group has entered into commitments with certain suppliers for the purchase of fixed assets, primarily rental fleet assets in the amount of \$62.1 million (six months ended 31 December 2009: \$19.8 million) payable within one year.

11. Key management personnel

There were no significant changes in key management personnel during the six months ended 31 December 2010.



12. Dividends

(i) Dividends declared and/or paid by the Company

The Company declared a fully franked ordinary dividend of 2.0 cents for the interim period subsequent to 31 December 2010 (six months ended 31 December 2009: 0.0 cents).

The Company also declared a fully franked special dividend in February 2011 of 5.0 cents (2009: \$0.0 cents) per ordinary share.

The following dividends were declared and paid by the Group for the six months ended 31 December.

	2010	2009
	\$'000	\$'000
2.0 cents per share (2009: 2.0 cents)	12,839	12,625

(ii) Franking account

Dividend franking account	31 December	31 December
	2010	2009
	\$'000	\$'000
30% franking credits available to shareholders of Emeco Holdings Limited for subsequent financial years	43,377	51,528

The above available amounts are based on the balance of the dividend franking account at 31 December 2010 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 ordinary and special dividends recognised as a liability at 31 December 2010;
- (c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at 31 December 2010; 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 \$18,937,000 (2009: \$Nil). In accordance with the tax consolidation legislation, the Company as the head entity in the tax-consolidated group has also assumed the benefit of \$43,377,000 (2009: \$51,528,000) franking credits.

13. Loans and borrowings

The following loans and borrowings (non-current and current) were issued and repaid during the six months ended 31 December 2010:

<i>In thousands of AUD</i>	Currency	Face value (i)	Carrying amount	Calendar year of maturity
Balance at 1 July 2010			304,095	
<u>New issues</u>				
Senior debt draw down	AUD	163,000	163,000	2013
Senior debt draw down	USA	37,000	38,165	2013
Senior debt draw down	CAD	135,200	135,309	2013
Senior debt draw down	EUR	-	-	-
Finance lease liabilities	AUD	21,228	21,228	2015
<u>Repayments</u>				
Senior debt	AUD	(180,000)	(180,000)	2013
Senior debt	USD	(59,000)	(62,218)	2013
Senior debt	CAD	(124,200)	(123,643)	2013
Senior debt	EUR	(3,825)	(5,453)	2013
Finance lease liabilities	AUD	(952)	(952)	2015
Finance lease liabilities	USD	(2,332)	(2,291)	2011
<u>Effects of foreign currency translation</u>				
Translation on foreign denominated borrowings and repayments			(23,230)	
<u>Borrowing costs</u>				
Capitalised debt establishment costs			(4,054)	
Amortisation of debt establishment costs			573	
Extinguishment of previous facility costs			829	
Balance at 31 December 2010			<u>261,358</u>	

(i) Face value is disclosed in the specific currency.

During the six months ended 31 December 2010 there were \$336,474,000 of new loans and borrowings, \$21,228,000 of new finance leases and an amount of \$371,314,000 was repaid.

On 5 November 2010 the Group established a new syndicated loan facility with a limit of \$450 million (2009: \$595 million). The debt facility comprises a three year \$300 million and a five year \$150 million revolving multi-currency facility of AUD, USD and CAD. The Group reduced its revolving working capital facility to \$25 million (2009: \$30.0 million) and also maintained working capital facilities for Emeco Canada Limited of CAD\$2.0 million (2009: \$2.0 million).

14. Financial instruments

Hedging of fluctuations in interest rates

Pursuant to the Board approved Emeco Interest Rate Hedging Policy, the Group is required to enter into and maintain interest rate hedging agreements so that interest payable on no less than 30% and no greater than 70% of the aggregate expected principal amount outstanding of total Group debt is hedged or bears interest at a fixed rate for an average period no less than two years into the future. Interest rate swaps have been entered into to achieve an appropriate mix of fixed and floating rate exposures. At 31 December 2010 the Group is compliant with the requirements of the debt facility and hedging policy.

The Group classifies its interest rate swaps as cash flow hedges and measures them at fair value. At 31 December 2010, the Group's interest rate swaps had a notional contract amount of AUD\$70.0M, CAD80.0M, USD\$15.0M (30 June 2010: AUD\$70.0M CAD80.0M, USD\$15.0M). The net fair value of swaps at 31 December 2010 was (\$6.0M) (30 June 2010: (\$13.2M)) comprising assets of \$Nil (30 June 2010: \$Nil) and liabilities of \$6.0M (30 June 2010: \$13.2M).

15. Share based payment

Employee share ownership plan

During the six months ended 31 December 2010, an employee share ownership plan ("ESOP") was established to allow certain employees to acquire shares in the Company via salary sacrifice. For every five shares purchased by the employee, recognised as treasury shares, the Company will provide one matching share, recognised as a share based payment. Under the ESOP, the matching share will vest to the employee after one year after the end of calendar year in which the matching shares are acquired. These matching shares are fair valued and are expensed evenly over the period from grant date to vesting date. ESOP employees are entitled to dividends on the matching share when the dividends are declared.

Managing Director/Chief Executive Officer remuneration

On 16 November 2010, shareholders approved the grant of 925,926 and 1,183,929 performance rights for nil consideration for the 2010 and 2011 financial year respectively to the Managing Director. The vesting conditions are in accordance with the terms of the Emeco LTI plan currently in place for the senior management team.



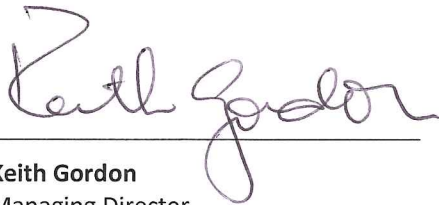
Directors' Declaration

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

1. the financial statements and notes, set out on pages 7 to 21, 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 2010 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 this 21 day of February 2011

Signed in accordance with a resolution of the directors:

A handwritten signature in dark ink, appearing to read 'Keith Gordon', is written over a horizontal line.

Keith Gordon
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 2010, condensed consolidated interim statement of 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 1 to 15 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 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 2010 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*.

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 2010 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

R Gambitta
Partner

Perth
21 February 2011