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Emeco Holdings Limited and its Controlled Entities

ABN 89 112 188 815

Interim Financial Report
For the half year ended 31 December 2015

Contents

Directors' Report
31 December 2015

The directors of Emeco Holdings Limited (the '**Company**') submit its report in respect of the half year financial period ended 31 December 2015 and the review report thereon.

Directors
The following persons were directors of Emeco Holdings Limited during the half year and up to the date of this report:

Director	Date of Appointment
Non-executive	
Alec Brennan (Chair) (Ceased role as Chair on 1 January 2016)	16/08/2005
John Cahill	15/09/2008
Peter Richards (Appointed Chair 1 January 2016)	14/06/2010
Erica Smyth	15/12/2011
Executive	
Ian Testrow (Managing Director & Chief Executive Officer, commenced role on 20 August 2015)	20/08/2015
Gregory Hawkins (Executive Director, Finance, commenced role on 20 August 2015)	20/08/2015
Kenneth Lewsey (Managing Director & Chief Executive Officer, ceased role on 20 August 2015)	4/11/2013

Ms Erica Smyth and Mr Gregory Hawkins stood for re-election as non-executive and executive directors respectively at the Company's annual general meeting held on 19 November 2015. Their re-election was approved.

Financial performance
Emeco Holdings Limited and its Controlled Entities (the '**Group**') achieved a net loss after tax for the half year ended 31 December 2015 of $106,426,000 (2014: loss $53,555,000) with total revenue of $109,074,000 (2014: $110,704,000).

Dividends
As previously announced by the Company no dividends have been declared or paid during 1H16 (1H15: Nil cents ordinary dividend per share).

Directors' report (continued)
31 December 2015

Review of operations

	Operating results		Statutory results	
A$ millions	1H16	1H15	1H16	1H15
Revenue	**109.1**	**110.7**	**109.1**	**110.7**
EBITDA (4)	**23.2**	**16.2**	**(79.6)**	**14.3**
EBIT (4)	**(12.9)**	**(32.6)**	**(115.7)**	**(34.5)**
NPAT	**(4.2)**	**(49.6)**	**(107.2)**	**(52.1)**
EBITDA margin	**21.3%**	**14.6%**	**(73.0)%**	**12.9%**
EBIT margin	**(11.8)%**	**(29.5)%**	**(106.0)%**	**(31.2)%**

Note:
1. Significant items have been excluded from the statutory result to aid the comparability and usefulness of the financial information. 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 discontinued operations.
3. Operating results are non-IFRS.
4. EBITDA: Earnings before interest, tax, depreciation and amortization; EBIT: Earnings before interest and tax. These measures are non-IFRS.

Operating results to statutory results reconciliation

A$ millions	Australia	Canada	Chile	Total
Operating result				**(4.2)**
Tangible asset impairments	**0.8**	**(100.2)**	**(1.3)**	**(100.7)**
Redundancy	**(2.1)**	**(0.3)**		**(2.4)**
One off corporate development costs	**(0.1)**			**(0.1)**
Accelerated amortisation of borrowing costs	**(1.2)**			**(1.2)**
Tax effect	**0.4**	**0.7**	**0.3**	**1.4**
Total adjustments	**(2.2)**	**(99.8)**	**(1.0)**	**(103.0)**
Statutory result				**(107.2)**

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

Tangible asset impairments: Testing indicated the Canada CGU was impaired which resulted in an impairment of $97.4 million being recognised during 1H16. Additionally, impairments totalling $3.3 million were recognised across the business on assets held for sale and subsequently disposed during the period. A small number of held for sale assets were reclassified to the rental fleet in Australia to source growth in New South Wales and Queensland businesses, resulting in reversal of impairments recognised in prior reporting periods.

Redundancies: A redundancy program was undertaken across the Australian and Canadian businesses during 1H16 as part of restructuring initiatives, resulting in costs totalling $2.4 million before tax.

One-off corporate development expenses: During 1H16 Emeco undertook corporate development which resulted in one off costs totalling $0.1 million before tax.

Accelerated amortisation of borrowing costs: Accelerated amortisation related to the repurchase of US$52.3 million face value 144A notes.

Directors' report (continued)
31 December 2015

Operating results

Operating net profit after tax (**NPAT**) was a loss of $4.2 million for the half year ended 31 December 2015 (1H16), an improvement of $45.4 million versus the prior corresponding period (**PCP**).

Group operating revenue of $109.1 million for 1H16 was relatively flat compared to PCP with poor market conditions in the Canada business unit offset by growth in Australia and Chile. Rental revenue fell 2.7% to $92.5 million (1H15: $95.1 million), and maintenance services revenue fell 5.4% to $13.0 million (1H15: $13.8 million).

Operating EBITDA and operating EBIT margins improved to 21.3% (1H15: 14.6%) and negative 11.8% (1H15: negative 29.5%) respectively, driven by cost-out initiatives.

Cash flows from continuing operating activities of $7.0 million, were up from negative $8.7 million PCP, driven by improved margins, tax refunds on assessment of prior period tax returns and release of cash from discontinued operations. Net capital expenditure outflow of $13.1 million was down from a $3.5 million cash inflow in the PCP primarily due to investment in rental fleet to maintain a higher level of operating utilisation.

Over the period Emeco closed a portion of its hedging instruments releasing $48.2 million which was used to purchase $42.0 million of Emeco's 144A bonds on market with a face value of US$52.3 million. No dividends were declared or paid during the period.

The Group's net debt was $363.0 million at 31 December 2015, down from $396.7 million at 30 June 2015 driven by the on market bond purchase. Net debt comprised total debt of $387.5 million less cash of $24.5 million.

Significant events occurring after half year end

The directors are of the opinion that there were no events subsequent to 31 December 2015 that have had a material impact on the business.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 7 and forms part of the director's report to the half year ended 31 December 2015.

Directors' report (continued)

31 December 2015

Rounding of amounts

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

The consolidated interim financial report was approved by the board of directors on 24 February 2016.

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

Ian Testrow
Managing Director
Perth 24 February 2016

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

24 February 2016

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 2015, 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

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 2015

	Note	31 December 2015 $'000	31 December 2014 $'000
Continuing operations			
Revenue from rental income		93,142	95,109
Revenue from the sale of machines and parts		2,890	1,812
Revenue from maintenance services		13,042	13,783
		109,074	110,704
Changes in machinery and parts inventory		(4,816)	(6,254)
Repairs and maintenance		(37,883)	(47,461)
Employee expenses		(21,890)	(21,918)
Hired in equipment and labour		(11,116)	(9,336)
Gross profit		33,369	25,735
Other income		655	102
Other expenses	5	(12,897)	(11,897)
Impairment of tangible assets	9	(100,665)	379
Depreciation expense		(36,071)	(48,770)
Amortisation expense		(27)	(48)
Finance income	6	80,331	127
Finance costs	6	(35,011)	(28,026)
Net foreign exchange losses	6	(49,003)	(10,094)
Loss before tax expense		(119,319)	(72,492)
Tax benefit		12,161	20,351
Loss from continuing operations		(107,158)	(52,141)
Discontinued operations			
Profit/(Loss) from discontinued operations (net of tax)	7	732	(1,414)
Profit/(Loss) from discontinued operations		732	(1,414)
Loss for the period		(106,426)	(53,555)
Other comprehensive (loss)/income			
Items that are or may be reclassified to profit and loss:			
Foreign currency translation differences for foreign operations		(1,203)	(9,865)
Effective portion of changes in fair value of cash flow hedges (net of tax)		13,567	26,106
Total other comprehensive income/(loss) for the period		12,364	16,241
Total comprehensive income/(loss) for the period		(94,062)	(37,314)

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 29.

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 2015

	2015 $'000	2014 $'000
Loss attributable to:		
Owners of the Company	(106,426)	(53,555)
Loss for the period	(106,426)	(53,555)
Total comprehensive loss attributable to:		
Owners of the Company	(94,062)	(37,314)
Total comprehensive loss for the period	(94,062)	(37,314)

	2015 Cents	2014 Cents
Earnings per share:		
Basic loss per share	(17.75)	(9.52)
Diluted loss per share	(17.75)	(9.52)
Earnings per share from continuing operations:		
Basic loss per share	(17.87)	(9.52)
Diluted loss per share	(17.87)	(9.52)

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 29.

Emeco Holdings Limited and its Controlled Entities

Condensed Consolidated Interim Statement of Financial Position

as at 31 December 2015

	Note	31 December 2015 $'000	30 June 2015 $'000
Current assets			
Cash assets		24,453	27,800
Trade and other receivables		52,698	60,272
Derivatives financial instruments	13	5,865	12,761
Inventories		12,547	20,931
Prepayments		2,907	2,134
Assets held for sale	8	16,706	32,328
Total current assets		115,176	156,226
Non-current assets			
Trade and other receivables		7,026	5,375
Derivatives financial instruments	13	14,662	38,282
Intangible assets and goodwill		1,996	1,641
Property, plant and equipment	9	389,874	482,351
Deferred tax assets		36,312	24,880
Total non-current assets		449,870	552,529
Total assets		565,046	708,755
Current liabilities			
Trade and other payables		43,965	45,363
Interest bearing liabilities	12	8,624	5,484
Provisions		3,359	3,652
Total current liabilities		55,948	54,499
Non-current liabilities			
Derivatives financial instruments	13	-	1,663
Interest bearing liabilities	12	378,838	418,487
Deferred tax liabilities		-	10,884
Provisions		1,403	1,751
Total non-current liabilities		380,241	432,785
Total liabilities		436,189	487,284
Net assets		128,857	221,471
Equity			
Share capital		593,616	593,616
Reserves		16,402	2,590
Accumulated losses		(481,161)	(374,735)
Total equity attributable to equity holders of the Company		128,857	221,471

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 29.

Emeco Holdings Limited and its Controlled Entities

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 31 December 2015

	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 2014	593,616	14,598	(7,321)	(9,267)	(20,622)	(247,032)	323,972
Total comprehensive income for the period							
Profit or (loss)	-	-	-	-	-	(53,555)	(53,555)
Other comprehensive income							
Foreign currency translation differences	-	-	(28,045)	18,180	-	-	(9,865)
Effective portion of changes in fair value of cash flow hedge, net of tax	-	-	26,106	-	-	-	26,106
Total comprehensive income/(loss) for the period	-	-	(1,939)	18,180	-	(53,555)	(37,314)
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Own shares acquired by employee share plan trust	-	-	-	-	(1,382)	-	(1,382)
Share-based payment transactions	-	209	-	-	-	-	209
Total contributions by and distributions to owners	-	209	-	-	(1,382)	-	(1,173)
Balance at 31 December 2014	593,616	14,807	(9,260)	8,913	(22,004)	(300,587)	285,485

	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 2015	593,616	15,247	(8,219)	16,196	(20,634)	(374,735)	221,471
Total comprehensive income for the period							
Profit or (loss)	-	-	-	-	-	(106,426)	(106,426)
Other comprehensive income							
Foreign currency translation differences	-	-	(4,413)	3,210	-	-	(1,203)
Effective portion of changes in fair value of cash flow hedge, net of tax	-	-	13,567	-	-	-	13,567
Total comprehensive income/(loss) for the period	-	-	9,154	3,210	-	(106,426)	(94,062)
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Own shares acquired by employee share plan trust	-	-	-	-	-	-	-
Share-based payment transactions	-	1,448	-	-	-	-	1,448
Total contributions by and distributions to owners	-	1,448	-	-	-	-	1,448
Balance at 31 December 2015	593,616	16,695	935	19,406	(20,634)	(481,161)	128,857

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 29.

Emeco Holdings Limited and its Controlled Entities

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 31 December 2015

	31 December 2015 $'000	31 December 2014 $'000
Cash flows from operating activities		
Cash receipts from customers	115,623	106,896
Cash paid to suppliers and employees	(90,420)	(93,154)
Cash generated from operations	25,203	13,742
Finance income received	379	98
Finance expense paid [(1)]	(24,722)	(21,540)
Taxes received/(paid)	3,965	-
Cash receipts from derivatives sold [(1)]	48,167	-
Net cash inflow (outflow) from operating activities of discontinued operations	2,174	(1,016)
Net cash from/(used in) operating activities	55,166	(8,716)
Cash flows from investing activities		
Proceeds on disposal of non-current assets	8,751	8,705
Payment for property, plant and equipment	(21,820)	(11,598)
Net cash inflow from investing activities of discontinued operations	-	6,387
Net cash from/(used in) investing activities	(13,069)	3,494
Cash flows from financing activities		
Net proceeds from asset backed loan	-	-
Repurchase of issued debt [(1)]	(41,971)	-
Purchase of own shares	-	(1)
Payment for debt establishment costs	-	(1,590)
Payment of finance lease liabilities	(3,958)	(2,182)
Net cash outflow from financing activities of discontinued operations	-	-
Net cash used in financing activities	(45,929)	(3,773)
Net decrease in cash	(3,832)	(8,995)
Cash at beginning of the period	27,800	41,830
Effects of exchange rate fluctuations on cash held	485	1,293
Cash at the end of the financial period	24,453	34,128

[(1)] Refer to note 6 for further information. Finance expense paid includes a $1,878,000 pro-rata coupon payment in relation to 144A notes repurchased during the period.

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 29.

1. Reporting entity

Emeco Holdings Limited (the '**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 2015 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 2015 are available on the Company's web site at www.emecogroup.com.

2. Basis of preparation

(a) Statement of compliance

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

They do not include all of the information required for full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2015.

This condensed consolidated interim financial report was approved by the board of directors on 24 February 2016.

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

(b) Estimates

Preparing the condensed consolidated interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key source of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2015.

Impairment of assets

Refer to Note 9 for details of the judgements made in determining the recoverable value of the Company's assets as part of the impairment assessment undertaken at 31 December 2015.

3. Significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2015. The following changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 30 June 2015.

Changes in accounting policies
The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'

Impact of the application of AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'

Completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations.

The adoption of amending Standards does not have any impact on the disclosures or the amounts recognised in the Group's condensed consolidated financial statements.

4. Segment reporting

The Group has four reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different operational strategies for each geographic region. For each of the strategic business units, the managing director and board of directors review internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

Australia	Provides a wide range of earthmoving equipment and maintenance services to customers in Australia.
Canada	Provides a wide range of earthmoving equipment and maintenance services to customers who are predominately in Canada.
Chile	Provides a wide range of earthmoving equipment and maintenance services to customers in Chile.
Indonesia (Discontinued)	Provided a wide range of earthmoving equipment and maintenance services to customers in Indonesia. This segment was discontinued in May 2014.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before interest and income tax as included in the internal management reports that are reviewed by the Group's managing director and board of directors. Segment profit before interest and income tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

Information about reportable segments 2015

	Australia $'000	Canada $'000	Chile $'000	Indonesia (discont'd) $'000	Total $'000
Six months ended 31 December 2015					
External revenues	63,971	22,806	22,297	-	109,074
Inter-segment revenue	838	-	-	-	838
Depreciation	(21,834)	(3,845)	(10,392)	-	(36,071)
Reportable segment profit/(loss) before interest and income tax	(6,715)	(105,184)	(2,418)	732	(113,585)

Emeco Holdings Limited and its Controlled Entities

Notes to the Condensed Consolidated Interim Financial Report

For the half year ended 31 December 2015

4. Segment reporting (continued)

Information about reportable segments 2014

	Australia $'000	Canada $'000	Chile $'000	Indonesia (discont'd) $'000	Total $'000
Six months ended 31 December 2014					
External revenues	62,747	36,022	11,935	990	111,694
Inter-segment revenue	2,105	918	-	6,776	9,799
Depreciation	(28,758)	(12,085)	(7,927)	(432)	(49,202)
Impairment of goodwill	-	-	-	-	-
Reportable segment profit/(loss) before interest and income tax	(16,600)	(1,704)	(6,310)	(1,602)	(26,216)

	31 December 2015 $'000	31 December 2014 $'000
Reconciliation of reportable segment profit or loss		
Total profit or loss of reportable segments before interest and tax	(113,585)	(26,216)
	(113,585)	(26,216)
Elimination of inter-segment profit	(19)	(8)
Unallocated amounts:		
Other corporate expenses	(1,300)	(9,722)
Net finance cost	(3,683)	(37,993)
Consolidated (loss)/profit before income tax	(118,587)	(73,939)

4. Segment reporting (continued)

Major customer

For the six months ended 31 December 2015 the Group had three (2014: two) major customers that represented $32,147,000 (2014: $28,520,000) of the Group's total revenues, as indicated below:

Segment	31 December 2015 $'000	31 December 2014 $'000
Australia	10,007	11,650
Canada	12,163	16,870
Chile	9,977	-
Total	32,147	28,520

5. Other expenses

	31 December 2015 $'000	31 December 2014 $'000
Other expenses:		
- bad and doubtful debts/(reversal)	1,611	(560)
- insurance	1,519	1,974
- motor vehicles	1,707	1,660
- rental expense	1,910	2,138
- safety	465	616
- travel and subsistence expense	3,064	1,659
- telecommunications	641	765
- workshop consumables, tooling and labour	524	826
- other expenses	1,456	2,819
	12,897	11,897

Emeco Holdings Limited and its Controlled Entities

Notes to the Condensed Consolidated Interim Financial Report

For the half year ended 31 December 2015

6. Items included in profit before income tax expense

	31 December 2015 $'000	31 December 2014 $'000
Finance costs:		
- interest expense	29,473	21,577
- amortisation of debt establishment costs using effective interest rate	2,185	1,163
- write off facility costs [2]	1,251	1,814
- hedge losses	2,102	3,006
- other facility costs	-	466
Net financial costs	35,011	28,026
Finance income:		
- interest income	(501)	(127)
- hedge gains [1]	(48,167)	-
- Discount on repurchased debt [1]	(31,663)	-
Net financial income	(80,331)	(127)
Foreign exchange (gain)/loss:		
Net realised foreign exchange (gain)/loss	331	(379)
Net unrealised foreign exchange (gain)/loss	48,672	10,473
Net foreign exchange (gain)/loss	49,003	10,094

[1] In December 2015, the Group closed out US$138,500,000 face value of cross currency interest rate swaps which generated a cash inflow of A$48,167,000. These proceeds were used to finance the purchase of US$52,280,000 144A notes for consideration of A$41,971,000 (US$29,799,000) with a resulting gain on repurchase of A$31,663,000.

[2] This balance relates to accelerated debt establishment costs expensed in relation to the repurchase of US$52,280,000 144A notes in December 2015. This balance relates to the write off of debt establishment costs relating to a previous facility in December 2014.

Emeco Holdings Limited and its Controlled Entities

Notes to the Condensed Consolidated Interim Financial Report

For the half year ended 31 December 2015

7. Discontinued operations

In May 2014 the board resolved to exit the Indonesian 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 Indonesian mining industry.

	31 December 2015 $'000	31 December 2014 $'000
Losses of discontinued operations		
Revenue	-	990
Other income	1,101	-
Direct costs	-	(161)
Profit/(loss) on sale of assets	-	(128)
Impairment of tangible assets		
- Inventories	-	(61)
- Property, plant and equipment	(355)	(103)
Other expenses	-	(1,224)
Employee expenses	(10)	(328)
EBITDA	736	(1,015)
Depreciation	-	(432)
EBIT	736	(1,447)
Finance income	-	(1)
Net foreign exchange losses	(4)	(281)
Income tax benefit	-	315
Profit for the period	732	(1,414)

The profit from discontinued operation of $732,000 (six months ended 31 December 2014: loss $1,414,000) is attributable entirely to the owners of the Company and relates to the derecognition of a provision for a doubtful receivable.

	31 December 2015 $'000	31 December 2014 $'000
Cash flows from/(used in) discontinued operation		
Net cash from/(used in) operating activities	2,174	(1,016)
Net cash from investing activities	-	6,387
Net cash from/(used in) financing activities	-	-
Net cash from discontinued operation	2,174	5,371

8. Disposal groups and non-current assets held for sale

At 31 December 2015, the non-current assets held for sale comprised assets of $16,706,000 (30 June 2014: $32,328,000). These relate to plant and equipment from Australia, Canada and Chile. These assets were impaired by $5,109,000 (30 June 2015: $5,923,000) and measured at the lower of fair value less costs to sell and carrying amount at 31 December 2015. The Group continues to actively market these assets and they are expected to be disposed of within 12 months.

	31 December 2015 $'000	30 June 2015 $'000
Assets classified as held for sale		
Property, plant and equipment - continuing operations	16,706	31,783
Property, plant and equipment - discontinued operations	-	545
	16,706	32,328

9. Property, plant and equipment

	31 December 2015 $'000	30 June 2015 $'000
Freehold land and buildings - at cost	5,834	10,029
Less: Accumulated depreciation	(3,594)	(3,416)
	2,240	6,613
Leasehold improvements - at cost	4,968	4,966
Less: Accumulated depreciation	(3,777)	(3,604)
	1,191	1,362
Plant and equipment - at cost	741,459	928,761
Less: Accumulated depreciation	(376,282)	(470,181)
	365,177	458,580
Leased plant and equipment - at capitalised cost	29,330	21,228
Less: Accumulated depreciation	(12,786)	(11,476)
	16,544	9,752
Furniture, fixtures and fittings - at cost	882	883
Less: Accumulated depreciation	(792)	(728)
	90	155
Office equipment - at cost	2,812	2,546
Less: Accumulated depreciation	(2,253)	(2,138)
	559	408
Motor vehicles - at cost	8,735	8,451
Less: Accumulated depreciation	(6,751)	(6,430)
	1,984	2,021
Sundry plant - at cost	10,581	11,458
Less: Accumulated depreciation	(8,492)	(7,998)
	2,089	3,460
Total property, plant and equipment - net book value	389,874	482,351

9. Property, plant and equipment (continued)

Acquisition and disposals

During the six months ended 31 December 2015, the Group acquired assets with a cost of $21,820,000 (six months ended 31 December 2014: $11,598,000). Included in this amount is the acquisition of parts inventory to the value of $803,000 (six months ended 31 December 2014: $368,000). The six months to 31 December 2015 also included the acquisition of tyre inventory of $2,559,000. Tyre inventory was reclassified from property, plant and equipment to inventory at 30 June 2015 and has been excluded from the figure above for the six months ended 31 December 2015.

Assets with a carrying amount of $8,616,000 (six months ended 31 December 2014: $14,201,000), which comprised of rental assets transferred to non-current assets held for sale, were disposed of during the six months ended 31 December 2015, resulting in a gain on disposal of $135,000 for continuing and discontinued operations (six months ended 31 December 2014: $65,000 loss). This is included in other income in the condensed consolidated interim statement of profit or loss and other comprehensive income.

During the six months ended 31 December 2015, assets with a carrying amount of $5,692,000 returned to operations, resulting in a transfer from non-current assets held for sale to property, plant and equipment. Impairment expense of $1,734,000 previously recorded at 30 June 2015 was reversed.

Impairment

During the six months ended 31 December 2015, the Group recognised a total impairment of $100,665,000. This comprised of a net impairment of $3,277,000 for specific assets that were impaired under the fair value less costs of disposal methodology for non-current assets held for sale (NCAHFS) and reversals of a small amount of assets that were transferred from NCAHFS back into the rental fleet. The remainder of the total impairment related to the $97,388,000 impairment of the Canadian CGU.

The Group has determined the recoverable amount of its cash generating units (**CGU**) using a value in use methodology (June 2015: value in use) which is based on discounted cash flows for five years plus a terminal value (where appropriate). Impairment testing is intended to assess the recoverable amount of both tangible and intangible assets. For the six months ended 31 December 2015, the Group's net tangible asset per share was higher than its share price indicating an impairment trigger, as such impairment testing has been performed**.** Determining recoverable amount requires the exercise of significant judgements for both internal and external factors. Judgements for external factors, including but not limited to foreign exchange, equipment hire rates and utilisation, have been made with reference to historical data and observable market data using a combination of consensus views and management views. The recoverable amount estimate is particularly sensitive to hire rates and utilisation rates. Judgements for internal factors, including but not limited to applicable discount rate and operating costs, have been made with reference to historical data and forward looking business plans. The forecasted cash flows used to determine the recoverable amount, including the terminal value, extends beyond the current maturity of the Company's financing facilities. Changes in the long term view of internal and external judgements may impact the estimated recoverable value.

Nominal post tax discount rates have been derived as a weighted cost of equity and debt. Cost of equity is calculated using country specific ten year bond rates plus an appropriate market risk premium. The cost of debt is determined using the appropriate CGU three year swap rate plus a margin for three year tenor debt of equivalently credit rated businesses at 31 December 2015. The three year swap rates were used as the base rate to reflect the relative illiquidity for longer tenure debt in the current market. The nominal post tax discount rates for determining the rental CGUs valuations range between 8.9% and 9.6% (30 June 2015: 6.5% and 8.8%). For future cashflows of each CGU, revenue growth to the remainder of FY16 for each business reflects the best estimate for the coming year taking account of macroeconomic, business model, strategic and market factors. Growth rates for subsequent years are based on Emeco's five year outlook taking into account all available information at this current time and are subject to change over time. Compound annual growth rates (CAGR) over the five years of the forecast range between negative 21% (representing the anticipated restructuring of the Canada CGU) and 13.5% (30 June 2015: 4.1% and 11.2%).

9. Property, plant and equipment (continued)

At 31 December 2015, impairment testing indicated the Australian and Chilean CGU's were not impaired. Testing indicated that the Canada CGU was impaired predominately due to continuing falls in oil price reducing the level of activity in the Canadian oil sands industry. As the goodwill in the business has previously been impaired to $Nil, the WDV of the plant and equipment in the Canadian business was impaired based on a value in use methodology. An impairment charge of $97,388,000 was recognised in the condensed consolidated interim statement of profit or loss and other comprehensive income during the period as a result of impairment testing. Any further deterioration in the expectations of Canada would result in further impairment.

As part of impairment testing, a sensitivity analysis is performed on key inputs being discount rate and operating utilisation rates. The following table outlines the changes in estimates in the CGU valuation required for the recoverable amount of the Australia and Chile CGUs to equal the carrying amount of the asset.

	Change required for carrying amount to equal the recoverable amount (in percent)	
CGU	**Discount rate %**	**Operating utilisation %**
Australia rental	**2.3**	**(10)**
Chile rental	**2.1**	**(6)**

Note: The above movements relate to changes in the absolute figures rather than a percentage change.

Capital commitments
During the six months ended 31 December 2015, the Group has not entered into any significant commitments that are payable within one year (six months ended 31 December 2014: $Nil).

10. Key management personnel

The Company appointed Mr Ian Testrow as Managing Director and Chief Executive Officer on 20 August 2015.

The Company appointed Mr Gregory Hawkins as Executive Director, Finance on 20 August 2015.

Mr Kenneth Lewsey ceased role as Managing Director and Chief Executive Officer on 20 August 2015.

Ms Kalien Selby ceased role as Executive General Manager Strategy & Corporate Development on 28 August 2015.

Mr Christopher Hayman ceased role as President North America on the 6 November 2015.

With the exception of the above there were no other changes in key management personnel during the six months ended 31 December 2015 as other arrangements with key management have remained consistent since 30 June 2015.

11. Equity

Dividends

No dividends were paid or declared since the end of FY15 (six months ended 31 December 2014: Nil cents per share).

Franking account

	31 December 2015 $'000	30 June 2015 $'000
Dividend franking account		
30% franking credits available to shareholders of Emeco Holdings Limited for subsequent financial years	25,518	29,433

The above available amounts are based on the balance of the dividend franking at 31 December 2015 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 2015;
(c) franking credits that will arise from the receipt of dividends recognised as receivable by the tax consolidated group at 31 December 2015; and
(d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability is to reduce it by $Nil (2014: $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 $25,518,000 (2014: $29,433,000) franking credits.

12. Interest bearing liabilities

	31 December 2015 $'000	30 June 2015 $'000
Current		
Amortised cost		
Insurance financing	1,837	569
Lease liabilities- secured	6,787	4,915
	8,624	5,484
Non-current		
Amortised costs		
OID [(1)]	(3,219)	(4,214)
Notes issue - secured	289,101	217,318
Notes issue - secured [(2)]	97,865	218,880
Lease liabilities - secured	6,085	-
Debt raising costs (asset backed loan)	(1,391)	(1,598)
Debt raising costs [(2)]	(2,429)	(5,971)
Debt raising costs	(7,174)	(5,928)
	378,838	418,487

(1) Originating issue discount – the discount from par value at the time the 144A notes were issued. This is amortised using the effective interest rate method over the life of the notes.

(2) Carried at amortised cost with movements in fair value of the underlying hedge item recorded in the profit and loss statement.

Bank loans

On 31 December 2014, an A$75,000,000 asset backed loan was established. The facility matures in December 2017 and will be available for general corporate purposes. When utilised, the nominal interest rate is equal to the aggregate of the margin of 1.75% per annum and bank bill swap bid rate (**BBSY**). The asset backed loan has no maintenance covenants unless the facility is more than 50% drawn, at which stage it requires Emeco to have an income cover ratio of 1.25 times and gearing of less than 65%. At 31 December 2015 the Group has drawn $Nil of the available facility but had utilised $11,064,000 in bank guarantees.

12. Interest bearing liabilities (continued)

Working capital facility

In December 2014, the Group entered into a facility agreement comprising a credit card facility with a limit of A$750,000 and bank guarantee where the aggregate face value shall not exceed A$866,013. The facility is secured via a cash cover account. The bank guarantee is subject to a fee of 3% per annum on the face value of the bank guarantee. At 31 December 2015 the facilities were utilised at A$866,013.

144A notes issue

In March 2014, the Group issued secured fixed interest notes in the 144A high yield bond market comprising US$335,000,000 which matures on 17 May 2019. The nominal interest rate is 9.875%. Under the terms of the note agreement, the noteholders hold a joint fixed and floating charge with the syndicated bank group over the assets and undertakings of the Group. These notes will remain fully drawn until maturity. Of the notes, US$71,500,000 (June 2015: US$166,900,000) is measured at amortised cost. The remaining notes are also measured at amortised cost and are subject to adjustment for the impact of fair value movements on the hedged risk.

The Group designated derivatives (cross currency interest rate swaps) as hedge instruments against this underlying debt.

In December 2015, a portion of the hedge instruments were sold. The proceeds from this sale were used towards the repurchase of notes with a face value of US$52,280,000. The notes purchased by the Group have not been cancelled and are available for re-issue. The repurchased notes have reduced the total outstanding balance attributed to the notes on issue in the condensed consolidated interim statement of financial position. At 31 December 2015, notes on issue had a face value of A$458,527,000/US$335,000,000 (June 2015: A$436,198,000/US$335,000,000) of which A$71,557,000/US$52,280,000 were held by the Group.

Finance leases

The Group has finance lease facilities totalling A$13,948,000 (30 June 2014: A$4,915,000) which have various maturities up to 15 February 2017. Assets leased under the facility are secured by the assets leased.

Emeco Holdings Limited and its Controlled Entities

Notes to the Condensed Consolidated Interim Financial Report

For the half year ended 31 December 2015

13. Financial instruments

Hedging of fluctuations in interest rates

Interest rate swaps have been entered into to achieve a board approved mix of fixed and floating rate exposures. At 31 December 2015 the Group is compliant with the requirements of the asset backed loan, working capital facility and 144A notes issued. To maintain this policy fixed to floating interest rate swaps were entered into in March 2014 to hedge the fixed rate exposure from the issue of the 144A notes. In December 2015, US$138,500,000 face value of swaps were closed out to facilitate the buyback of 144A notes.

The Group classifies its interest rate swaps as cash flow or fair value hedges and measures them at fair value. At 31 December 2015, the Group's interest rate swaps had a notional contract amount of US$71,500,000 (30 June 2015: US$110,000,000 and US$100,000,000). The net fair value of derivatives at 31 December 2015 is as follows:

	31 December 2015 $'000	30 June 2015 $'000
Fixed interest rate swaps		
Australian dollars 144A	3,504	3,947
Canadian dollars 144A	-	2,559
	3,504	6,506
Variable interest rate swaps		
Australian dollars 144A	17,023	20,482
Canadian dollars 144A	-	12,395
	17,023	32,877

14. Financial instruments (continued)

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the condensed consolidated interim statement of financial position, are as follows:

	31 December 2015		30 June 2015	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Assets carried at fair value				
Interest rate swaps used for hedging	20,527	20,527	51,043	51,043
	20,527	20,527	51,043	51,043
Assets carried at amortised cost				
Receivables	52,875	52,875	60,272	60,272
Cash and cash equivalents	24,453	24,453	27,800	27,800
	77,328	77,328	88,072	88,072
Liabilities carried at fair value				
Interest rate swaps used for hedging	-	-	(1,663)	(1,663)
	-	-	(1,663)	(1,663)
Liabilities carried at amortised cost				
Secured bank loans	1,391	-	1,598	-
Secured notes issue	(278,708)	(161,899)	(211,390)	(156,469)
Secured notes issue[(1)]	(95,436)	(54,804)	(208,695)	(157,594)
Insurance financing	(1,837)	(1,837)	(569)	(569)
Finance lease liabilities	(12,872)	(13,948)	(4,915)	(4,972)
Trade and other payables	(43,965)	(43,965)	(45,363)	(45,363)
	(431,427)	(276,453)	(469,334)	(364,967)

(1) Carried at amortised cost with movements in fair value of the underlying hedge item recorded in the profit and loss statement.

Fair value hierarchy

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

15. Contingent liabilities

The Group has guaranteed the repayments of $12,272,000 (30 June 2015: $10,491,000) in relation to performance guarantees and office premises.

16. Subsequent events

The directors are of the opinion that there were no events subsequent to 31 December 2015 that had a material impact on the business.

Directors' Declaration

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

1. the financial report and notes, set out on pages 8 to 29, 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 2015 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 24 day of February 2016

Signed in accordance with a resolution of the directors:

Ian Testrow
Managing Director

Deloitte.

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

We have reviewed the accompanying half-year financial report of Emeco Holdings Limited, which comprises the condensed statement of financial position as at 31 December 2015, the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year as set out on pages 8 to 30.

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 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 2015 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.

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 2015 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, 24 February 2016