

**Emeco Holdings Limited and its Controlled Entities**

**ABN 89 112 188 815**

**Interim Financial Report  
For the half year ended 31 December 2020**

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## **Directors' Report**

### **31 December 2020**

The directors of Emeco Holdings Limited (**Company**) submit this report in respect of the half year financial period ended 31 December 2020 and the review report thereon.

#### **Directors**

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

##### **Director**

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##### **Non-executive**

Peter Richards (Chair)

Peter Frank

Keith Skinner

Peter Kane (commenced role on 7 December 2020)

Darren Yeates (ceased role on 11 November 2020)

##### **Executive**

Ian Testrow (Managing Director & Chief Executive Officer)

Mr Keith Skinner stood for re-election as a non-executive director at the Company's annual general meeting held on 12 November 2020. Mr Skinner's re-election was approved. Mr Darren Yates resigned as a non-executive director with effect from close of business on 11 November 2020.

#### **Financial performance**

Emeco Holdings Limited and its Controlled Entities (**Group**) achieved a net profit after tax for the half year ended 31 December 2020 of \$3,333,000 (2019: \$26,916,000) with total revenue of \$298,644,000 (2019: \$246,458,000).

#### **Dividends**

No dividends have been declared or paid during 1H21 (1H20: Nil cents ordinary dividend per share).

**Directors' report (continued)**  
31 December 2020

**Review of operations**

A\$ millions	Operating results <sup>(1), (2)</sup>		Statutory results	
	1H21	1H20 <sup>(4)</sup>	1H21	1H20
Revenue	298.6	246.5	298.6	246.5
EBITDA <sup>(3)</sup>	117.9	122.2	112.3	113.1
EBIT <sup>(3)</sup>	59.7	67.8	53.6	52.8
NPBT <sup>(3)</sup>	37.7	41.5	5.0	27.0
EBITDA margin	39.5%	49.6%	37.6%	45.9%
EBIT margin	20.0%	27.5%	18.0%	21.4%

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 results are non-IFRS.
3. EBITDA: Earnings before interest, tax, depreciation and amortisation, and impairment of tangible assets; EBIT: Earnings before interest and tax; NPBT: Net profit before tax. These measures are non-IFRS. Refer to the operating to statutory results reconciliation below for further information.
4. 1H20 operating results have been restated to include the impact of AASB 16, which became effective on 1 July 2019.
5. Operating and Statutory results represent continuing operations only and not discontinued operations.

**Operating to statutory results reconciliation**

A\$ millions	Statutory	Tangible asset impairments	Long-term incentive program	Refinancing adviser fees	Finance, hedging & FX costs	Operating
EBITDA	112.3	-	4.1	1.5	-	117.9
EBIT	53.6	0.5	4.1	1.5	-	59.7
NPBT	5.0	0.5	4.1	1.5	26.6	37.7

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

- **Tangible asset impairments:** Net impairments totalling \$0.5 million (December 2019: \$5.9 million) were recognised across the business on assets held for sale and subsequently disposed during the period.
- **Long-term incentive program:** During 1H21, Emeco recognised \$4.1 million of non-cash expenses relating to the employee incentive plan (December 2019: \$7.6 million).
- **Refinancing adviser fees:** One-off costs of A\$1.5 million for professional adviser fees relating to the refinancing transactions (December 2019: nil).
- **Finance, hedging and FX costs:** One-off costs of A\$26.6 million (December 2019: nil) relating to the repayment of US\$142.1 million March 2022 Notes (**2022 Notes**), hedging and the refinancing of US\$180.0 million to a maturity date of March 2024 (**2024 Notes**), including:
  - A\$9.0 million call premium related to Notes maturing March 2022 which were repaid during the period;
  - A\$8.2 million loss on modification of debt under AASB 9 for the adjusted contractual cash flows discounted at the original effective interest rate in relation to the US\$180.0 million of 2024 Notes;
  - A\$3.2 million accelerated amortisation of borrowing costs related to the US\$142.1 million 2022 Notes repaid; and
  - Net A\$6.1 million relating to the settlement of hedging contracts and the inception of new hedging arrangements, including expenses of A\$10.1 million, partially offset by A\$4.0 million realised exchange gain on repayment of the US\$142.1 million Notes.

## **Directors' report (continued)**

### **31 December 2020**

#### **Operating results**

Operating net profit before tax (NPBT) for the half year ended 31 December 2020 (1H21) was \$37.7 million, a decrease of \$3.8 million from 1H20.

Group revenue for 1H21 was \$298.6 million, up from \$246.5 million (21.2%) in 1H20.

Rental revenue was \$199.8 million, down 4.8% from \$210.0 million in 1H20 due to lower utilisation compared to the prior period, as a result of weaker market conditions in the Eastern region.

Workshops revenue was \$40.7 million, up 11.5% from \$36.5 million in 1H20 driven by improved external revenue from new contracts with large mining companies.

Operating EBITDA was \$117.9 million, down 3.5% from \$122.2 million in 1H20. This led to the decrease in Operating EBIT, which was \$59.7 million, down from \$67.8 million in 1H20.

Operating EBITDA and Operating EBIT margins were 39.5% and 20.0%, respectively, with decreases compared to 1H20 predominantly due to the acquisition of Pit N Portal, and in part due to the lower rental utilisation and increased maintenance services revenue compared to prior period, which generates lower margins.

The Group did not receive any government assistance or stimulus in relation to Covid-19 during the period.

#### **Operating cash flow**

Operating cash flow before financing costs was \$125.5 million in 1H21. This was driven by a strong operating EBITDA of \$117.9 million and a net working capital inflow of \$7.5 million.

Total capital expenditure for the period was \$67.0 million. This includes \$55.0 million in net sustaining capital expenditure and \$2.0 million in capital inventory components. An additional \$10.0 million in growth capital expenditure was invested for the Pit n Portal contract award of Mincor Resources' underground nickel project.

Net cash financing costs of \$24.6 million in 1H21 increased from \$24.2m in 1H20 due to one-off refinancing costs, offset by a reduction to interest paid due to repayment of US\$142.1 million Notes. Further benefit to interest costs will be realised in 2H21 as a result of the Notes repayment.

## Directors' report (continued)

### 31 December 2020

#### Net debt and gearing summary

\$A Millions	31 Dec 2020	30 June 2020
<b>Interest bearing liabilities (current and non-current)<sup>1</sup></b>		
Secured notes (USD denominated) <sup>4</sup>	246.8	441.7
Revolving credit facility <sup>5</sup>	-	97.0
Lease liabilities and other financing <sup>5</sup>	65.8	62.6
<b>Total debt</b>	<b>312.6</b>	<b>601.3</b>
Less cash	(71.8)	(198.2)
<b>Net debt<sup>1</sup></b>	<b>240.8</b>	<b>403.1</b>
Leverage ratio <sup>2,3</sup>	0.96x	1.58x
Interest cover ratio <sup>6</sup>	5.5	4.9
Leverage ratio (pre transition to AASB 16) <sup>7</sup>	0.85x	1.46x

- Note:
- Figures based on facilities drawn. Debt in the table above is a non-IFRS measure. Excludes debt raising costs included in interest bearing liabilities in note 9.
  - Leverage ratio – Net debt / Operating EBITDA.
  - Leverage ratio at 31 December 2020 is based on LTM Operating EBITDA of \$250.1 million.
  - US\$180.0 million 2024 Notes converted at the effective hedge rate of 0.7293 and excluding discounted liabilities in relation to the premium payable on early repayment or maturity as disclosed in Note 9 in the financial report.
  - Refer to note 9 in the financial report.
  - Interest cover ratio – Operating EBITDA / Net interest expense.
  - Leverage ratio pre AASB 16 is based on LTM Operating EBITDA of \$238.6 million, and includes lease liabilities (as defined pre-AASB 16) in net debt.

Emeco's leverage ratio has improved from 1.58x at 30 June 2020 to 0.96x at 31 December 2020.

Total outstanding debt decreased by \$288.7 million due to repayment of A\$194.9 million (US\$142.1 million) 2022 Notes and the A\$97.0 million revolving credit facility (RCF), following an equity raise of \$146.1 million. As a result, Emeco's cash balance decreased from \$198.2 million at 30 June 2020 to \$71.8 million at 31 December 2020. Refer to note 9 in the accompanying financial statements for additional information on Emeco's financing facilities.

The remaining US\$180.0 million of the notes outstanding (30 June 2020: US\$322.1 million) were refinanced to mature in March 2024, and incur a semi-annual coupon of 9.25%, payable in January and July each year. The notes are fully hedged at an effective rate of 0.7293, and can be repaid at any time prior to, or on, the March 2024 maturity at a premium of 4.625%.

The A\$97.0 million RCF is undrawn at 31 December 2020 (30 June 2020: A\$97.0 million fully drawn) and matures in September 2021 (with an option to extend for two years). In order to ensure the Group was not impacted by potential global liquidity shortages as a result of COVID-19, it was decided to fully draw-down the RCF facility by A\$97.0 million on 2 April 2020 and place the funds on deposit as a safeguard should they be required. At no time were the funds used or required by the Group and the RCF was repaid on 2 October 2020. At 31 December 2020, the Group had utilised A\$1.6 million of it's A\$3.0 million bank guarantee facility (30 June 2020: A\$1.7 million of A\$3.0 million utilised).

No dividends were declared or paid during 1H21.

#### Significant events occurring after half year end

During the financial period under review there were no significant events after the balance date.

**Directors' report (continued)**  
**31 December 2020**

**Lead auditor's independence declaration**

The lead auditor's independence declaration is set out on page 8 and forms part of the director's report to the half year ended 31 December 2020.

**Rounding of amounts**

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

The consolidated interim financial report was approved by the board of directors on 8 February 2021.

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



Ian Testrow  
Managing Director  
Perth 8 February 2021

The Board of Directors  
Emeco Holdings Limited  
Level 3, 71 Walters Drive  
OSBORNE PARK WA 6017

8 February 2021

Dear Board Members

### **Auditor's Independence Declaration to 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 half-year financial report of Emeco Holdings Limited for the half-year ended 31 December 2020, 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 faithfully



DELOITTE TOUCHE TOHMATSU



**David Newman**  
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 2020**

		31 December 2020 \$'000	31 December 2019 \$'000
	<b>Note</b>		
<b>Continuing operations</b>			
Revenue	4	298,644	246,458
Other income		344	1,453
Repairs and maintenance		(63,755)	(42,295)
External maintenance services		(46,679)	(37,248)
Cartage and fuel		(6,913)	(9,245)
Employee expenses		(48,601)	(29,349)
Depreciation and amortisation expense		(58,201)	(54,376)
Impairment of tangible assets	6	(482)	(5,913)
Other expenses		(20,787)	(16,702)
Finance income		211	66
Finance costs		(53,365)	(25,865)
Net foreign exchange gain		4,572	15
Profit before tax expense		4,988	26,999
Tax expense		(1,655)	-
Profit from continuing operations		3,333	26,999
<b>Discontinued operations</b>			
Loss from discontinued operations (net of tax)	5	-	(83)
Loss from discontinued operations		-	(83)
Profit for the period		3,333	26,916
<b>Other comprehensive (loss)/income</b>			
Items that are or may be reclassified to profit and loss:			
Foreign currency translation differences (net of tax)		15,677	(17)
Changes in fair value of cash flow hedges (net of tax)		(18,619)	1,251
Total other comprehensive (loss)/income for the period		(2,942)	1,234
Total comprehensive income for the period		391	28,150

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 14 to 23.

**Emeco Holdings Limited and its Controlled Entities**  
**Condensed Consolidated Interim Statement of Profit or Loss and Other**  
**Comprehensive Income (continued)**  
**For the six months ended 31 December 2020**

	<b>31 December 2020 \$'000</b>	<b>31 December 2019 \$'000</b>
<b>Profit attributable to:</b>		
Owners of the Company	3,333	26,916
Profit for the period	3,333	26,916
<b>Total comprehensive profit attributable to:</b>		
Owners of the Company	391	28,150
Total comprehensive profit for the period	391	28,150
		<b>Restated</b>
	<b>31 December 2020 Cents</b>	<b>31 December 2019 cents</b>
<b>Profit per share:</b>		
Basic profit per share	0.69	8.61
Diluted profit per share	0.68	7.96
<b>Profit per share from continuing operations</b>		
Basic profit per share	0.69	8.64
Diluted profit per share	0.68	7.99

Note that the earnings per share in December 2019 has been restated to take into consideration the effect of the rights issue that occurred in September 2020, in accordance with AASB 133.

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 14 to 23.

**Emeco Holdings Limited and its Controlled Entities**  
**Condensed Consolidated Interim Statement of Financial Position**  
as at 31 December 2020

	Note	31 December 2020 \$'000	30 June 2020 \$'000
<b>Current assets</b>			
Cash and cash equivalents		71,815	198,169
Trade and other receivables		106,747	113,788
Inventories and work in progress		16,073	14,767
Prepayments		6,593	3,279
Assets held for sale	6	1,644	3,192
Total current assets		202,872	333,195
<b>Non-current assets</b>			
Derivative financial instruments	10	-	38,918
Intangible assets		10,788	10,252
Property, plant and equipment		634,966	629,170
Right of use asset		48,449	44,132
Deferred tax assets		33,856	32,555
Investments designated at fair value through profit or loss		-	369
Total non-current assets		728,059	755,396
Total assets		930,931	1,088,591
<b>Current liabilities</b>			
Trade and other payables		90,620	89,236
Derivative financial instruments	10	7,615	10,884
Interest bearing liabilities	9	27,644	122,986
Provisions		10,533	10,629
Total current liabilities		136,412	233,735
<b>Non-current liabilities</b>			
Interest bearing liabilities	9	272,041	497,030
Derivative financial instruments	10	13,021	-
Provisions		655	581
Total non-current liabilities		285,717	497,611
Total liabilities		422,129	731,346
Net assets		508,802	357,245
<b>Equity</b>			
Share capital	12	1,171,485	1,024,442
Reserves		2,362	1,181
Retained losses		(665,045)	(668,378)
Total equity attributable to equity holders of the Company		508,802	357,245

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 14 to 23.

**Emeco Holdings Limited and its Controlled Entities**  
**Condensed Consolidated Interim Statement of Changes in Equity**  
For the six months ended 31 December 2020

	Share capital \$'000	Share based payment reserve \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Treasury shares \$'000	Accumulated losses \$'000	Total equity \$'000
<b>Balance at 1 July 2019</b>	931,199	42,882	(7,444)	14,949	(49,001)	(734,507)	198,078
<b>Total comprehensive income for the period</b>							
Profit for the period	-	-	-	-	-	26,916	26,916
<i>Other comprehensive income</i>							
Foreign currency translation differences	-	-	-	(17)	-	-	(17)
Effective portion of changes in fair value of cash flow hedge, net of tax	-	-	1,251	-	-	-	1,251
Total comprehensive income/(loss) for the period	-	-	1,251	(17)	-	26,916	28,150
<b>Transactions with owners, recorded directly in equity</b>							
<i>Contributions by and distributions to owners</i>							
Shares issued during the period, net of issue costs	-	-	-	-	-	-	-
Shares vested during period	-	(4,935)	-	-	4,935	-	-
Share-based payment transactions	-	7,643	-	-	-	-	7,643
Total contributions by and distributions to owners	-	2,708	-	-	4,935	-	7,643
<b>Balance at 31 December 2019</b>	931,199	45,590	(6,193)	14,932	(44,066)	(707,591)	233,871
<b>Balance at 1 July 2020</b>	1,024,442	27,387	(1,233)	14,616	(39,589)	(668,378)	357,245
<b>Total comprehensive income for the period</b>							
Profit for the period	-	-	-	-	-	3,333	3,333
<i>Other comprehensive income</i>							
Foreign currency translation differences	-	-	15,148	529	-	-	15,677
Effective portion of changes in fair value of cash flow hedge, net of tax	-	-	(18,619)	-	-	-	(18,619)
Total comprehensive income/(loss) for the period	-	-	(3,471)	529	-	3,333	391
<b>Transactions with owners, recorded directly in equity</b>							
<i>Contributions by and distributions to owners</i>							
Shares issued during the period, net of issue costs and deferred tax	147,043	-	-	-	-	-	147,043
Shares vested during the period	-	(102)	-	-	102	-	-
Share-based payment transactions	-	4,123	-	-	-	-	4,123
Total contributions by and distributions to owners	147,043	4,021	-	-	102	-	151,166
<b>Balance at 31 December 2020</b>	1,171,485	31,408	(4,704)	15,145	(39,487)	(665,045)	508,802

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 14 to 23.

**Emeco Holdings Limited and its Controlled Entities**  
**Condensed Consolidated Interim Statement of Cash Flows**  
For the six months ended 31 December 2020

	Note	31 December 2020 \$'000	31 December 2019 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers		305,920	273,462
Cash paid to suppliers and employees		(180,462)	(172,627)
Cash generated from operations		125,458	100,835
Finance income received		211	66
Finance costs paid		(24,783)	(24,237)
Net cash outflow from operating activities of discontinued operations	5	-	(7)
<b>Net cash from operating activities</b>		<b>100,886</b>	<b>76,657</b>
<b>Cash flows from investing activities</b>			
Proceeds on disposal of non-current assets		3,418	7,894
Payment for property, plant and equipment		(61,414)	(59,850)
Payment for intangible assets		(600)	-
Proceeds on sale of investments		328	-
Acquisition and corporate development costs		-	(576)
<b>Net cash used in investing activities</b>		<b>(58,268)</b>	<b>(52,532)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from issue of shares		146,128	-
Proceeds from borrowings		2,465	-
Repayment of borrowings		(291,883)	-
Premium paid on US notes repurchased		(9,013)	-
Payment for debt financing costs		(5,317)	-
Payments for hedge derivatives closed		(3,200)	-
Repayment of lease liabilities		(8,144)	(7,023)
<b>Net cash generated used in financing activities</b>		<b>(168,964)</b>	<b>(7,023)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(126,346)</b>	<b>17,102</b>
Cash and cash equivalents at beginning of the period		198,169	36,189
Effects of exchange rate fluctuations on cash held		(9)	(3)
<b>Cash and cash equivalents at the end of the financial period</b>		<b>71,814</b>	<b>53,288</b>

The condensed consolidated interim statement of cash flows is to be read in conjunction with the notes to the financial report set out on pages 14 to 23.

**Emeco Holdings Limited and its Controlled Entities**  
**Notes to the Condensed Consolidated Interim Financial Report**  
**For the half year ended 31 December 2020**

**1. Reporting entity**

Emeco Holdings Limited (**Company**) is a for profit company domiciled in Australia. The condensed consolidated interim financial report of the Company as at and for the six months ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the '**Group**'). The Group is primarily involved in the provision of safe, reliable and maintained earthmoving equipment solutions and mining services solutions to its customers as well as the maintenance and remanufacturing of major components of heavy earthmoving equipment.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2020 is available on the Company's web site at [www.emecogroup.com](http://www.emecogroup.com).

**2. Basis of preparation**

**(a) Statement of compliance**

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

They do not include all of the information required for the 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 2020.

This condensed consolidated interim financial report was approved by the board of directors on 8 February 2021.

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

**(b) Comparative financial information**

The presentation of certain items in the condensed consolidated interim statement of profit or loss and other comprehensive income has been amended during the period to simplify the presentation and aide understanding. Where applicable, comparative amounts have been reclassified to ensure comparability. The Group has aggregated revenue activities by nature, and has combined certain expenses on the face of the condensed consolidated interim statement of profit or loss and other comprehensive income which are analysed in further detail in the notes to the financial statements.

Earnings per share for the comparative period has been restated to account for the effect of the rights issue that undertaken by Emeco in September 2020, in accordance with AASB 133 Earnings per share. The table below shows the previously disclosed and the restated amounts.

	<b>Previously disclosed cents</b>	<b>Restated cents</b>
<b>Profit per share:</b>		
Basic profit per share	8.79	8.61
Diluted profit per share	8.13	7.96
<b>Profit per share from continuing operations:</b>		
Basic profit per share	8.81	8.64
Diluted profit per share	8.15	7.99

**Emeco Holdings Limited and its Controlled Entities**  
**Notes to the Condensed Consolidated Interim Financial Report**  
**For the half year ended 31 December 2020**

### **3. Significant accounting policies**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2020, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

#### **Recognition of tax losses**

In accordance with the Company's accounting policy for deferred taxes (refer note 3(q) of the Company's 30 June 2020 Financial Statements), a deferred tax asset is recognised for unused tax losses only if it is probable that future taxable profits will be available to utilise these losses. This includes estimates and judgements about future profitability and tax rates. Changes in these estimates and assumptions could impact on the amount and probability of unused tax losses and accordingly the recoverability of deferred tax assets. At 30 June 2020, the Company had recognised its full historical Australian tax losses as a deferred tax asset of \$86,638,000 (net deferred tax asset at 30 June 2020 of \$32,555,000). At 31 December 2020, the Company has applied \$1,655,000 of previously recognised tax losses against the profits for the period. The remaining historical Australian tax losses recognised as a deferred tax asset at 31 December 2020 is \$85,063,000 (net deferred tax asset of \$33,856,000 at 31 December 2020).

### **4. Segment reporting**

The Group has three (December 2019: two) reportable segments, as described below, which are the Group's strategic business units, and which exclude the discontinued Chile reportable segment. The strategic business units offer different products and services, and are managed separately because they require different operational strategies for each product line and 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:

Rental	Provides a wide range of earthmoving equipment solutions to customers in Australia. Additional technology platforms have been developed to enable customers to improve earthmoving efficiencies of their rental machines.
Workshops	Provides maintenance and component rebuild services to customers in Australia.
Pit N Portal	Provides a range of mining services solutions and associated services to customers in Australia. The Pit N Portal business was acquired on 28 February 2020 and is therefore included as a segment for the period ended 31 December 2020 (2019: nil).
Chile (discontinued)	This segment provided services to customers in Chile and was discontinued in June 2017. There is no financial impact for the period ended 31 December 2020.

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

**Emeco Holdings Limited and its Controlled Entities**  
**Notes to the Condensed Consolidated Interim Financial Report**  
For the half year ended 31 December 2020

**4. Segment reporting (continued)**

**Information about reportable segments**

	Australian		Pit n Portal	Total
	Rental \$'000	Workshops \$'000	\$'000	\$'000
<b>Period ended 31 December 2020</b>				
Segment revenue	199,803	80,450	58,152	338,405
Intersegment revenue	-	(39,761)	-	(39,761)
<b>Revenue from external customers</b>	<b>199,803</b>	<b>40,689</b>	<b>58,152</b>	<b>298,644</b>
Other income	240	-	104	344
<b>Segment earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>112,966</b>	<b>4,001</b>	<b>15,127</b>	<b>132,094</b>
Impairment of tangible assets	(470)	(12)	-	(482)
Depreciation and amortisation	(50,166)	(1,451)	(5,819)	(57,436)
<b>Segment earnings before interest and tax (EBIT)</b>	<b>62,330</b>	<b>2,538</b>	<b>9,308</b>	<b>74,176</b>
Corporate overheads				(20,606)
<b>EBIT</b>				<b>53,570</b>
Finance income/(expense) (net)				(53,154)
Net foreign exchange gain				4,572
<b>Net profit before tax</b>				<b>4,988</b>
Tax expense				(1,655)
<b>Net profit after tax</b>				<b>3,333</b>
<b>Total assets for reportable segments</b>	<b>669,919</b>	<b>40,959</b>	<b>110,565</b>	<b>821,443</b>
Unallocated assets				109,489
<b>Total Group assets</b>				<b>930,932</b>
<b>Net capital expenditure</b>	<b>47,149</b>	<b>768</b>	<b>10,079</b>	<b>57,996</b>
<b>Total liabilities for reportable segments</b>	<b>85,841</b>	<b>29,587</b>	<b>20,681</b>	<b>136,109</b>
Unallocated liabilities				286,020
<b>Total Group liabilities</b>				<b>422,129</b>

	Australian		Discontinued	Total
	Rental \$'000	Workshops \$'000	Chile \$'000	\$'000
<b>Period ended 31 December 2019</b>				
Segment revenue	210,912	82,588	1,148	294,648
Intersegment revenue	(916)	(46,127)	-	(47,043)
<b>Revenue from external customers</b>	<b>209,996</b>	<b>36,461</b>	<b>1,148</b>	<b>247,605</b>
Other income	1,393	-	-	1,393
<b>Segment earnings before interest, tax depreciation and amortisation (EBITDA)</b>	<b>131,236</b>	<b>3,770</b>	<b>(83)</b>	<b>134,923</b>
Impairment of tangible assets	(5,913)	-	-	(5,913)
Depreciation and amortisation	(52,566)	(987)	-	(53,553)
<b>Segment earnings before interest and tax (EBIT)</b>	<b>72,757</b>	<b>2,783</b>	<b>(83)</b>	<b>75,457</b>
Corporate overheads				(22,757)
<b>EBIT</b>				<b>52,700</b>
Finance income/(expense) (net)				(25,799)
Foreign exchange movements				15
<b>Net profit before tax</b>				<b>26,915</b>
Tax (expense)/ benefit				-
<b>Total assets for reportable segments</b>	<b>657,582</b>	<b>38,372</b>	<b>-</b>	<b>695,954</b>
Unallocated assets				121,557
<b>Total Group assets</b>				<b>817,511</b>
<b>Net capital expenditure</b>	<b>51,405</b>	<b>551</b>	<b>-</b>	<b>51,956</b>
<b>Total liabilities for reportable segments</b>	<b>48,722</b>	<b>25,202</b>	<b>-</b>	<b>73,924</b>
Unallocated liabilities				509,716
<b>Total Group liabilities</b>				<b>583,640</b>

(1) Note that Corporate overheads includes \$0.8m (2019: \$0.9m) of Depreciation and amortisation.



**Emeco Holdings Limited and its Controlled Entities**  
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**4. Segment reporting (continued)**

**Major customer**

For the six months ended 31 December 2020 the Group had two (2019: three) major customers across the segments that represented \$67,679,000 (2019: \$87,920,000) of the Group's total revenues, as indicated below:

<b>Segment</b>	<b>31 December 2020 \$'000</b>	<b>31 December 2019 \$'000</b>
Australia - Rental	36,096	63,764
Australia - Workshops	31,583	23,008
Chile	-	1,148
Total	67,679	87,920

**5. Discontinued operations**

In June 2017 the board resolved to exit the Chilean business after a strategic review of the operations. The board's decision to close this business was to address the underperformance in returns being generated combined with the unfavourable conditions in the Chilean mining industry.

The operations were discontinued during the 30 June 2020 financial year and therefore there are no ongoing losses attributable to the owners of the Company (six months ended 31 December 2019: \$83,000 loss).

	<b>31 December 2020 \$'000</b>	<b>31 December 2019 \$'000</b>
<b>Losses of discontinued operations</b>		
Loss for the period	-	(83)

	<b>31 December 2020 \$'000</b>	<b>31 December 2019 \$'000</b>
<b>Cash flows used in discontinued operation</b>		
Net cash used in operating activities	-	(7)
Net cash used in discontinued operation	-	(7)

**6. Disposal groups and non-current assets held for sale**

At 31 December 2020, there was \$1,644,000 Australian non-current assets held for sale (30 June 2020: \$3,192,000). The non-current assets disposed of since 30 June 2020 relate to plant and equipment in Australia and were impaired by \$482,000 (31 December 2019: \$5,913,000) prior to sale.

	<b>31 December 2020 \$'000</b>	<b>30 June 2020 \$'000</b>
<b>Assets classified as held for sale</b>		
Property, plant and equipment - continuing operations	1,644	3,192
Net assets classified as held for sale	1,644	3,192

**Emeco Holdings Limited and its Controlled Entities**  
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**7. Key management personnel**

Mr Darren Yates resigned as an independent non-executive director (effective 11 November 2020), and Mr Peter Kane was appointed as an independent non-executive director of the Company (effective 7 December 2020). There were no other changes in key management personnel during the six months ended 31 December 2020 and arrangements with key management have remained consistent since 30 June 2020.

**8. Equity**

**Dividends**

No dividends were paid or declared for the period ended 31 December 2020 (six months ended 31 December 2019: Nil cents per share).

**Franking account**

	<b>31 December 2020 \$'000</b>	<b>30 June 2020 \$'000</b>
<b>Dividend franking account</b>		
30% franking credits available to shareholders of Emeco Holdings Limited for subsequent financial years	85,394	85,394

The above available amounts are based on the balance of the dividend franking at 31 December 2020 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 2020;
- (c) franking credits that will arise from the receipt of dividends recognised as receivable by the tax consolidated group at 31 December 2020;
- (d) franking credits that the entity may be prevented from distributing in subsequent years; and
- (e) franking credits from acquired entities.

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 \$Nil (30 June 2020: \$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 \$85,394,000 (30 June 2020: \$85,394,000) franking credits.

**9. Interest bearing liabilities**

**Secured notes**

As at 30 June 2020, Emeco had US\$322,131,000 notes outstanding, maturing on 31 March 2022. On 15 September 2020, US\$142,124,000 were repaid to noteholders with the proceeds of a capital raising and subsequently cancelled. The early repayment of US\$142,124,000 notes incurred a call premium of 4.625%, resulting in a finance cost of A\$9,013,000 (31 December 2019: nil), which has been recognised as part of the overall cost associated with the refinance which is disclosed below.

## Notes to the Condensed Consolidated Interim Financial Report For the half year ended 31 December 2020

### 9. Interest bearing liabilities (continued)

The residual US\$180,007,000 of outstanding notes were refinanced with two noteholders, extending the maturity date to 31 March 2024. The nominal fixed interest rate remains unchanged with a semi-annual coupon of 9.25% payable in January and July each year. The refinanced notes can be repaid at any time prior to, or on, the March 2024 maturity. A premium of 4.625% is payable on repayment of these 2024 notes. Whilst Emeco's net leverage remains below 1.5x, the cash sweep does not apply and restrictions on shareholder distributions are relaxed. Otherwise the 2024 notes have materially the same terms as the cancelled notes.

Cash costs of A\$13,899,000, including the abovementioned premium of A\$9,013,000 payable to previous noteholders for early redemption, were incurred in relation to this transaction.

A\$20,398,000 in expenses were recognised in finance costs of the Condensed Consolidated Interim Statement of Profit or Loss for the period ending 31 December 2020 relating to the refinancing transaction which consisted of A\$9,013,000 call premium related to Notes maturing March 2022 which were repaid during the period, A\$8,159,000 loss on modification of debt and A\$3,225,000 accelerated amortisation of borrowing costs related to Notes retired.

The noteholders, together with other secured financiers, have access to security over the Group's assets. The notes are measured at amortised cost.

The Group designated derivatives as hedge instruments against this underlying debt. Refer to note 10 for further information.

#### **Bank loans**

The A\$100,000,000 Loan Note Agreement Facility (**LNA**) consists of a revolving credit facility and bank guarantee facility that matures in September 2021. At 31 December 2020 the Group had an undrawn revolving cash advance facility of A\$97,000,000 and had utilised A\$1,627,000 in bank guarantees (30 June 20: A\$1,655,000).

The refinancing of USD notes maturing March 2022 triggered an extension clause in the LNA which allows Emeco to extend the maturity of the LNA facility at its sole discretion for an additional two years to September 2024. The Group is yet to exercise this option.

#### **Working capital facility**

The Group has a credit card facility with a limit of A\$150,000 (30 June 2020: A\$150,000). The facility is secured via term deposit.

#### **Insurance financing**

The Group has financed its annual insurance premium of A\$2,465,000. The agreement has a term of 10 months completing July 2021.

**Emeco Holdings Limited and its Controlled Entities**  
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**9. Interest bearing liabilities (continued)**

	31 December 2020 \$'000	30 June 2020 \$'000
<b>Current</b>		
<i>Amortised cost</i>		
Other financing	1,972	223
Lease liabilities	25,672	25,763
Loan note agreement	-	97,000
	27,644	122,986
<b>Non-current</b>		
<i>Amortised costs</i>		
USD notes – secured <sup>(1)</sup>	238,027	469,373
Debt raising costs	(4,172)	(8,917)
Non-current lease liabilities	38,186	36,573
	272,041	497,030

<sup>(1)</sup> The US notes consist of the principal amount of US\$180,006,000 and premium of 4.625% of the face value, discounted to present value using the effective interest rate. The principal and premium are translated at the 31 December 2020 spot rate of 77.02 cents for reporting purposes. The principal and interest is fully hedged at 0.72928.

The USD notes repurchased during the period resulted in an adjustment under AASB 9 for the modified contractual cash flows discounted at the original effective interest rate. The modified nominal cash flows include the US\$8,325,000 premium payable upon early repayment or maturity of the notes.

During the period, additions to lease liabilities were A\$9,550,000 (31 December 2019: A\$4,379,000) with no leases terminated during the period (31 December 2019: A\$6,488,000). Lease payments net of interest of A\$7,643,000 were made during the period (31 December 2019: A\$2,263,000), and remeasurements of lease liabilities resulted in a decrease of A\$617,000 (31 December 2019: nil).

Other financing relates to insurance premium funding of A\$2,465,000, offset by repayments of A\$501,000 in the period to 31 December 2020.

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**10. Financial instruments**

**Hedging of fluctuations in interest rates and currency**

As part of the refinancing of the 2022 USD notes in September 2020, cross currency interest rate swaps designated as a hedge against the US\$322,131,000 notes were closed out on cancellation of the notes. Movements in the AUD:USD exchange rate since inception resulted in a cash payment of A\$3,200,000 during the period.

Expenses of A\$10,138,000 were recognised in finance costs of the Condensed Consolidated Interim Statement of Profit or Loss for the period ending 31 December 2020 relating to the closeout of hedges, offset by A\$4,017,000 realised exchange gain on repayment of the notes.

As at 31 December 2020, the Group has US\$180,007,000 of notes outstanding and has US\$180,007,000 in cross currency interest rate swaps to fully hedge the principal and coupon to Australian dollars until maturity. The swaps have an effective foreign exchange rate of US72.93c and an effective AUD interest rate of 9.855%. As derivatives have been entered into, hedge accounting has been applied.

Due to the increase of the AUD:USD foreign exchange rate between the inception of the hedge on 16 September 2020, a net hedge payable of \$20,636,000 (June 2020: receivable of \$28,034,000) has been recognised at 31 December 2020.

	<b>31 December 2020 \$'000</b>	<b>30 June 2020 \$'000</b>
Derivative financial instrument - non-current assets	-	38,918
Derivative financial instruments - current liabilities	(7,615)	(10,884)
Derivative financial instruments - non-current liabilities	(13,021)	-
	<b>(20,636)</b>	<b>28,034</b>

**11. Business combination**

**Pit N Portal Mining Services Pty Ltd and Pit N Portal Equipment Hire Pty Ltd**

On 28 February 2020, Emeco Holdings Limited acquired 100% of the shares in Pit N Portal Mining Services Pty Ltd and Pit N Portal Equipment Hire Pty Ltd (**Pit N Portal**) for total consideration of \$70,802,995 settled by an upfront cash payment of \$62,000,000 and Emeco shares issued to the sellers of \$9,178,744, less an additional cash payment of \$375,749 in relation to a working capital adjustment settled in June 2020.

Provisional values were disclosed in June 2020, however the values identified in relation to the acquisition are final as at reporting date 31 December 2020. Details of the acquisition are as follows:

**Emeco Holdings Limited and its Controlled Entities**  
**Notes to the Condensed Consolidated Interim Financial Report**  
**For the half year ended 31 December 2020**

**11. Business combination (continued)**

	Pit N Portal Mining Services Pty Ltd Final 2020 \$'000	Pit N Portal Equipment Hire Pty Ltd Final 2020 \$'000	Pit N Portal Group Final 2020 \$'000
Cash assets	4,108	96	4,204
Trade debtors	13,056	2,665	15,721
Inventories	6,343	-	6,343
Accrued income	4,105	49	4,154
Other receivables	-	697	697
Prepayments	493	-	493
Plant and equipment	1,259	53,128	54,387
Right of use assets	2,425	-	2,425
Deferred tax asset	552	1	553
Other assets	94	30	124
Trade and other payables	(10,401)	(2,830)	(13,231)
Provisions	(2,877)	-	(2,877)
Lease liabilities	(2,503)	-	(2,503)
Net assets acquired	16,654	53,836	70,490
Contract intangible recognised			313
Acquisition date fair value of consideration transferred			70,803
Representing:			
Cash			62,000
Shares issued on acquisition			9,178
Cash consideration paid in respect of working capital adjustment			(376)
Total			70,803
Acquisition costs expensed to profit or loss			1,500
Cash used to acquire the business, net of cash acquired:			
Acquisition date fair value of consideration transferred			70,803
Shares issued on acquisition			(9,179)
Less: cash and cash equivalents			(4,204)
Net Cash paid			57,421

**Impact of acquisitions on the results of the Group**

Pit N Portal has been treated as a reportable segment of the Group with effect from the date of acquisition. The revenue and earnings contributed to the Group in the period to 31 December 2020 are set out in Note 4.

**Emeco Holdings Limited and its Controlled Entities**  
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For the half year ended 31 December 2020

**12. Capital and reserves**

	<b>31 December 2020 \$'000</b>	<b>30 June 2020 \$'000</b>
<b>Share capital</b>		
544,055,134 (2020: 368,551,024) ordinary shares, fully paid	1,247,372	1,100,329
Acquisition reserve	(75,887)	(75,887)
	<b>1,171,485</b>	<b>1,024,442</b>

Movements in ordinary share capital

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue price (\$)</b>	<b>\$'000</b>
<b>Balance</b>	1 July 2020	368,551,024		1,100,329
Issue of shares for rights issue - institutional entitlement <sup>(1)</sup>	2 September 2020	131,114,790	0.85	111,448
Issue of shares for rights issue – retail entitlement <sup>(1)</sup>	22 September 2020	44,389,320	0.85	37,731
Less: share issue costs, net of deferred tax				(2,135)
<b>Balance</b>	<b>31 December 2020</b>	<b>544,055,134</b>		<b>1,247,372</b>
Less: treasury shares		3,788,846		
<b>Issued capital</b>		<b>540,266,288</b>		

<sup>(1)</sup> On 24 August 2020, Emeco announced a fully underwritten pro-rata accelerated non-renounceable entitlement offer. New shares under the institutional offering were issued on 2 September 2020, and the retail offering on 22 September 2020, both with an issue price of \$0.85.

**13. Contingent liabilities and commitments**

The Group has guaranteed the repayments of \$118,000 (30 June 2020: \$406,000) in relation to short-term and low-value leases not classified as lease liabilities in note 9.

**14. Subsequent events**

No significant events have occurred subsequent to the period ended 31 December 2020.

## Directors' Declaration

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

1. the financial report and notes, set out on pages 9 to 23, are in accordance with the *Corporations Act 2001*, including:
  - (a) giving a true and fair view of the financial position of the Group as at 31 December 2020 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 8 day of February 2021

Signed in accordance with a resolution of the directors:



Ian Testrow  
Managing Director



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

### *Conclusion*

We have reviewed the accompanying half-year financial report of Emeco Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2020, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows, and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 9 to 24.

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 the Group 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 2020 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*.

### *Basis for conclusion*

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

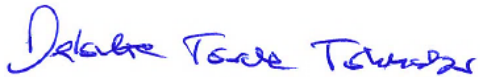
### *Directors' Responsibility for the Half-Year Financial Report*

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 for the Review of the Half-year Financial Report*

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2020 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*.

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 TOUCHE TOHMATSU



**David Newman**  
Partner  
Chartered Accountants  
Perth, 8 February 2021