



**Emeco Holdings Limited and its Controlled Entities**

**ABN 89 112 188 815**

**Interim Financial Report  
For the half year ended 31 December 2021**

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## **Directors' Report**

### **31 December 2021**

The directors of Emeco Holdings Limited (**Company**) submit this report in respect of the half year financial period ended 31 December 2021 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

##### **Executive**

Ian Testrow (Managing Director & Chief Executive Officer)

Mr Peter Richards and Mr Peter Kane stood for re-election as non-executive directors at the Company's annual general meeting held on 18 November 2021. Mr Richards and Mr Kane's re-elections were approved.

#### **Financial performance**

Emeco Holdings Limited and its Controlled Entities (**Group**) achieved a net profit after tax for the half year ended 31 December 2021 of \$30,187,000 (2020: \$3,333,000) with total revenue of \$372,850,000 (2020: \$298,644,000).

#### **Dividends**

During 1H22, a fully franked ordinary dividend of 1.25 cents per share, totalling \$6,786,000 was paid (1H21: Nil cents ordinary dividend per share). A share buy-back was also executed during the period, refer to Note 9 for further information.

A fully franked interim dividend of 1.25 cents per share, totalling \$6,758,000 was declared on 15 February 2022 and will be payable on 6 April 2022. In addition, an on-market share buyback of up to \$4,372,000 of the Company's issued capital will commence in March 2022, as part of the Company's on-market buyback program of up to 10% of issued capital to be executed over 12 months, announced on 3 February 2022.

**Directors' report (continued)**  
31 December 2021

**Review of operations**

A\$ millions	Operating results <sup>(1), (2)</sup>		Statutory results	
	1H22	1H21	1H22	1H21
Revenue	372.8	298.6	372.8	298.6
EBITDA <sup>(3)</sup>	121.7	117.9	120.0	112.3
EBIT <sup>(3)</sup>	59.0	59.7	56.8	53.6
NPAT <sup>(3)</sup>	31.8	26.2	30.2	3.3
EBITDA margin	32.6%	39.5%	32.2%	37.6%
EBIT margin	15.9%	20.0%	15.2%	18.0%

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; NPAT: Net profit after tax. These measures are non-IFRS. Refer to the operating to statutory results reconciliation below for further information.

**Operating to statutory results reconciliation**

A\$ millions	Statutory	Tangible asset impairments	Long-term incentive program	Tax effect of adjustments	Operating
EBITDA	120.0	-	1.7	-	121.7
EBIT	56.8	0.5	1.7	-	59.0
NPAT	30.2	0.5	1.7	(0.7)	31.8

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

- **Tangible asset impairments:** Net impairments totalling \$0.5 million (December 2020: \$0.5 million) were recognised across the business on assets held for sale and subsequently disposed during the period.
- **Long-term incentive program:** During 1H22, Emeco recognised \$1.7 million of non-cash expenses relating to the employee incentive plan (December 2020: \$4.1 million).
- **Tax effect of adjustments:** notional tax on above adjustments at 30%.

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

### **31 December 2021**

#### **Operating results**

Operating net profit after tax (NPAT) for the half year ended 31 December 2021 (1H22) was \$31.8 million, an increase of \$5.6 million from 1H21 attributable to the lower finance costs realised from the refinancing of the Group's long-term borrowings in July 2021.

Group revenue for 1H22 was \$372.8 million, an increase of 24.9% from \$298.6 million in 1H21.

Rental revenue was \$202.1 million, up 1.2% from \$199.8 million in 1H21 with an increased contribution from maintenance services provided on rental contracts.

Workshops revenue was \$41.1 million, up 1.0% from \$40.7 million in 1H21 driven by improved external revenue from new contracts with large mining companies.

Pit n Portal revenue was \$129.6 million, up 122.9% from \$58.1 million in 1H21.

Operating EBITDA was \$121.7 million, up 3.2% from \$117.9 million in 1H21. Operating EBIT was \$59.1 million, down 1.0% from \$59.7 million in 1H21.

Operating EBITDA and Operating EBIT margins were 32.6% and 15.9%, respectively, with decreases compared to 1H21 predominantly due to the significant increase in revenue from the Pit n Portal segment which is at lower margins than the Rental segment.

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 \$112.9 million in 1H22. This was driven by a strong operating EBITDA of \$121.7 partially offset by a net working capital outflow of \$8.9 million.

Total capital expenditure for the period was \$86.0 million. This includes \$71.5 million in net sustaining capital expenditure and \$2.9 million in capital components. An additional \$11.6 million in growth capital expenditure was invested for new contract awards.

Net cash financing costs of \$9.0 million in 1H22 decreased from \$24.8m in 1H21 due to realised benefits from the refinancing of US\$322.1 million Notes to A\$250.0 million. Further benefit to interest costs will be realised in 2H22 as a result of the Notes repayment.

## Directors' report (continued)

### 31 December 2021

#### Net debt and gearing summary

\$A Millions	31 Dec 2021	30 June 2021
<b>Interest bearing liabilities (current and non-current)<sup>1</sup></b>		
Secured notes <sup>4</sup>	250.0	246.8
Lease liabilities and other financing <sup>4</sup>	53.7	48.8
<b>Total debt</b>	<b>303.7</b>	<b>295.6</b>
Cash	(61.5)	(74.7)
<b>Net debt<sup>1</sup></b>	<b>242.2</b>	<b>220.9</b>
Leverage ratio <sup>2,3</sup>	1.00x	0.93x
Interest cover ratio <sup>5</sup>	10.3	7.0

- 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 7.
  - Leverage ratio – Net debt / Operating EBITDA.
  - Leverage ratio at 31 December 2021 is based on LTM Operating EBITDA of \$241.5 million.
  - Refer to note 7 in the interim financial report for information. Secured Notes at 31 December 2021 are AUD denominated (30 June 2021: USD denominated)
  - Interest cover ratio – Operating EBITDA / Net interest expense.

Emeco's leverage ratio has increased from 0.93x at 30 June 2021 to 1.00x at 31 December 2021, due to a \$18.4 million net cash outflow of associated with the refinancing of the Groups long term debt in July 2021 resulting in a lower closing cash balance at 31 December 2021.

Total outstanding debt increased by \$8.1 million due to an increase in lease liabilities and refinancing of US\$180.0 million Notes in July 2021, when Emeco completed repayment of its 9.25% US Notes and settled the related hedges, following successful pricing of A\$250.0 million Notes due 10 July 2026. The repayment was funded from the Notes issued and cash reserves of the Company and the transaction is expected to result in \$7.2 million annual interest savings.

Refer to note 7 in the accompanying interim financial report for additional information on Emeco's financing facilities.

The A\$97.0 million RCF is undrawn at 31 December 2021 (30 June 2021: undrawn) and the Company formally executed its option during the period to extend the facility by two years, to September 2023. All other terms of the RCF remain unchanged. At 31 December 2021, the Group had fully utilised its A\$3.0 million bank guarantee facility (30 June 2021: A\$1.6 million of A\$3.0 million utilised).

During 1H22, a fully franked ordinary dividend of 1.25 cents per share was paid, totalling \$6,786,000 (1H21: Nil cents ordinary dividend per share), and the Company completed an on-market share buyback of 3,386,232 ordinary Shares (1H21: Nil). A fully franked interim dividend of 1.25 cents per share, totalling \$6,758,000 was declared on 15 February 2022 and will be payable on 6 April 2022, and an on-market share buyback of up to \$4,372,000 of the Company's issued capital will commence in March 2022.

#### Significant events occurring after half year end

A fully franked interim dividend of 1.25 cents per share, totalling \$6,758,000 was declared on 15 February 2022 and will be payable on 6 April 2022. In addition, an on-market share buyback of up to \$4,372,000 of the Company's issued capital will commence in March 2022, as part of the Company's on-market buyback program of up to 10% of issued capital to be executed over 12 months, announced on 3 February 2022.

Subsequent to 31 December 2021, Ms Thao Pham has permanently assumed the role of Chief Financial Officer, effective 4 February 2022. There were no other significant events after the balance date.

**Directors' report (continued)**  
**31 December 2021**

**Auditor's independence declaration**

The 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 2021.

**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 15 February 2022.

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



Ian Testrow  
Managing Director  
Perth 15 February 2022

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

15 February 2022

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 2021, 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 2021**

		31 December 2021 \$'000	31 December 2020 \$'000
	Note		
<b>Continuing operations</b>			
Revenue	4	372,850	298,644
Other income		312	344
Repairs and maintenance		(61,480)	(63,755)
External maintenance services		(76,812)	(46,679)
Cartage and fuel		(8,342)	(6,913)
Employee expenses		(77,322)	(48,601)
Depreciation and amortisation expense		(62,604)	(58,201)
Impairment of tangible assets		(547)	(482)
Other expenses		(29,210)	(20,787)
Finance income		15	211
Finance costs		(13,133)	(53,365)
Net foreign exchange (loss)/gain		(479)	4,572
Profit before tax expense		43,248	4,988
Tax expense		(13,061)	(1,655)
Profit for the period		30,187	3,333
<b>Other comprehensive (loss)/income</b>			
Items that are or may be reclassified to profit and loss:			
Foreign currency translation differences (net of tax)		11	15,677
Changes in fair value of cash flow hedges (net of tax)		-	(18,619)
Total other comprehensive income/(loss) for the period		11	(2,942)
Total comprehensive income for the period		30,198	391

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 21

**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 2021

	31 December 2021 \$'000	31 December 2020 \$'000
<b>Profit attributable to:</b>		
Owners of the Company	30,187	3,333
Profit for the period	30,187	3,333
<b>Total comprehensive profit attributable to:</b>		
Owners of the Company	30,198	391
Total comprehensive profit for the period	30,198	391

	31 December 2021 Cents	31 December 2020 cents
<b>Profit per share:</b>		
Basic profit per share	5.60	0.69
Diluted profit per share	5.51	0.68
<b>Profit per share from continuing operations</b>		
Basic profit per share	5.60	0.69
Diluted profit per share	5.51	0.68

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 21.

**Emeco Holdings Limited and its Controlled Entities**  
**Condensed Consolidated Interim Statement of Financial Position**  
as at 31 December 2021

	Note	31 December 2021 \$'000	30 June 2021 \$'000
<b>Current assets</b>			
Cash and cash equivalents		61,452	74,725
Trade and other receivables		130,041	124,695
Inventories and work in progress		19,791	19,202
Prepayments		10,485	7,227
Assets held for sale		526	2,794
Total current assets		222,295	228,643
<b>Non-current assets</b>			
Intangible assets		11,723	10,329
Property, plant and equipment		695,431	669,233
Right of use asset		33,988	32,850
Deferred tax assets		10,957	24,489
Total non-current assets		752,099	736,901
Total assets		974,394	965,544
<b>Current liabilities</b>			
Trade and other payables		109,203	110,017
Derivative financial instruments	8	-	12,389
Interest bearing liabilities	7	15,664	13,399
Provisions		13,325	11,872
Total current liabilities		138,192	147,677
<b>Non-current liabilities</b>			
Interest bearing liabilities	7	282,974	285,811
Provisions		478	655
Total non-current liabilities		283,452	286,466
Total liabilities		421,644	434,143
Net assets		552,750	531,401
<b>Equity</b>			
Share capital	9	1,167,659	1,171,457
Reserves		9,378	7,632
Retained losses		(624,287)	(647,688)
Total equity attributable to equity holders of the Company		552,750	531,401

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 21.

**Emeco Holdings Limited and its Controlled Entities**  
**Condensed Consolidated Interim Statement of Changes in Equity**  
For the six months ended 31 December 2021

	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 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)
<b>Total comprehensive income for the period</b>	-	-	(3,471)	529	-	3,333	391
<b>Transactions with owners, recorded directly in equity</b>							
<i>Contributions by and distributions to owners</i>							
<i>Shares issued during the period, net of issue costs and deferred tax</i>	147,043	-	-	-	-	-	147,043
<i>Shares vested during period</i>	-	(102)	-	-	102	-	-
<i>Share-based payment transactions</i>	-	4,123	-	-	-	-	4,123
<b>Total contributions by and distributions to owners</b>	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
	<b>Share capital \$'000</b>	<b>Share based payment reserve \$'000</b>	<b>Hedging reserve \$'000</b>	<b>Foreign currency translation Reserve \$'000</b>	<b>Treasury shares \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total equity \$'000</b>
<b>Balance at 1 July 2021</b>	1,171,457	30,901	-	15,025	(38,294)	(647,688)	531,401
<b>Total comprehensive income for the period</b>							
Profit for the period	-	-	-	-	-	30,187	30,187
<i>Other comprehensive income</i>							
Foreign currency translation differences	-	-	-	11	-	-	11
Effective portion of changes in fair value of cash flow hedge, net of tax	-	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	-	11	-	30,187	30,198
<b>Transactions with owners, recorded directly in equity</b>							
<i>Contributions by and distributions to owners</i>							
<i>On market share buy-back</i>	(3,798)	-	-	-	-	-	(3,798)
<i>Dividend paid</i>	-	-	-	-	-	(6,786)	(6,786)
<i>Shares vested during the period</i>	-	(3,364)	-	-	3,364	-	-
<i>Share-based payment transactions</i>	-	1,735	-	-	-	-	1,735
<b>Total contributions by and distributions to owners</b>	(3,798)	(1,629)	-	-	3,364	(6,786)	(8,849)
<b>Balance at 31 December 2021</b>	1,167,659	29,272	-	15,036	(34,930)	(624,287)	552,750

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 21.

**Emeco Holdings Limited and its Controlled Entities**  
**Condensed Consolidated Interim Statement of Cash Flows**  
For the six months ended 31 December 2021

	31 December 2021 \$'000	31 December 2020 \$'000
<b>Cash flows from operating activities</b>		
Cash receipts from customers	365,841	305,920
Cash paid to suppliers and employees	(252,975)	(180,462)
Cash generated from operations	112,866	125,458
Finance income received	15	211
Finance costs paid	(8,986)	(24,783)
<b>Net cash from operating activities</b>	<b>103,895</b>	<b>100,886</b>
<b>Cash flows from investing activities</b>		
Proceeds on disposal of non-current assets	2,511	3,418
Payment for property, plant and equipment	(83,272)	(61,414)
Payment for intangible assets	-	(600)
Payments for acquired entities	(2,248)	-
Proceeds on sale of investments	-	328
<b>Net cash used in investing activities</b>	<b>(83,009)</b>	<b>(58,268)</b>
<b>Cash flows from financing activities</b>		
Net proceeds from issue of shares	-	146,128
Dividends paid to company's shareholders	(6,786)	-
Payments for shares bought back	(3,798)	-
Proceeds from borrowings	270,000	2,465
Repayment of borrowings	(266,828)	(291,883)
Premium paid on US notes repurchased	(11,191)	(9,013)
Payment for debt financing costs	(5,100)	(5,317)
Payments for hedge derivatives closed	(5,314)	(3,200)
Repayment of lease liabilities	(4,992)	(8,144)
<b>Net cash used in financing activities</b>	<b>(34,009)</b>	<b>(168,964)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(13,123)</b>	<b>(126,346)</b>
Cash and cash equivalents at beginning of the period	74,725	198,169
Effects of exchange rate fluctuations on cash held	(150)	(9)
<b>Cash and cash equivalents at the end of the financial period</b>	<b>61,452</b>	<b>71,814</b>

The condensed consolidated interim statement of cash flows is to be read in conjunction with the notes to the financial report set out on pages 14 to 21.

**Emeco Holdings Limited and its Controlled Entities**  
**Notes to the Condensed Consolidated Interim Financial Report**  
**For the half year ended 31 December 2021**

**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 2021 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 2021 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 2021.

This condensed consolidated interim financial report was approved by the board of directors on 15 February 2022.

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 aid understanding. Where applicable, comparative amounts have been reclassified to ensure comparability.

**Emeco Holdings Limited and its Controlled Entities**  
**Notes to the Condensed Consolidated Interim Financial Report**  
**For the half year ended 31 December 2021**

### **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 2021. 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 2021 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.

Due to the recent history of operating profits, the company brought to account all previously unrecognised Australian tax losses as a deferred tax asset, totalling \$94,398,000 at 30 June 2021. Operating profits have continued to be generated in the current period, with additional tax losses of \$11,668,000 recognised in the current year, taking the recognised losses to \$106,066,000 at 31 December 2021.

At 30 June 2021, the Company had recognised its full historical Australian tax losses as a net deferred tax asset of \$24,489,000. At 31 December 2021, the Company has applied \$13,532,000 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 2021 is \$10,957,000. The Company expects to fully utilise these losses as the Group is expected to continue to trade profitably.

### **4. Segment reporting**

The Group has three (December 2020: three) reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different operational strategies for each 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.

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 2021

**4. Segment reporting (continued)**

**Information about reportable segments**

	Rental \$'000	Workshops \$'000	Pit n Portal \$'000	Total \$'000
<b>Period ended 31 December 2021</b>				
Segment revenue	210,758	85,459	129,639	425,856
Intersegment revenue	(8,606)	(44,400)	-	(53,006)
<b>Revenue from external customers</b>	<b>202,152</b>	<b>41,059</b>	<b>129,639</b>	<b>372,850</b>
Other income	225	23	64	312
<b>Segment earnings before interest, tax, depreciation and amortisation</b>	<b>116,597</b>	<b>4,363</b>	<b>16,382</b>	<b>137,342</b>
Impairment of tangible assets	(547)	-	-	(547)
Depreciation and amortisation	(51,986)	(1,574)	(8,015)	(61,575)
<b>Segment result (EBIT)</b>	<b>64,064</b>	<b>2,788</b>	<b>8,368</b>	<b>75,220</b>
Corporate overheads				(18,375)
<b>EBIT</b>				<b>56,845</b>
Finance income/(expense) (net)				(13,118)
Net foreign exchange gain/(loss) (net)				(479)
<b>Net profit before tax</b>				<b>43,248</b>
Tax expense				(13,061)
<b>Net profit after tax</b>				<b>30,187</b>
<b>Total assets for reportable segments</b>	<b>677,068</b>	<b>48,337</b>	<b>173,142</b>	<b>898,547</b>
Unallocated assets				75,849
<b>Total Group assets</b>				<b>974,394</b>
<b>Net capital expenditure</b>	<b>64,745</b>	<b>1,394</b>	<b>14,622</b>	<b>80,761</b>
<b>Total liabilities for reportable segments</b>	<b>60,670</b>	<b>34,088</b>	<b>43,349</b>	<b>138,107</b>
Unallocated liabilities				283,537
<b>Total Group liabilities</b>				<b>421,644</b>

(1)

	Rental \$'000	Workshops \$'000	Pit n Portal \$'000	Total \$'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>

(1)

(1) Note that Corporate overheads includes \$1.0m (2020: \$0.8m) 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 2021 the Group had two (2020: two) major customers across the segments that represented \$84,750,000 (2020: \$67,679,000) of the Group's total revenues, as indicated below:

<b>Segment</b>	<b>31 December 2021 \$'000</b>	<b>31 December 2020 \$'000</b>
Australia – Rental <sup>(1)</sup>	7,174	36,096
Australia - Workshops	32,351	31,583
Australia – Pit n Portal	45,225	-
Total	84,750	67,679

- <sup>(1)</sup> The prior period comparative for rental revenue includes a customer which is not considered a major customer for the period ended 31 December 2021. This is a result of increasing revenues in other revenue streams, and no material change in revenue earned from that customer during the period. The major customer in the rental segment for the period ended 31 December 2021 is the same as the major customer reported within the workshops segment.

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

On 29 September 2021, the Company's Chief Financial Officer, Neil Siford, departed the Company following completion of his six-month notice period. Ms Thao Pham, Chief Strategy Officer, assumed the role of interim Chief Financial Officer from 30 September 2021.

Subsequent to 31 December 2021, Ms Thao Pham has permanently assumed the role of Chief Financial Officer, effective 4 February 2022.

There were no other changes in key management personnel during the six months ended 31 December 2021, and arrangements with key management have remained consistent since 30 June 2021.

**6. Equity**

**Dividends**

Emeco announced a final fully franked dividend for the year ended 30 June 2021 of 1.25 cents per fully paid ordinary share totalling \$6,786,000, which was paid on 30 September 2021 (six months ended 31 December 2020: Nil cents per share).

**Franking account**

	<b>31 December 2021 \$'000</b>	<b>30 June 2021 \$'000</b>
<b>Dividend franking account</b>		
30% franking credits available to shareholders of Emeco Holdings Limited for subsequent financial years	82,480	85,394

The above available amounts are based on the balance of the dividend franking at 31 December 2021 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 2021;
- (c) franking credits that will arise from the receipt of dividends recognised as receivable by the tax consolidated group at 31 December 2021;
- (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 \$2,896,000 (30 June 2021: \$2,914,000). In accordance with the tax consolidated legislation, the Company as the head entity in the tax-consolidated group has also assumed the benefit of \$82,480,000 (30 June 2021: \$85,394,000) franking credits.

**Emeco Holdings Limited and its Controlled Entities**  
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**7. Interest bearing liabilities**

**Secured notes**

On 2 July 2021, the Company successfully completed the issuance of A\$250,000,000 notes in the A\$ MTN market (AUD Notes). The notes have a fixed coupon of 6.25%, payable semi-annually, and have a maturity date of 10 July 2026. The funds received from this debt raising were used to repay the outstanding US\$180,007,000 March 2024 notes, call premium and to close out all hedging associated with these notes on 2 July 2021. AUD\$269,450,000 was paid to derivative counterparties on 16 July 2021 with the hedge counterparty payment of US\$197,750,000 made to noteholders on 2 August 2021 to repurchase and cancel the notes and associated premium and final coupon. The 16 July 2021 payment of AUD\$269,450,000 included the principal amount at the hedged rate of \$246,828,000, accrued interest of \$6,084,000, a premium for early repayment of the Note of \$11,223,000 and a mark-to-market payment on hedge close-out of \$5,314,000.

The AUD Notes have fewer restrictions on the Group than the 2024 USD notes, however include restrictions on issuing additional debt if leverage (net debt divided by operating EBITDA) is greater than 1.75x and shareholder distributions if leverage is greater than 2.0x. The notes cannot be called before 10 July 2022 and a call premium of 3.125% is payable if redeemed prior to 10 July 2024 and 1.5625% is payable on the notes if the notes are redeemed prior to 10 July 2025. No call premium is payable after this date. There are no restrictions on capital expenditure in the AUD notes. The effective interest rate of these notes is 6.76%, which is inclusive of the capitalised borrowing costs and annual coupon.

A\$13,133,000 in expenses were recognised in finance costs of the Condensed Consolidated Interim Statement of Profit or Loss for the period ending 31 December 2021, of which A\$11,866,000 related to interest expense incurred on secured Notes and AASB 16 Leases, and A\$1,266,000 related to amortised borrowing costs. In the prior corresponding period, A\$53,365,500 of finance costs were incurred consisting of A\$21,297,000 of interest expense on secured Notes and AASB 16 Leases, A\$9,260,000 relating to hedge losses and A\$22,808,000 of amortised borrowing costs and one-off refinancing costs.

Hedge accounting has been discontinued at 30 June 2021 due to the repurchase of the US Notes and close out of associated derivatives. Refer to note 8 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. During the period, the Company formally executed its option to extend the facility by two years to September 2023. At 31 December 2021 the Group had an undrawn revolving cash advance facility of A\$97,000,000 and had utilised A\$3,000,000 in bank guarantees (30 June 21: A\$1,646,000).

**Working capital facility**

The Group has a credit card facility with a limit of A\$150,000 (30 June 2021: A\$150,000). The facility is secured via term deposit.

**Insurance financing**

The Group has financed its annual insurance premium of A\$3,859,000 (30 June 2021: A\$497,000). The agreement has a term of 10 months completing August 2022.

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

	31 December 2021 \$'000	30 June 2021 \$'000
<b>Current</b>		
<i>Amortised cost</i>		
Other financing	3,859	497
Lease liabilities	11,805	12,902
	15,664	13,399
<b>Non-current</b>		
<i>Amortised costs</i>		
USD notes – secured	-	250,508
AUD notes – secured	250,000	-
Debt raising costs	(5,080)	(94)
Non-current lease liabilities	38,054	35,397
	282,974	285,811

During the period, additions to lease liabilities were A\$8,076,000 (31 December 2020: A\$9,550,000) with no leases terminated during the period (31 December 2020: A\$ Nil). Lease payments net of interest of A\$4,992,000 were made during the period (31 December 2020: A\$7,643,000), and there were no remeasurements of lease liabilities (31 December 2020: remeasurement decrease of A\$617,000).

Other financing relates to insurance premium funding of A\$3,859,000, with no repayments in the period to 31 December 2021 (31 December 2020: Repayments of A\$501,000).

**8. Financial instruments**

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

Subsequent to 30 June 2021, the USD secured notes were repaid and the cross-currency interest rate swaps were closed out and cancelled. This transaction settled on 2 August 2021 via the proceeds of A\$250,000,000 of new AUD notes issued on 2 July 2021. As a result, hedge accounting was discontinued at 30 June 2021.

Refer to note 7 for further detail relating to the repayment of US\$180,007,000 March 2024 notes.

	31 December 2021 \$'000	30 June 2021 \$'000
Derivative financial instruments - current liabilities	-	(12,389)
	-	(12,389)

**Emeco Holdings Limited and its Controlled Entities**  
**Notes to the Condensed Consolidated Interim Financial Report**  
For the half year ended 31 December 2021

**9. Capital and reserves**

	<b>31 December 2021 \$'000</b>	<b>30 June 2021 \$'000</b>
<b>Share capital</b>		
540,668,902 (2021: 544,055,134) ordinary shares, fully paid	1,243,546	1,247,344
Acquisition reserve	(75,887)	(75,887)
	<b>1,167,659</b>	<b>1,171,457</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 2021	544,055,134		1,247,344
On market share buy-back <sup>(1)</sup>	17 September 2021	(3,386,232)	1.12	(3,798)
<b>Balance</b>	<b>31 December 2021</b>	<b>540,668,902</b>		<b>1,243,546</b>
Less: treasury shares		3,158,808		
<b>Issued capital</b>		<b>537,510,094</b>		

<sup>(1)</sup> On 18 August 2021, Emeco announced a capital management package comprising a 1.25 cent fully franked dividend of \$6,786,000 as well as an on-market share buy-back. During the period ending 31 December 2021, 3,386,232 shares were purchased at an average share price of \$1.12 totalling \$3,798,000.

**10. Contingent liabilities and commitments**

The Group has guaranteed the repayments of \$870,000 (30 June 2021: \$1,828,000) in relation to short-term and low-value leases not classified as lease liabilities in note 7.

The Group has provided bank guarantees in the amount of \$3,000,000 (30 June 2021: \$1,646,000) in relation to obligations under operating leases and rental premises.

**11. Subsequent events**

A fully franked interim dividend of 1.25 cents per share, totalling \$6,758,000 was declared on 15 February 2022 and will be payable on 6 April 2022. In addition, an on-market share buyback of up to \$4,372,000 of the Company's issued capital will commence in March 2022, as part of the Company's on-market buyback program of up to 10% of issued capital to be executed over 12 months, announced on 3 February 2022.

Subsequent to 31 December 2021, Ms Thao Pham has permanently assumed the role of Chief Financial Officer, effective 4 February 2022. There were no other significant events after the balance date.

## 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 21, are in accordance with the *Corporations Act 2001*, including:
  - (a) giving a true and fair view of the financial position of the Group as at 31 December 2021 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 15 day of February 2022

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 2021, and 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 22.

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 2021 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 2021 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, 15 February 2022