

## **Emeco Holdings Limited and its Controlled Entities**

**ABN 89 112 188 815**

**Interim Financial Report  
For the half year ended 31 December 2018**

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## **Directors' Report**

### **31 December 2018**

The directors of Emeco Holdings Limited (**Company**) submit this report in respect of the half year financial period ended 31 December 2018 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

Darren Yeates

##### **Executive**

Ian Testrow (Managing Director & Chief Executive Officer)

Mr Peter Richards stood for re-election as a non-executive director at the Company's annual general meeting held on 15 November 2018. Mr Richards' re-election was approved.

### **Financial performance**

Emeco Holdings Limited and its Controlled Entities (**Group**) achieved a net profit after tax for the half year ended 31 December 2018 of \$11,972,000 (2017: loss \$293,000) with total revenue of \$224,258,000 (2017: \$171,171,000).

### **Dividends**

No dividends have been declared or paid during 1H19 (1H18: Nil cents ordinary dividend per share).

## Directors' report (continued)

31 December 2018

### Review of operations

A\$ millions	Operating results <sup>(3)</sup>		Statutory results	
	1H19	1H18	1H19	1H18
Revenue	224.3	171.1	224.3	171.1
EBITDA <sup>(4)</sup>	102.8	67.0	96.0	56.0
EBIT <sup>(4)</sup>	60.0	37.5	52.2	21.0
NPAT	31.7	12.2	11.9	(0.3)
EBITDA margin	45.8%	39.2%	42.8%	32.7%
EBIT margin	26.7%	21.9%	23.2%	12.3%

Note:

1. Significant items have been excluded from the statutory result. This adjusted information (operating results) enables users to better understand the underlying financial performance of the business in the current period.
2. Operating and statutory results exclude profit from discontinued operations, except 1H18 where the operating results include Canada as it was only classified as a discontinued operation in April 2018.
3. Operating results are non-IFRS.
4. EBITDA: Earnings before interest, tax, depreciation and amortisation; EBIT: Earnings before interest and tax. These measures are non-IFRS.

### Operating results to statutory results reconciliation

A\$ millions	Statutory	Tangible asset impairments	Redundancy and restructuring costs	Long-term incentive program	Acquisition & borrowing costs	FX (gain)/loss	Operating
EBITDA	96.0	-	2.6	4.0	0.2		102.8
EBIT	52.2	1.0	2.6	4.0	0.2		60.0
NPAT	11.9	1.0	2.6	4.0	0.8	11.4	31.7

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

- **Tangible asset impairments:** Net impairments totalling \$1.0 million were recognised across the Australian business on assets transferred into non-current assets held for sale during the period.
- **Redundancy and restructuring costs:** A restructuring program was undertaken across the Australian businesses during 1H19, resulting in costs totalling \$2.6 million before tax.
- **Acquisition and borrowing costs:** During 1H19 Emeco incurred costs totalling \$0.2 million in relation to the acquisition of Matilda Equipment Pty Ltd. \$0.6 million was in relation to write off of previously capitalised borrowing costs as a result of refinancing the revolver facility.
- **Long-term incentive program:** During 1H19 Emeco recognised \$4.0 million of non-cash expenses relating to the employee long-term incentive plan predominantly associated with the shares issued in the March 2017 restructure.
- **FX (gain)/loss:** Foreign currency movements associated with the revaluation of US Notes between 30 June 2018 and when the notes were fully hedged.

### Operating results

Operating net profit after tax (NPAT) for the half year ended 31 December 2018 (1H19) was \$31.7 million, an increase of \$19.5 million from 1H18.

Group operating revenue for 1H19 was \$224.3 million, up from \$171.1 million (31.3%) in 1H18.

Rental revenue was \$182.4 million, up 17.7% from \$155.0 million in 1H18 due to a full contribution from the acquisition of Force Equipment (completed on 30 November 2017) and Matilda Equipment (completed on 2 July 2018), improvement in operating utilisation and continued strength in the Eastern Region, particularly coal mining customers.

## Directors' report (continued)

31 December 2018

### Operating results (continued)

Maintenance services revenue was \$41.4 million, up 170.6% from \$15.3 million in 1H18 driven by full contribution of earnings and increased workshop activity in 1H19 compared to the one month contribution from the Force workshop in 1H18 (acquired on 30 November 2017).

Operating EBITDA was \$102.8 million, up 53.4% from \$67.0 million in 1H18. This drove an increase in Operating EBIT, which was \$60.0 million, up from \$37.5 million in 1H18.

Operating EBITDA and Operating EBIT margins were 45.8% and 26.7% respectively with increases due to the high margin earnings from Matilda Equipment, implementation of innovative win / win customer contracts, disciplined cost management and extensive use of the Force workshops to minimise the cost of preparing equipment for projects.

Operating cash flow before financing costs was \$59.4 million in 1H19. This was driven by strong operating EBITDA of \$102.8 million, partially offset by:

- \$20.0 million in asset purchase deposits to secure a large package of strategic in-demand equipment, which is expected to generate strong returns;
- \$7.0 million repayment to a financier as part of the recapitalisation in March 2017 (for which funds were received in June 2018);
- \$5.0 million associated with investment in capital inventory to ensure security of supply for critical parts in a tightening equipment market; and
- \$14.0 million in net working capital movement, mainly due to timing and has been recovered in January.

To sustain the growing fleet, net capital expenditure increased to \$45.9<sup>(1)</sup> million, with gross capital increasing to \$54.4 million due to the increased fleet scale, particularly following the completion of the Matilda and Force acquisitions. This was partially offset by the disposal of the end of life idle and underutilised assets.

Net cash financing costs of \$31.4 million increased from 1H18 due to one off costs associated with the note repayment and \$27.1 million related to interest payments for a full six months of notes interest paid, compared to in 1H18 where only four months' interest on the newly refinanced notes were paid.

On 2 July 2018, Emeco completed the acquisition of Matilda Equipment with the payment of \$94.1 million, \$80 million of which was funded by an equity raise in FY18.

During the year, Emeco also refinanced its revolving credit facility, increasing its size to A\$65.0 million and improving its tenor and terms.

Emeco reduced the outstanding balance of its notes by US\$33.8 million to US\$322.1 million, expected to save annual interest costs of ~A\$4.5 million. These notes are now fully hedged at an average rate AUD:USD rate of 0.729, equivalent to A\$441.8 million.

As at 31 December 2019, Emeco's total debt was \$456.8 million (at the hedged rate for the notes) and the cash balance was \$18.6 million.

Leverage on a run rate basis as at 31 December 2018 decreased to 2.1x<sup>2</sup> from 2.6x<sup>3</sup> as at 30 June 2018.

### Significant events occurring after half year end

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

1. \$5.0 million of capital inventory is classified as working capital for operating cashflow purposes and not capital expenditure, where it is classified for statutory purposes.
2. Leverage calculated using 1H19 Group operating EBITDA annualised.
3. Leverage calculated using FY18 Group operating EBITDA.

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

**31 December 2018**

### **Lead auditor's independence declaration**

The lead auditor's independence declaration is set out on page 7 and forms part of the director's report to the half year ended 31 December 2018.

### **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 19 February 2019.

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



Ian Testrow  
Managing Director  
Perth 19 February 2019

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

19 February 2019

Dear Board Members

**Emeco Holdings Limited**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Emeco Holdings Limited.

As lead audit partner for the review of the financial statements of Emeco Holdings Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu  
**DELOITTE TOUCHE TOHMATSU**



**Leanne Karamfiles**  
Partner  
Chartered Accountants

**Emeco Holdings Limited and its Controlled Entities**  
**Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income**  
**For the six months ended 31 December 2018**

		31 December 2018 \$'000	31 December 2017 \$'000
	Note		
<b>Continuing operations</b>			
Revenue from rental income		182,423	155,023
Revenue from the sale of machines and parts		470	811
Revenue from maintenance services		41,365	15,337
		<u>224,258</u>	<u>171,171</u>
Repairs and maintenance		(49,625)	(46,299)
Employee expenses		(20,558)	(14,919)
External maintenance services		(31,818)	(12,018)
Cartage and fuel		(5,956)	(6,871)
Hired in equipment and labour		(2,171)	(9,666)
Depreciation expense		(42,206)	(29,331)
Gross profit		<u>71,924</u>	<u>52,067</u>
Other income		5,990	1,770
Other expenses		(23,860)	(25,287)
Impairment of tangible assets	6	(1,053)	(5,187)
Amortisation expense		(593)	(509)
Business acquisition expenses	11	(235)	(1,881)
Finance income		163	163
Finance costs		(29,095)	(25,485)
Net foreign exchange gain/(loss)		(11,379)	2,218
Profit/(loss) before tax expense		<u>11,862</u>	<u>(2,131)</u>
Tax benefit/(expense)		-	-
Profit/(loss) from continuing operations		<u>11,862</u>	<u>(2,131)</u>
<b>Discontinued operations</b>			
Profit from discontinued operations (net of tax)	5	110	1,838
Profit from discontinued operations		<u>110</u>	<u>1,838</u>
Profit/(loss) for the period		<u>11,972</u>	<u>(293)</u>
<b>Other comprehensive (loss)/income</b>			
Items that are or may be reclassified to profit and loss:			
Foreign currency translation differences		(7,018)	(1,286)
Effective portion of changes in fair value of cash flow hedges (net of tax)		5,512	384
Total other comprehensive income/(loss) for the period		<u>(1,506)</u>	<u>(902)</u>
Total comprehensive income/(loss) for the period		<u>10,466</u>	<u>(1,195)</u>

The condensed consolidated interim statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 13 to 28.

**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 2018

	31 December 2018 \$'000	31 December 2017 \$'000
<b>Profit attributable to:</b>		
Owners of the Company	11,972	(293)
Profit/(loss) for the period	11,972	(293)
<b>Total comprehensive Profit attributable to:</b>		
Owners of the Company	10,466	(1,195)
Total comprehensive Profit/(loss) for the period	10,466	(1,195)
	<b>2018 cents</b>	<b>2017 cents</b>
<b>Earnings per share:</b>		
Basic profit/(loss) per share	0.47	(0.01)
Diluted profit/(loss) per share	0.47	(0.01)
<b>Earnings per share from continuing operations:</b>		
Basic profit/(loss) per share	0.47	(0.01)
Diluted profit/(loss) per share	0.46	(0.01)

Please note that the earnings per share has been weighted to take into consideration the share consolidation in November 2018.

The condensed consolidated interim statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 13 to 28.

**Emeco Holdings Limited and its Controlled Entities**  
**Condensed Consolidated Interim Statement of Financial Position**  
**as at 31 December 2018**

	Note	31 December 2018 \$'000	30 June 2018 \$'000
<b>Current assets</b>			
Cash and cash equivalents		18,625	171,431
Trade and other receivables		111,967	90,367
Inventories		14,860	4,895
Prepayments		3,143	2,722
Assets held for sale	6	21,769	8,007
Total current assets		170,364	277,422
<b>Non-current assets</b>			
Derivatives financial instruments	10	17,037	5,709
Intangible assets		10,043	1,994
Property, plant and equipment		483,476	407,951
Deferred tax assets		23,788	22,177
Investments		800	799
Total non-current assets		535,144	438,630
Total assets		705,508	716,052
<b>Current liabilities</b>			
Trade and other payables		63,183	80,194
Derivative financial instruments	10	11,319	7,866
Interest bearing liabilities	9	394	3,012
Provisions		6,266	6,769
Total current liabilities		81,162	97,841
<b>Non-current liabilities</b>			
Interest bearing liabilities	9	455,576	464,343
Provisions		1,247	386
Total non-current liabilities		456,823	464,729
Total liabilities		537,985	562,570
Net assets		167,523	153,482
<b>Equity</b>			
Share capital	12	931,199	915,224
Reserves		(7,179)	6,326
Accumulated losses		(756,496)	(768,068)
Total equity attributable to equity holders of the Company		167,523	153,482

The condensed consolidated interim statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 13 to 28.

**Emeco Holdings Limited and its Controlled Entities**  
**Condensed Consolidated Interim Statement of Changes in Equity**  
**For the six months ended 31 December 2018**

	Share capital \$'000	Share based payment reserve \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Reserve for own shares \$'000	Accumulated losses \$'000	Total equity \$'000
<b>Balance at 1 July 2017</b>	749,117	23,145	(2,474)	17,866	(39,074)	(780,587)	(32,007)
<b>Total comprehensive income for the period</b>							
Profit or (loss)	-	-	-	-	-	(293)	(293)
<i>Other comprehensive income</i>							
Foreign currency translation differences	-	-	(1,279)	(7)	-	-	(1,286)
Effective portion of changes in fair value of cash flow hedge, net of tax	-	-	384	-	-	-	384
Total comprehensive income/(loss) for the period	-	-	(895)	(7)	-	(293)	(1,195)
<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	77,145	-	-	-	-	-	77,145
Share-based payment transactions	-	6,238	-	-	-	-	6,238
Total contributions by and distributions to owners	77,145	6,238	-	-	-	-	83,383
<b>Balance at 31 December 2017</b>	826,262	29,383	(3,369)	17,859	(39,074)	(780,880)	50,181

  

	Share capital \$'000	Share based payment reserve \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Reserve for own shares \$'000	Accumulated losses \$'000	Total equity \$'000
<b>Balance at 1 July 2018</b>	915,224	28,207	(4,644)	15,789	(33,026)	(768,068)	153,482
Adjustment to Retained Earnings as a result of applying AASB9 (Refer note 3)	-	-	-	-	-	(400)	(400)
<b>Total comprehensive income for the period</b>							
Profit or (loss)	-	-	-	-	-	11,972	11,972
<i>Other comprehensive income</i>							
Foreign currency translation differences	-	-	(7,181)	163	-	-	(7,018)
Effective portion of changes in fair value of cash flow hedge, net of tax	-	-	5,512	-	-	-	5,512
Total comprehensive income/(loss) for the period	-	-	(1,669)	163	-	11,972	10,466
<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	15,975	-	-	-	(15,975)	-	-
Share-based payment transactions	-	3,975	-	-	-	-	3,975
Total contributions by and distributions to owners	15,975	3,975	-	-	(15,975)	-	3,975
<b>Balance at 31 December 2018</b>	931,199	32,182	(6,313)	15,952	(49,001)	(756,496)	167,523

The condensed consolidated interim statement of changes to equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 13 to 28.

**Emeco Holdings Limited and its Controlled Entities**  
**Condensed Consolidated Interim Statement of Cash Flows**  
For the six months ended 31 December 2018

		31 December 2018 \$'000	31 December 2017 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers		213,588	192,590
Cash paid to suppliers and employees		(154,249)	(105,021)
Cash generated from operations		59,339	87,569
Finance income received		163	163
Finance expense paid		(31,510)	(24,433)
Net cash outflow from operating activities of discontinued operations	5	(77)	(2,389)
<b>Net cash from operating activities</b>		<b>27,915</b>	<b>60,910</b>
<b>Cash flows from investing activities</b>			
Proceeds on disposal of non-current assets		8,478	11,700
Payment for property, plant and equipment		(59,408)	(38,281)
Payment for business acquisition, net of cash acquired	11	(94,327)	(69,940)
Acquisition costs	11	(235)	(1,881)
Net cash inflow from investing activities of discontinued operations	5	-	526
<b>Net cash used in investing activities</b>		<b>(145,492)</b>	<b>(97,876)</b>
<b>Cash flows from financing activities</b>			
Payment of finance lease liabilities		(2,618)	(3,758)
Proceeds from issue of shares (net of issue costs)		-	77,140
Proceeds from borrowings	9	15,000	-
Repayment of borrowings		(47,516)	-
Debt establishment costs		(1,297)	-
Hedging Transactions		676	-
Net cash outflow from financing activities of discontinued operations	5	-	(810)
<b>Net cash used in financing activities</b>		<b>(35,755)</b>	<b>72,572</b>
<b>Net increase/(decrease) in cash</b>		<b>(153,332)</b>	<b>35,606</b>
<b>Cash at beginning of the period</b>		<b>171,431</b>	<b>16,978</b>
<b>Cash acquired from acquired business</b>		<b>549</b>	<b>3,395</b>
<b>Effects of exchange rate fluctuations on cash held</b>		<b>(23)</b>	<b>53</b>
<b>Cash at the end of the financial period</b>		<b>18,625</b>	<b>56,032</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 13 to 28.

**Emeco Holdings Limited and its Controlled Entities**  
**Notes to the Condensed Consolidated Interim Financial Report**  
**For the half year ended 31 December 2018**

**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 2018 comprise the Company and its subsidiaries (together referred to as the '**Group**'). The Group is primarily involved in the renting, maintaining and selling of heavy earthmoving equipment to customers in the mining industries.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2018 are 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 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 2018.

This condensed consolidated interim financial report was approved by the board of directors on 19 February 2019.

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.

**Emeco Holdings Limited and its Controlled Entities**  
**Notes to the Condensed Consolidated Interim Financial Report**  
**For the half year ended 31 December 2018**

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

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standards:

- AASB 9 Financial Instruments; and
- AASB 15 Revenue from Contracts with Customers.

#### **AASB 9 Financial Instruments**

AASB 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*. The adoption of AASB 9 has not had a significant effect on the Group's accounting policies related to recognition and measurement of financial assets and financial liabilities, or in relation to hedge accounting.

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' (ECL) model. This applies to trade receivables measured at amortised cost.

AASB 9 requires expected credit losses to be calculated by:

- (a) identifying scenarios in which a loan or receivable defaults;
- (b) estimating the cash shortfall that would be incurred in each scenario if a default were to happen;
- (c) multiplying that loss by the probability of the default happening; and
- (d) summing the results of all such possible default events. Under this approach, the Group considers forward-looking assumptions and information regarding expected future conditions affecting historical customer default rates.

The Group has adopted the simplified approach which requires the recognition of expected credit losses over the lifetime of the trade receivable. To assist in this process the Group segregates trade receivables into various customer segments where they may have similar loss patterns.

The loss allowance is calculated by taking the following factors into consideration:

#### **1. Grouping of receivables**

The Group has classified its receivables into two main segments of Australian Rental and Workshops in line with the main segments and work undertaken. The debtors in each segment is then further classified as follows:

- Australian Rental – blue chip customers, insured customers, uninsured customers and cash sale customers.
- Workshop – blue chip customers, insured customers, uninsured customers, cash sales and small retail customers.

These categories are defined as:

- Blue chip customers – those that are typically defined as having a market capitalisation of greater than \$750m. The classification of Blue Chip is determined under the credit risk of the Groups Insurance Policy.
- Insured customers – those that are trading within terms with their trade receivable exposure under the insured limit
- Small retail customers are customers that are under \$10,000 in receivables due to the nature of the work performed.
- Cash sales – customers that pay cash and are not on terms
- Uninsured customers – are all other customers that are not recognised in the above category.

**Emeco Holdings Limited and its Controlled Entities**  
**Notes to the Condensed Consolidated Interim Financial Report**  
**For the half year ended 31 December 2018**

**3. Significant accounting policies (continued)**

**2. Historical loss rates and forward looking information**

The Group uses a combination of historical losses recognised for receivables in the above categories and takes a view on the economic conditions that are representative of those expected to exist. Based on the historical loss rates and economic factors that include commodity prices, an additional \$400,000 provision has been recognised.

**3. Impact on application**

The Group has assessed the initial impact of expected credit loss model to result in a \$400,000 increase in the provision for doubtful debts on adoption of AASB 9. The one-off increase under the modified retrospective transition approach results in an adjustment to retained earnings and comparatives are therefore not restated.

The Group's accounting policy is as follows:

***Non-derivative financial assets***

*(i) Classification*

From 1 July 2018, the Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- Those to be measured at amortised cost.

The classification depends on the Group's business model for managing financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

*(ii) Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Measurement of cash and cash equivalents and trade and other receivables remains at amortised cost consistent with the comparative period.

**Emeco Holdings Limited and its Controlled Entities**  
**Notes to the Condensed Consolidated Interim Financial Report**  
**For the half year ended 31 December 2018**

**3. Significant accounting policies (continued)**

***Non-derivative financial assets (continued)***

***(ii) Measurement (continued)***

***Debt instruments***

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- **Fair value through other comprehensive income (FVOCI):** Assets that are held for collecting contractual cash flows and through sale on specified dates. A gain or loss on a debt investment that is subsequently measured at FVOCI is recognised in other comprehensive income. None are currently held by the Group.
- **Fair value through profit or loss (FVPL):** Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit or loss within other gains/(losses) in the period in which it arises. None are currently held by the Group.

***Equity instruments***

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value. Changes in the fair value of financial assets at fair value through profit or loss are recognised in other expenses in the statement of profit or loss as applicable.

***(iii) Impairment***

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, contract debtors and lease receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

***Non-derivative financial liabilities***

***Interest bearing liabilities***

All loans and borrowings are initially recognised at fair value, being the amount received less attributable transaction costs. After initial recognition, interest bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of profit or loss over the period of the borrowings on an effective interest basis.

***Trade and other payables***

Liabilities are recognised for amounts to be paid for goods or services received. Trade payables are settled on terms aligned with the normal commercial terms in operations.

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**3. Significant accounting policies (continued)**

***Non-derivative financial liabilities (continued)***

***Derivative financial instruments***

***Cash flow hedge***

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other expenses.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve in equity. The change in the forward element of the contract that relates to the hedged item is recognised within other comprehensive income in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance cost'.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss. Hedge ineffectiveness is recognised in profit or loss within other expenses.

Accounting policies for remaining hedges and derivatives are consistent with the comparative period.

**Emeco Holdings Limited and its Controlled Entities**  
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**3. Significant accounting policies (continued)**

**AASB 15 Revenue from Contracts with Customers**

In the current year, the Group has applied AASB 15 *Revenue from Contracts with Customers* which is effective from 1 July 2018 using the modified retrospective approach. The application of AASB 15 has not had a significant impact on the financial position or financial performance of the Group.

The Group's accounting policy for its revenue stream is as follows.

Revenue is disclosed based on the type of good or service provided. This is detailed below:

- Rental revenue – is revenue from the rental of machines recognised in profit and loss based on the number of hours the machines operate each month. The rental of each machine is considered to be a separate performance obligation with the transaction price generally set at a rate per hour. Customers are billed monthly. This treatment is the same as under AASB 118.
- Goods sold – Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. This treatment is the same as under AASB 118.
- Maintenance services - Revenue from services rendered is considered one performance obligation and is recognised in profit or loss in proportion to the stage of completion of the transaction based on the costs incurred at the reporting date. This treatment is the same as under AASB 118.

**Recognition of tax losses**

In accordance with the Company's accounting policies for deferred taxes (refer note 3(o) of the Company's FY18 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 losses and cyclical nature of the industry, in 30 June 2018, the Company has only brought to account \$67,932,000 of previously unrecognised Australian tax losses as a deferred tax asset of \$20,380,000 onto the balance sheet at this time. At 31 December 2018, the Company has applied \$11,972,000 of previously unrecognised tax losses (as a deferred tax asset of \$3,558,000) against the profits for the period reducing the effective tax rate to 0% for 1H19. Australian tax losses of \$110,001,000 (gross) remain unrecognised and available to the Group. In addition, a net deferred tax asset of \$715,000 was recognised against the hedge reserve in relation to the hedges in place.

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

The Group has four (December 2017: 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:

Australian Rental	Provides a wide range of earthmoving equipment to customers in Australia.
Australian Workshops	Provides maintenance services to customers in Australia.
Canada (discontinued)	Provides a wide range of maintenance services to customers who are predominately within Canada This segment was discontinued in April 2018.
Chile (discontinued)	Provides earthmoving equipment and maintenance services to customers in Chile This segment was discontinued in June 2017.

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**  
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**4. Segment reporting (continued)**

**Information about reportable segments December 2018**

	Australian		Discontinued		
	Rental	Workshops	Canada	Chile	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Period ended 31 December 2018					
Segment revenue	200,807	43,211	-	2,258	246,276
Intersegment revenue	(1,783)	(17,977)	-	-	(19,760)
<b>Revenue from external customers</b>	<b>199,024</b>	<b>25,234</b>	<b>-</b>	<b>2,258</b>	<b>226,516</b>
Other income	5,925	65	-	-	5,990
<b>Segment earnings before interest, tax, depreciation and</b>	<b>113,151</b>	<b>2,577</b>	<b>-</b>	<b>110</b>	<b>115,838</b>
Impairment of goodwill	-	-	-	-	-
Impairment of tangible assets	(1,053)	-	-	-	(1,053)
Depreciation and amortisation	(41,791)	(290)	-	-	(42,081)
<b>Segment result (EBIT)</b>	<b>70,307</b>	<b>2,287</b>	<b>-</b>	<b>110</b>	<b>72,704</b>
Corporate overheads					(20,420)
<b>EBIT</b>					<b>52,284</b>
Finance income/(expense) (net)					(28,932)
Foreign exchange movements					(11,379)
<b>Net profit before tax</b>					<b>11,973</b>
Tax benefit					-
<b>Total assets for reportable segments</b>	<b>556,053</b>	<b>25,379</b>	<b>-</b>	<b>897</b>	<b>582,329</b>
Unallocated assets					123,179
<b>Total Group assets</b>					<b>705,508</b>
<b>Net capital expenditure</b>	<b>50,479</b>	<b>451</b>	<b>-</b>	<b>-</b>	<b>50,930</b>
<b>Total liabilities for reportable segments</b>	<b>48,541</b>	<b>8,523</b>	<b>-</b>	<b>905</b>	<b>57,969</b>
Unallocated liabilities					480,016
<b>Total Group liabilities</b>					<b>537,985</b>

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

**Information about reportable segments December 2017**

	Australian Rental \$'000	Workshops \$'000	Discontinued Canada \$'000	Chile \$'000	Total \$'000
Period ended 31 December 2017					
Segment revenue	171,395	4,459	1,659	2,095	179,608
Intersegment revenue	(3,305)	(1,378)	-	-	(4,683)
<b>Revenue from external customers</b>	<b>168,090</b>	<b>3,081</b>	<b>1,659</b>	<b>2,095</b>	<b>174,925</b>
Other income	1,030	3	-	-	1,033
<b>Segment earnings before interest, tax, depreciation and amortisation</b>	<b>74,838</b>	<b>328</b>	<b>1,963</b>	<b>35</b>	<b>77,164</b>
Impairment of goodwill	-	-	-	-	-
Impairment of tangible assets	(5,187)	-	-	-	(5,187)
Depreciation and amortisation	(29,107)	(54)	(49)	-	(29,210)
<b>Segment result (EBIT)</b>	<b>40,544</b>	<b>274</b>	<b>1,914</b>	<b>35</b>	<b>42,767</b>
Corporate overheads					(19,853)
<b>EBIT</b>					<b>22,914</b>
Finance income/(expense) (net)					(25,441)
Foreign exchange movements					2,234
<b>Net loss before tax</b>					<b>(293)</b>
Tax benefit					-
<b>Net loss after tax</b>					<b>(293)</b>
<b>Total assets for reportable segments</b>	<b>489,280</b>	<b>26,497</b>	<b>2,814</b>	<b>458</b>	<b>519,049</b>
Unallocated assets					74,614
<b>Total Group assets</b>					<b>593,663</b>
<b>Net capital expenditure</b>	<b>25,691</b>	<b>364</b>	<b>-</b>	<b>526</b>	<b>26,581</b>
<b>Total liabilities for reportable segments</b>	<b>43,144</b>	<b>6,579</b>	<b>4,611</b>	<b>867</b>	<b>55,201</b>
Unallocated liabilities					488,281
<b>Total Group liabilities</b>					<b>543,482</b>

**Major customer**

For the six months ended 31 December 2018 the Group had five (2017: four) major customers across the segments that represented \$57,137,000 (2017: \$28,027,000) of the Group's total revenues, as indicated below:

	31 December 2018 \$'000	31 December 2017 \$'000
<b>Segment</b>		
Australia - Rental	47,410	24,273
Australia - Workshops	7,469	-
Canada	-	1,659
Chile	2,258	2,095
<b>Total</b>	<b>57,137</b>	<b>28,027</b>

**Emeco Holdings Limited and its Controlled Entities**  
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**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.

In April 2018, the Group entered into an agreement to transfer ownership of Emeco Canada Limited to its local partner, HMER to enable the company to exit the Canadian business. The 1H18 comparative information has been restated as if Emeco Canada Limited was discontinued for the entire period.

	<b>31 December 2018 \$'000</b>	<b>31 December 2017 \$'000</b>
<b>Losses of discontinued operations</b>		
Revenue	2,258	2,095
Other income	-	1,659
Direct costs	(2,112)	(2,004)
Reversal of impairment of property, plant and equipment	-	-
Employee expenses	-	-
Finance income	-	5
Finance costs	-	(124)
Other expenses	(36)	240
Depreciation	-	(49)
Net foreign exchange losses	-	16
<b>Profit/(loss) for the period</b>	<b>110</b>	<b>1,838</b>

The profit from discontinued operation of \$110,000 (six months ended 31 December 2017: \$1,838,000) is attributable entirely to the owners of the Company.

	<b>31 December 2018 \$'000</b>	<b>31 December 2017 \$'000</b>
<b>Cash flows from/(used in) discontinued operation</b>		
Net cash used in operating activities	(77)	(2,389)
Net cash from investing activities	-	526
Net cash used in financing activities	-	(810)
<b>Net cash from discontinued operation</b>	<b>(77)</b>	<b>(2,673)</b>

**Emeco Holdings Limited and its Controlled Entities**  
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**6. Disposal groups and non-current assets held for sale**

At 31 December 2018, the non-current assets held for sale comprised assets of \$21,769,000 (30 June 2018: \$8,007,000). These relate to plant and equipment in Australia. These assets were impaired by \$1,053,000 (30 June 2018: \$11,136,000) and measured at the lower of fair value less costs to sell and carrying amount at 31 December 2018. The Group continues to actively market these assets and they are expected to be disposed of within 12 months.

	<b>31 December 2018 \$'000</b>	<b>30 June 2018 \$'000</b>
<b>Assets classified as held for sale</b>		
Property, plant and equipment - continuing operations	21,769	7,936
Property, plant and equipment - discontinuing operations	-	71
	<u>21,769</u>	<u>8,007</u>

**7. Key management personnel**

There were no changes in key management personnel during the six months ended 31 December 2018 and arrangements with key management have remained consistent since 30 June 2018.

**8. Equity**

**Dividends**

No dividends were paid or declared since the end of FY18 (six months ended 31 December 2017: Nil cents per share).

**Emeco Holdings Limited and its Controlled Entities**  
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**8. Equity (continued)**

**Franking account**

	<b>31 December 2018 \$'000</b>	<b>30 June 2018 \$'000</b>
<b>Dividend franking account</b>		
30% franking credits available to shareholders of Emeco Holdings Limited for subsequent financial years	75,136	65,146

The above available amounts are based on the balance of the dividend franking at 31 December 2018 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 2018;
- (c) franking credits that will arise from the receipt of dividends recognised as receivable by the tax consolidated group at 31 December 2018;
- (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 to reduce it by \$Nil (30 June 2018: \$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 \$75,136,000 (30 June 2018: \$65,146,000) franking credits.

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

**Bank loans**

On 7 September 2018, Emeco refinanced its bank loan to an A\$65,000,000 facility, consisting of a revolving credit facility and bank guarantee facility that matures in September 2021, with an option to extend to September 2023. This facility replaces the previous A\$40,000,000 revolving credit facility that was cancelled upon refinancing.

At 31 December 2018 the Group had drawn \$15,000,000 of the revolving cash advance facility and utilised A\$1,716,000 in bank guarantees.

**Secured notes**

As at 31 December 2018, Emeco had US\$322,131,000 notes outstanding, which matures on 30 March 2022 and remain fully drawn until maturity. The nominal fixed interest rate is 9.25%.

The Group had issued secured fixed interest notes on 31 March 2017 to the value of US\$360,818,000. Of these notes on issue, the Group held US\$4,890,000, which was netted off the total notes outstanding. On 24 August 2018, Emeco cancelled the US\$4,890,000 notes that it held leaving US\$355,928,000 notes on issue.

On 22 October 2018, Emeco undertook an excess cash offer to buy back notes on market at a price of 1.0675. The total face value of notes that was bought back and subsequently cancelled was US\$33,797,000 leaving US\$322,131,000 notes outstanding.

Under the terms of the note agreement, the note holders hold a joint fixed and floating charge with the revolving credit facility bank over the assets and undertakings of the Group. The notes are measured at amortised cost. The notes have a limitation on net capital expenditure to the amount of A\$100,000,000 net capital expenditure for the 12 month period commencing 31 March 2017 and for each subsequent 12 month period. Any unused limit can be carried forward for the subsequent 12 month period.

The Group designated derivatives as hedge instruments against this underlying debt.

**Working capital facility**

The Group has a credit card facility with a limit of A\$200,000. The facility is secured via term deposit.

**Finance leases**

At 31 December 2018, the Group held finance lease facilities totaling A\$83,000 (June 2018: A\$1,155,000) which have various maturities up to March 2019. Liabilities under the facility are secured by the assets leased.

**Insurance financing**

The Group has financed its annual insurance premium. This financing is expected to be completed January 2019.

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

	31 December 2018 \$'000	30 June 2018 \$'000
<b>Current</b>		
<i>Amortised cost</i>		
Insurance financing	311	1,857
Lease liabilities- secured	83	1,155
	<u>394</u>	<u>3,012</u>
<b>Non-current</b>		
<i>Amortised costs</i>		
USD notes - secured	456,405	481,569
RCF	15,000	-
Lease liabilities - secured	-	-
Debt raising costs	(14,656)	(16,519)
Debt raising costs (revolving credit facility)	(1,173)	(707)
	<u>455,576</u>	<u>464,343</u>

No new debt or lease financing was entered into during the period and A\$2,618,000 was repaid with respect to lease financing during the period.

**10. Financial instruments**

**Hedging of fluctuations in interest rates**

On 7 September 2018, with the removal of restriction in the previous bank facility, the Group entered into additional cross currency interest rate swaps to hedge the principal and coupons outstanding to Australian dollars for its notes on issue. Emeco had a total of US\$350,000,000 of principal and coupon cross currency swaps outstanding until maturity.

On 22 October 2018, the Group undertook an excess cash offer to buy back notes on market. To maintain hedging levels, the Group terminated US\$27,869,000 in cross currency interest rate swaps so that the outstanding financial instruments match the notes on issue.

As at 31 December 2018, the Group has matched the US\$322,131,000 of notes outstanding and has US\$322,131,000 in cross currency interest rate swaps to fully hedge the principal and coupon to Australian dollars until maturity. As derivatives have been entered into, hedge accounting has been applied.

Due to the decrease of the AUD:USD foreign exchange rate between the inception of the hedge on 31 March 2017 and 31 December 2018, a net hedge receivable of \$5,718,000 (June 2018: (\$2,157,000) liability) has been recognised at 31 December 2018.

	31 December 2018 \$'000	30 June 2018 \$'000
Variable interest rate swaps	5,718	(2,157)
	<u>5,718</u>	<u>(2,157)</u>

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**11. Business combinations**

**Matilda Equipment Pty Ltd**

On 2 July 2018, Emeco Holdings Limited acquired 100% of the shares in Matilda Equipment Pty Ltd for total consideration of \$94,327,000 settled by an upfront cash payment of \$93,312,000, and an additional cash payment of \$1,015,000 in relation to a working capital adjustment paid in October 2018.

The values identified in relation to the acquisition are provisional as at reporting date 31 December 2018. The Group has 12 months from acquisition to determine the intangible classification between goodwill and contract intangibles. The acquisition will be provisional until this classification has been completed.

Details of the acquisition are as follows:

	<b>Matilda Equipment Pty Ltd \$'000</b>
Cash assets	549
Trade and other receivables	6,849
Inventories	742
Prepayments	219
Plant and equipment	78,869
Goodwill/intangibles	8,642
Tax assets	-
Trade and other payables	(1,384)
Provisions	(159)
Net assets /(liabilities) acquired	<u>94,327</u>
Acquisition date fair value of consideration transferred	<u>94,327</u>
Representing:	
Cash	93,312
Cash consideration paid in respect of working capital adjustment	<u>1,015</u>
Total	<u>94,327</u>
Acquisition costs expensed to profit or loss	<u>235</u>
Cash used to acquire the business, net of cash acquired:	
Acquisition date fair value of consideration transferred	94,327
Less: cash and cash equivalents	<u>(549)</u>
Net Cash paid	<u>93,778</u>

The Group has integrated the business from the acquisition date and is therefore unable to accurately quantify the additional revenue and earnings contributed to the Group by the acquired business.

**Emeco Holdings Limited and its Controlled Entities**  
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**12. Capital and reserves**

	31 December 2018 \$'000	30 June 2018 \$'000
<b>Share capital</b>		
323,212,432 (2017: 3,178,858,997 ) ordinary shares, fully paid	1,007,086	991,111
Acquisition reserve	(75,887)	(75,887)
	<u>931,199</u>	<u>915,224</u>

**Movements in ordinary share capital**

Details	Date	Shares	Issue price	\$'000
<b>Balance</b>	1 July 2018	3,178,858,997		915,224
Issue of shares	19 November 2018	53,250,000	\$ 0.300	15,975
Consolidation of shares 10:1	27 November 2018	(2,908,896,565)		-
Less: share issue costs, net of deferred tax				
<b>Balance</b>	<b>31 December 2018</b>	<b>323,212,432</b>		<b>931,199</b>

On 15 November 2018, Emeco's shareholders approved the resolution to complete a 10 to 1 share consolidation. This was completed on 27 November 2018, with 323,212,432 ordinary shares on issue after the consolidation.

**13. Contingent liabilities and commitments**

The Group has guaranteed the repayments of \$1,716,000 (30 June 2018: \$3,531,000) in relation to obligations under operating leases and rental premises.

The Group has entered into commitments for purchasing of fixed assets, primarily rental fleet assets with a total value of A\$67,400,000 which are expected to settle at various dates over the next six months. A\$20,100,000 has been paid in 1H19 as a deposit to secure this equipment with the remaining A\$47,300,000 to be paid over the next six months.

**14. Subsequent events**

During the financial period under review there were no 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 8 to 28, 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 2018 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 19 day of February 2019

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

We have reviewed the accompanying half-year financial report of Emeco Holdings Limited, which comprises the condensed consolidated interim statement of financial position as at 31 December 2018, and the condensed consolidated interim statement of profit or loss and other comprehensive income, the condensed consolidated interim statement of cash flows and the condensed consolidated interim 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 of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 8 to 29.

### *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 – Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Emeco Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## *Auditor's Independence Declaration*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Emeco Holdings Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

## *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Emeco Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

**DELOITTE TOUCHE TOHMATSU**



**Leanne Karamfiles**

Partner

Chartered Accountants

Perth, 19 February 2019