

# RESOURCE EQUIPMENT LIMITED

ABN 83 098 812 492

## APPENDIX 4D

### HALF-YEAR INFORMATION

**1 JULY 2014 TO 31 DECEMBER 2014**

#### Key Information – Results for Announcement to the Market

| Key Statistics  | Half year ended<br>31 December<br>2014<br>\$'000  | Half year ended<br>31 December<br>2013<br>\$'000  | % Increase/<br>(Decrease) over<br>previous<br>corresponding<br>period |
|---|---|---|---|
| Revenue from ordinary activities  | 50,056  | 47,969  | 4.4%  |
| Loss from ordinary activities before tax<br>attributable to owners                | (7,881)   | (4,004)   | 96.8%   |
| Loss from ordinary activities after tax<br>attributable to owners                 | (6,984)   | (1,441)   | 384.7%  |
|   |   |   |   |
|   | Half year ended<br>31 December<br>2014<br>(cents) | Half year ended<br>31 December<br>2013<br>(cents) | % Increase/<br>(Decrease) over<br>previous<br>corresponding<br>period |
| Basic earnings per share  | (2.30)  | (0.58)  | 296.6%  |
| Diluted earnings per share  | (2.30)  | (0.58)  | 296.6%  |
| Net tangible assets per share   | 22.5  | 34.0  | (33.8%)   |
| No interim dividends have been declared for the half-year ended 31 December 2014. |   |   |   |

# RESOURCE EQUIPMENT LIMITED

ABN 83 098 812 492

## DIRECTORS' REPORT

Your Directors submit the financial report of the consolidated entity for the half-year ended 31 December 2014.

### Directors

The following persons held office as Directors during or since the end of the half-year:

|  |                           |
|--|---------------------------|
| Walter E Naymola Jr (Chairman)               | Appointed 23 January 2015 |
| Andrew D Aitken (Chief Executive Officer)    | Appointed 18 July 2014    |
| Stephen S Donnelley (Non-Executive Director) |                           |
| Anthony G Ryder (Executive Director)         | Resigned 13 February 2015 |
| Roderick A Hayes (Executive Director)        | Appointed 6 February 2015 |
| David J Campbell (Executive Director)        | Appointed 6 February 2015 |
| John W Saleeba (Non-Executive Chairman)      | Resigned 31 August 2014   |
| James D Cullen (Chief Executive Officer)     | Resigned 8 July 2014      |
| Peter G Hutchinson (Non-Executive Director)  | Resigned 23 January 2015  |
| Keith D Lucas (Non-Executive Director)       | Resigned 23 January 2015  |

### Significant Gains and Expenses

As a result of a review of the carrying amount of goodwill in the Company's balance sheet, the following expense was recognised during the period:

|                             | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------|----------------|----------------|
| <b>Expenses</b>             |                |                |
| Impairment of goodwill      | 4,700          | -              |
| Less: Applicable income tax | -              | -              |
|                             | <hr/> 4,700    | <hr/> -        |

### Corporate Review

Resource Equipment Ltd (Company) reported a net loss after tax of \$7.0m on revenues of \$50.0m for the half year ended 31 December 2014. The net loss includes an impairment charge on goodwill of \$4.7m as a result of a review of the carrying amount of goodwill in the Company's balance sheet.

Underlying earnings before interest, tax, depreciation and amortisation (EBITDA) were up from \$4.4m (excluding \$1.3m in one-off costs) in the previous corresponding half-year to \$6.4m (excluding costs of \$1.0m relating to the acquisition of Campbell Mining Services Pty Ltd (CMS), redundancy and other non-recurring expenses of approximately \$0.5m and non-cash costs of \$2.0m relating to the granting of performance rights to the former Chief Executive Officer's and other share issues).

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Although the company's operating performance has improved from the second half of last year, the Company is still experiencing difficult trading conditions in the broader mining services sector right across Australia. Rental revenues still remain low in the Company's traditional specialist pumping and power rental business as mining companies continue with their trend of insourcing as well as having a rigorous focus on costs.

The overall increase in revenue is pleasing to see albeit that some of these revenues are generating lower margins than have been historically achieved by the company. The Company is itself going through a number of cost cutting initiatives to compensate for lower margin work. Capital expenditure was kept at low levels as the overall equipment fleet is still significantly underutilised.

Working capital for the Company has increased with the improved revenues as well as a change in mix of revenues and the acquisition of CMS.

On 28 November 2014, the Company completed its acquisition of CMS, a leading Queensland based dewatering services and pump equipment rental business. The acquisition of CMS has enabled the Company to increase scale, geographical coverage and its customer base and provides a platform for the combined group to access new markets. CMS therefore contributed only one month of earnings in this first half of FY 15.

On 18 December 2014, the Company received an unconditional on-market takeover offer from Pump Services LLC (Pump Services), a limited liability company wholly owned by Mr Walter Naymola, the Company's Chairman and Chief Executive Officer. The takeover offer was concluded on 3 February 2015, at which time Pump Services and Mr Naymola had a holding in the Company of just over 80%.

As mentioned in the Pump Services Bidder's statement released on 18 December 2014, a review of operations is now underway in the business. As a result of this review, 41 staff have been made redundant and/or terminated. The cost of this restructure was \$0.5m with annualised savings of approximately \$4.5m.

The Board now intends to proceed with delisting the Company from the Australian Securities Exchange and to undertake a selective capital reduction or share buy-back of minority shareholdings. Any such action is subject to consultation and confirmation by the Australian Securities Exchange and Australian Securities & Investments Commission.

The Board has not declared a dividend for the half year ended 31 December 2014.



**Andrew D Aitken**

**Executive Director**

Dated this 26th day of February 2015



## Auditor's Independence Declaration

As lead auditor for the review of Resource Equipment Limited for the half-year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Resource Equipment Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'N R McConnell'.

N R McConnell  
Partner  
PricewaterhouseCoopers

Sydney  
26 February 2015

# RESOURCE EQUIPMENT LIMITED

ABN 83 098 812 492

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

|   | Note | 2014<br>\$'000 | 2013<br>\$'000 |
|---|------|----------------|----------------|
| <b>Revenue from continuing operations</b>   | 2    | 50,041         | 47,967         |
| Other income  |      | 15             | 2              |
| Personnel   |      | (17,962)       | (18,207)       |
| Maintenance   |      | (894)          | (1,596)        |
| Transport   |      | (1,265)        | (874)          |
| Non-capital project assembly costs  |      | (21,888)       | (14,861)       |
| Depreciation and amortisation expense   |      | (4,992)        | (5,986)        |
| Finance costs   |      | (1,107)        | (1,090)        |
| Travel and accommodation  |      | (384)          | (233)          |
| Cross hire  |      | (437)          | (314)          |
| Occupancy   |      | (1,472)        | (1,418)        |
| Business acquisition costs  |      | (1,024)        | -              |
| Impairment of goodwill  |      | (4,700)        | -              |
| Other expenses  |      | (1,812)        | (7,394)        |
| <b>Loss before income tax</b>   |      | <b>(7,881)</b> | <b>(4,004)</b> |
| Income tax benefit/(expense)  | 3    | 897            | 2,563          |
| <b>Loss from continuing operations</b>  |      | <b>(6,984)</b> | <b>(1,441)</b> |
| <b>Loss for the period attributable to owners of Resource Equipment Ltd</b>                       |      | <b>(6,984)</b> | <b>(1,441)</b> |
| <b>Other comprehensive income</b>   |      |                |                |
| <b>Items that may be reclassified to profit or loss</b>   |      |                |                |
| Foreign Exchange Translation Reserve - exchange difference on translation of foreign operation    |      | 581            | 167            |
| <b>Total comprehensive income for the period attributable to owners of Resource Equipment Ltd</b> |      | <b>(6,403)</b> | <b>(1,274)</b> |
| <b>Earnings per share attributable to the owners of the Company</b>                               |      |                |                |
| Basic earnings per share (cents per share)  | 12   | (2.30)         | (0.58)         |
| Diluted earnings per share (cents per share)  | 12   | (2.30)         | (0.58)         |

The above consolidated statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

# RESOURCE EQUIPMENT LIMITED

ABN 83 098 812 492

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

|                                      | Note | 31 December<br>2014<br>\$'000 | 30 June<br>2014<br>\$'000 |
|--------------------------------------|------|-------------------------------|---------------------------|
| <b>ASSETS</b>                        |      |                               |                           |
| <b>CURRENT ASSETS</b>                |      |                               |                           |
| Cash and cash equivalents            |      | 6,802                         | 15,824                    |
| Trade and other receivables          | 4    | 27,748                        | 14,342                    |
| Inventories                          |      | 3,016                         | 2,801                     |
| <b>TOTAL CURRENT ASSETS</b>          |      | <b>37,566</b>                 | <b>32,967</b>             |
| <b>NON-CURRENT ASSETS</b>            |      |                               |                           |
| Property, plant and equipment        | 5    | 107,535                       | 95,788                    |
| Intangible assets                    | 6    | 25,133                        | 19,577                    |
| Deferred tax assets                  |      | 4,729                         | 2,955                     |
| <b>TOTAL NON-CURRENT ASSETS</b>      |      | <b>137,397</b>                | <b>118,320</b>            |
| <b>TOTAL ASSETS</b>                  |      | <b>174,963</b>                | <b>151,287</b>            |
| <b>CURRENT LIABILITIES</b>           |      |                               |                           |
| Trade and other payables             |      | 15,798                        | 11,128                    |
| Borrowings                           | 7    | 8,304                         | 6,837                     |
| Employee benefits                    |      | 2,325                         | 1,432                     |
| <b>TOTAL CURRENT LIABILITIES</b>     |      | <b>26,427</b>                 | <b>19,397</b>             |
| <b>NON-CURRENT LIABILITIES</b>       |      |                               |                           |
| Borrowings                           | 7    | 19,949                        | 21,691                    |
| Employee benefits                    |      | 897                           | 762                       |
| Provisions                           |      | 100                           | 503                       |
| <b>TOTAL NON-CURRENT LIABILITIES</b> |      | <b>20,946</b>                 | <b>22,956</b>             |
| <b>TOTAL LIABILITIES</b>             |      | <b>47,373</b>                 | <b>42,353</b>             |
| <b>NET ASSETS</b>                    |      | <b>127,590</b>                | <b>108,934</b>            |
| <b>EQUITY</b>                        |      |                               |                           |
| Issued capital                       | 8    | 95,716                        | 70,690                    |
| Reserves                             |      | 4,157                         | 3,543                     |
| Retained Earnings                    |      | 27,717                        | 34,701                    |
| <b>TOTAL EQUITY</b>                  |      | <b>127,590</b>                | <b>108,934</b>            |

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

# RESOURCE EQUIPMENT LIMITED

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## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

|  |      | \$'000            | \$'000               | \$'000   | \$'000  |
|--|------|-------------------|----------------------|----------|---------|
|  | Note | Issued<br>Capital | Retained<br>Earnings | Reserves | Total   |
| <b>Balance at 1 July 2013</b>  |      | 61,822            | 39,202               | 4,080    | 105,104 |
| <b>Total comprehensive income for the period</b>                         |      |                   |                      |          |         |
| Profit attributable to owners of parent entity                           |      | -                 | (1,441)              | -        | (1,441) |
| <b>Items of other comprehensive income recognised directly in equity</b> |      |                   |                      |          |         |
| Exchange difference on translation of foreign operation                  |      | -                 | 54                   | 113      | 167     |
| <b>Total comprehensive income</b>  |      | -                 | (1,387)              | 113      | (1,274) |
| <b>Transactions with owners in their capacity as owners</b>              |      |                   |                      |          |         |
| Share based payments   |      | -                 | -                    | 286      | 286     |
| Deferred tax credit recognised directly in equity                        |      | 20                | -                    | -        | 20      |
|  |      | 20                | -                    | 286      | 306     |
| <b>Balance at 31 December 2013</b>                                       |      | 61,842            | 37,815               | 4,479    | 104,136 |
| <b>Balance at 1 July 2014</b>  |      | 70,690            | 34,701               | 3,543    | 108,934 |
| <b>Total comprehensive income for the period</b>                         |      |                   |                      |          |         |
| Loss attributable to owners of parent entity                             |      | -                 | (6,984)              | -        | (6,984) |
| <b>Items of other comprehensive income recognised directly in equity</b> |      |                   |                      |          |         |
| Exchange difference on translation of foreign operation                  |      | -                 | -                    | 581      | 581     |
| <b>Total comprehensive income</b>  |      | -                 | (6,984)              | 581      | (6,403) |
| <b>Transactions with owners in their capacity as owners</b>              |      |                   |                      |          |         |
| Share based payments   |      | -                 | -                    | 33       | 33      |
| Shares granted for performance rights                                    |      | 1,931             | -                    | -        | 1,931   |
| Shares issued pursuant to employment contract                            |      | 84                | -                    | -        | 84      |
| Shares issued as consideration for acquisition                           |      | 22,664            | -                    | -        | 22,664  |
| Foreign Exchange Transactions  |      | -                 | -                    | -        | -       |
| Deferred tax credit recognised directly in equity                        |      | 347               | -                    | -        | 347     |
|  |      | 25,026            | -                    | 33       | 25,059  |
| <b>Balance at 31 December 2014</b>                                       |      | 95,716            | 27,717               | 4,157    | 127,590 |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# RESOURCE EQUIPMENT LIMITED

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## CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

|   | Note | 31 December<br>2014<br>\$'000 | 31 December<br>2013<br>\$'000 |
|---|------|-------------------------------|-------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                             |      |                               |                               |
| Receipts from customers   |      | 42,420                        | 47,126                        |
| Payments to suppliers and employees                                     |      | (43,934)                      | (40,879)                      |
| Interest received   |      | 15                            | 2                             |
| Finance costs   |      | (1,107)                       | (1,090)                       |
| Income taxes refund/(paid)  |      | -                             | (836)                         |
| Net cash provided by/(used in) operating activities                     |      | (2,606)                       | 4,323                         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                             |      |                               |                               |
| Purchase of property, plant and equipment                               |      | (5,686)                       | (3,141)                       |
| Proceeds on sale of property, plant and equipment                       |      | 2,639                         | 24                            |
| Cash acquired on business combination net of business acquisition costs |      | 140                           | -                             |
| Net cash used in investing activities                                   |      | (2,907)                       | (3,117)                       |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                             |      |                               |                               |
| Proceeds from external borrowings                                       |      | -                             | 787                           |
| Repayment of borrowings   |      | (3,509)                       | (5,162)                       |
| Net cash used in financing activities                                   |      | (3,509)                       | (4,375)                       |
| Net (decrease)/increase in cash held                                    |      | (9,022)                       | (3,169)                       |
| Cash and cash equivalents at beginning of half year                     |      | 15,824                        | 3,699                         |
| Cash and cash equivalents at end of half year                           |      | 6,802                         | 530                           |

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

# RESOURCE EQUIPMENT LIMITED

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## Notes to the Consolidated Financial Statements for the Half-Year ended 31 December 2014

### NOTE 1: BASIS OF ACCOUNTING

The half-year consolidated financial reports are general purpose financial reports prepared in accordance with the requirements of the *Corporations Act 2001* and Accounting Standard AASB 134: *Interim Financial Reporting*.

The half-year financial reports do not include full disclosures of the type normally included in the annual financial report. It is recommended that these financial reports be read in conjunction with the annual financial reports for the year ended 30 June 2014 and any public announcements made by Resource Equipment Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

### Basis of preparation of half-year financial report

The principal accounting policies adopted in the preparation of the half-year financial reports are consistent with the most recent Annual Financial Report for the year ended 30 June 2014. Adoption of new or amending standards mandatory for the periods beginning on or after 1 July 2014 has not resulted in any changes to accounting policy.

The Group does not intend to adopt accounting standards issued before their operative date.

### Historical cost convention

The half-year report has been prepared under the historical cost convention.

### Change of control

As a result of Pump Services LLC (Pump Services) on-market takeover offer for the Company's shares between 18 December 2014 and 3 February 2015, Pump Services had acquired in excess of 80% of the Company's shares as at 3 February 2015.

As a consequence of the change of control, the Company's primary financier, GE Commercial (GE) may request the Company to repay all of its outstanding borrowings at any time. Prior to the change of control, the Company's management commenced discussions with GE and other potential financiers about refinancing the Company's borrowings in order to reduce the overall interest cost and repayment burden.

The directors are satisfied based on the current status of refinancing and other forms of available financing available that the Company will be able to pay its debts as and when they fall due.

### NOTE 2: PROFIT FOR THE PERIOD INCLUDES

|                                    | 31 December<br>2014<br>\$'000 | 31 December<br>2013<br>\$'000 |
|------------------------------------|-------------------------------|-------------------------------|
| Revenue from continuing operations |                               |                               |
| Equipment Supply Income            | 50,041                        | 47,967                        |

# RESOURCE EQUIPMENT LIMITED

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## Notes to the Consolidated Financial Statements for the Half-Year ended 31 December 2014

### (a) Significant items

|                        | 31 December<br>2014<br>\$'000 | 31 December<br>2013<br>\$'000 |
|------------------------|-------------------------------|-------------------------------|
| <b>Expenses</b>        |                               |                               |
| Impairment of Goodwill | 4,700                         | -                             |

### NOTE 3: INCOME TAX BENEFIT

|                           | 31 December<br>2014<br>\$'000 | 31 December<br>2013<br>\$'000 |
|---------------------------|-------------------------------|-------------------------------|
| <b>Income tax benefit</b> | 897                           | 2,563                         |

### NOTE 4: TRADE RECEIVABLES

|   | 31 December<br>2014<br>\$'000 | 30 June<br>2014<br>\$'000 |
|---|-------------------------------|---------------------------|
| <b>Net trade receivables</b>            |                               |                           |
| Trade receivables                       | 26,851                        | 13,553                    |
| Provision for impairment of receivables | (415)                         | (336)                     |
| Other receivables - Net                 | 435                           | 734                       |
| Prepayments                             | 877                           | 391                       |
|   | <b>27,748</b>                 | <b>14,342</b>             |

# RESOURCE EQUIPMENT LIMITED

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Notes to the Consolidated Financial Statements for the Half-Year ended 31 December 2014

## NOTE 5: PROPERTY, PLANT & EQUIPMENT

The movement in property, plant and equipment ("PPE") since 30 June 2014 consists principally of acquisition of hire fleet assets, less disposals and depreciation.

|                                    | Rental<br>Fleet<br>\$'000 | Furniture<br>and<br>Fittings<br>\$'000 | Vehicles<br>\$'000 | Leasehold<br>Improvements<br>\$'000 | Plant and<br>Equipment<br>\$'000 | Total<br>\$'000 |
|------------------------------------|---------------------------|--|--------------------|-------------------------------------|----------------------------------|-----------------|
| <b><u>01/07/13 to 30/06/14</u></b> |                           |  |                    |                                     |                                  |                 |
| Opening net book amount            | 91,502                    | 1,992                                  | 2,421              | 650                                 | 8,005                            | 104,570         |
| Additions                          | 3,998                     | 230                                    | 16                 | -                                   | 504                              | 4,748           |
| Disposals                          | (2,230)                   | -                                      | (254)              | -                                   | -                                | (2,484)         |
| Depreciation charged               | (8,353)                   | (191)                                  | (301)              | (48)                                | (2,154)                          | (11,046)        |
| <b>Net book amount</b>             | <b>84,917</b>             | <b>2,031</b>                           | <b>1,882</b>       | <b>602</b>                          | <b>6,355</b>                     | <b>95,788</b>   |

# RESOURCE EQUIPMENT LIMITED

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## Notes to the Consolidated Financial Statements for the Half-Year ended 31 December 2014

|   | Rental<br>Fleet<br>\$'000 | Furniture<br>and<br>Fittings<br>\$'000 | Vehicles<br>\$'000 | Leasehold<br>Improvements<br>\$'000 | Plant and<br>Equipment<br>\$'000 | Total<br>\$'000 |
|---|---------------------------|--|--------------------|-------------------------------------|----------------------------------|-----------------|
| <u>01/07/14 to 31/12/14</u>                               |                           |  |                    |                                     |                                  |                 |
| Opening net book amount                                   | 84,917                    | 2,031                                  | 1,882              | 602                                 | 6,355                            | 95,788          |
| Additions through acquisition of Campbell Mining Services | 11,388                    | -                                      | -                  | -                                   | 2,315                            | 13,703          |
| Additions/adjustments                                     | 5,224                     | -                                      | -                  | -                                   | 462                              | 5,686           |
| Disposals   | (2,360)                   | -                                      | (55)               | -                                   | (235)                            | (2,650)         |
| Depreciation charged                                      | (3,703)                   | (71)                                   | (363)              | (25)                                | (830)                            | (4,992)         |
| <b>Net book amount</b>                                    | <b>95,466</b>             | <b>1,960</b>                           | <b>1,464</b>       | <b>577</b>                          | <b>8,067</b>                     | <b>107,535</b>  |
| Cost or fair value  | 126,183                   | 2,947                                  | 4,202              | 750                                 | 13,199                           | 147,281         |
| Accumulated depreciation                                  | (30,717)                  | (987)                                  | (2,738)            | (173)                               | (5,132)                          | (39,747)        |
| <b>Net book amount</b>                                    | <b>95,466</b>             | <b>1,960</b>                           | <b>1,464</b>       | <b>577</b>                          | <b>8,067</b>                     | <b>107,535</b>  |

## NOTE 6: INTANGIBLES

### At 30 June 2014

|   |               |
|---|---------------|
| Cost                                    | 19,819        |
| Accumulated amortisation and impairment | (242)         |
| <b>Net Book Amount</b>                  | <b>19,577</b> |

### Movement for the half year

|                              |              |
|------------------------------|--------------|
| Acquisitions of subsidiaries | 10,257       |
| Impairment charge            | (4,700)      |
|                              | <b>5,557</b> |

# RESOURCE EQUIPMENT LIMITED

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## Notes to the Consolidated Financial Statements for the Half-Year ended 31 December 2014

### *At 31 December 2014*

|   |               |
|---|---------------|
| Cost                                    | 30,076        |
| Accumulated amortisation and impairment | (4,943)       |
| <b>Net Book Amount</b>                  | <b>25,133</b> |

#### *i) Recoverable amount testing*

The Group tests whether goodwill has suffered any impairment on an annual basis or whenever there is an indicator of impairment. The recoverable amount of goodwill is determined based on a fair value less cost to sell calculation which requires the use of assumptions.

Management has noted that the mining services sector in Australia is currently experiencing a downturn due to falling commodity prices and unfavourable currency. The equipment hire market serving the mining sector is significantly competitive with a high number of players competing around similar product. There is currently excess capacity amongst players in the rental market.

Management has estimated the fair value less cost to sell of goodwill with some reference to the Pump Services, LLC unconditional on-market take-over offer together with other market-related factors. As at 31 December 2014, this indicated that the Company's goodwill assets were impaired by \$4.7m. As a result, a goodwill impairment charge of \$4.7m has been recognised in the consolidated statement of profit and loss and other comprehensive income for the half-year ended 31 December 2014.

#### **NOTE 7: BORROWINGS**

As at 31 December 2014, the Group had in place a \$25 million cash advance facility with GE Capital, which was drawn to \$21.1m. The remainder of borrowings comprises hire purchase contracts or chattel mortgages entered into for financing the purchase of various items of Property, Plant and Equipment. The hire purchase/chattel mortgage contracts are typically contracted with nil residual value and payable over a maximum term four years.

# RESOURCE EQUIPMENT LIMITED

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## Notes to the Consolidated Financial Statements for the Half-Year ended 31 December 2014

### NOTE 8: ISSUED AND QUOTED SECURITIES

|  | 31 December<br>2014 |               | 30 June<br>2014    |               |
|--|---------------------|---------------|--------------------|---------------|
|  | No. of<br>shares    | \$'000        | No. of<br>shares   | \$'000        |
| <b>Ordinary securities</b>                         |                     |               |                    |               |
| Balance at beginning of financial period           | 309,527,115         | 70,690        | 248,990,471        | 61,822        |
| <i>Issued during period</i>                        |                     |               |                    |               |
| Vesting of Performance Rights                      | 12,356,373          | 1,931         | -                  | -             |
| Shares issued pursuant to a contract of employment | 650,000             | 84            | 475,000            | 58            |
| Share plan issue                                   | -                   | -             | 2,066,158          | 649           |
| Share issues                                       | -                   | -             | 57,995,486         | 8,120         |
| Shares issued as consideration for acquisitions    | 133,317,678         | 22,664        | -                  | -             |
| Listed options exercised                           | -                   | -             | -                  | -             |
| Deferred Tax Credit recognised directly in equity  | -                   | 347           | -                  | 41            |
| <b>Total ordinary securities</b>                   | <b>455,851,166</b>  | <b>95,716</b> | <b>309,527,115</b> | <b>70,690</b> |

### NOTE 9: DIVIDENDS

No dividend has been paid or declared for the half-year ended 31 December 2014 (2013: Nil). As at 31 December 2014, the Directors had made no recommendation concerning dividends for the half-year or any period thereafter.

### NOTE 10: SEGMENT INFORMATION

Management has determined that the consolidated entity operates exclusively in the specialist equipment supply business in Australia and South East Asia. As the Group is focused on achieving optimal utilisation of its specialist equipment fleet, the Board monitors actual versus budgeted revenue, EBITDA and profit before taxation as well as capital expenditure across the Company as a whole. This internal reporting framework is the most relevant to assist the Board in making decisions and monitoring the Group's performance.

# RESOURCE EQUIPMENT LIMITED

ABN 83 098 812 492

## Notes to the Consolidated Financial Statements for the Half-Year ended 31 December 2014

### NOTE 11: RELATED PARTY TRANSACTIONS

#### Directors' transactions with the parent entity or its controlled entities

Mr Keith Lucas, a director of the parent entity, is a shareholder and director of Australasian Project Supplies Pty Ltd ("APS"), an importer of specialist generators and welding equipment. Resource Equipment Ltd has an ongoing supply arrangement with APS and during the half-year, a total of \$13,451 (31 December 2013: \$96,286) was purchased from APS on normal terms and conditions.

Mr Lucas is also a director and shareholder of the J W Trust, which is a significant shareholder in Jacks Winches, a business that rents and sells a range of specialist equipment to the mining and oil & gas sectors. During the half-year a total of \$127,941 (31 December 2013: \$75,024) was purchased by the Company on normal terms and conditions.

### NOTE 12: EARNINGS PER SHARE

|  | 31 December<br>2014 | 31 December<br>2013 |
|--|---------------------|---------------------|
| (a) Reconciliation of earnings used in calculating earnings per share  |                     |                     |
| Loss attributable to the ordinary equity holders of company used in calculating basic earnings per share from continuing operations        | (\$6,983,912)       | (\$1,441,599)       |
| (b) Weighted average number of shares used as the denominator  | 303,708,722         | 249,020,060         |
| Adjustments for calculation of diluted earnings per share  | -                   | -                   |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share | 303,708,722         | 249,020,060         |

### NOTE 13: BUSINESS COMBINATION

#### Summary of acquisition

On 28 November 2014 the parent entity acquired 100% of the issued share capital of both Campbell Mining Services Pty Limited and RAMPS Pty Limited (collectively "CMS"). The acquisition has increased the group's market share in Queensland.

The purchase consideration of \$22,664,000 consisted of the issue of 133,317,678 ordinary shares in the Company. The fair value of the shares was based on the published share price on 28 November 2014 of 17 cents per share.

# RESOURCE EQUIPMENT LIMITED

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## Notes to the Consolidated Financial Statements for the Half-Year ended 31 December 2014

The assets and liabilities recognised as a result of the acquisition are as follows:

|                                  | Fair Value<br>\$'000 |
|----------------------------------|----------------------|
| Cash                             | 1,163                |
| Trade Receivables                | 2,949                |
| Prepayments                      | 91                   |
| Current tax asset                | 6                    |
| Plant and Equipment              | 13,703               |
| Deferred tax asset               | 523                  |
| Trade & Other payables           | (1,852)              |
| Employee entitlement obligations | (945)                |
| Borrowings                       | (3,231)              |
| Net identifiable assets acquired | 12,407               |
| Add: Goodwill                    | 10,257               |
| Net assets acquired              | 22,664               |

The goodwill is attributable to the workforce and the profitability of the acquired business. It will not be deductible for tax purposes.

There were no acquisitions in the year ending 30 June 2014.

### (i) **Significant estimate: Contingent consideration**

In the event that certain pre-determined group Earnings before interest, tax, depreciation and amortisation (EBITDA) targets are achieved for the 12 month period from acquisition date, additional shares in the Company may be issued as consideration for the transaction.

The potential value of share consideration payable under the agreement will be based on the published share price for the Company on 28 November 2015 (if applicable). The number of shares to be issued under the agreement is between 0 for EBITDA below \$21,000,000 and 19,898,160 for EBITDA above \$22,000,000.

Current management estimates indicate that no consideration will become payable as a result of the above arrangement and accordingly no amounts have been recognised.

### (ii) **Acquired Receivables**

The fair value of acquired trade receivables is \$2,949,000. The gross contractual amount for trade receivables due is \$3,017,000, of which \$68,000 is expected to be uncollectable.

# RESOURCE EQUIPMENT LIMITED

ABN 83 098 812 492

## Notes to the Consolidated Financial Statements for the Half-Year ended 31 December 2014

### **(iii) Revenue and profit contribution**

The acquired business contributed revenue of \$1,554,000 and net profit after tax of \$104,000 to the group for the period from 28 November 2014 to 31 December 2014.

### **(iv) Purchase Consideration – Cash Outflow**

No cash outlay was made in order to acquire the business. The total cash acquired was \$1,163,000.

### **(v) Acquisition-related costs**

Acquisition related costs of \$1,024,000 are included in other expenses in the profit and loss and in operating cash flows in the statement of cash flows.

## **NOTE 14: EVENTS SUBSEQUENT TO REPORTING DATE**

On 18 December 2014, Pump Services LLC, a limited liability company incorporated in Delaware, USA (Pump Services), announced it would offer to acquire all of the Company's shares via an on-market takeover (Offer). The consideration offered by Pump Services under the unconditional Offer was \$0.26 in cash for each REL share held. Pump Services, a company wholly-owned by Walter Naymola Jr. had a relevant interest in 80.16% of REL shares as at close of ASX trading on 3 February 2015, the day the Offer closed.

On 23 January 2015, Mr Naymola was appointed as a director and Chairman of the Company.

On 6 February 2015, Mr Roderick Hayes and Mr David Campbell, both vendors of the Campbell Mining Services business in November 2014, were appointed as directors of the Company.

On 13 February 2015, Mr Anthony Ryder resigned as a director of the Company and Mr Naymola was appointed as the Company's Chief Executive Officer. Mr Andrew Aitken also stepped down from his role as Chief Executive Officer and assumed an executive director role with the Company.

On 19 February 2015, the Company announced plans to delist from the Australian Securities Exchange and to undertake a selective capital reduction or share buy-back of minority shareholdings.

On 24 February 2015, the Company announced a corporate restructure that resulted in 23 permanent positions being terminated by way of redundancy and 18 casual positions being terminated from the Welshpool branch location. The restructure will result in annualised savings of approximately \$4.5m at a cost of \$0.5m to the Company.

# RESOURCE EQUIPMENT LIMITED

ABN 83 098 812 492

## DIRECTORS' DECLARATION

In the Directors' opinion

- a. the financial statements and notes set out on pages 5 to 17 are in accordance with the *Corporations Act 2001*, including:
  - I. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - II. giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date, and
- b. there are reasonable grounds to believe that Resource Equipment Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by.



**Andrew D Aitken**  
**Executive Director**

Dated this 26 February 2015



## **Independent auditor's review report to the members of Resource Equipment Limited**

### ***Report on the Half-Year Financial Report***

We have reviewed the accompanying half-year financial report of Resource Equipment Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Resource Equipment Limited group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled from time to time during the half-year.

### ***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 (including the Australian Accounting Interpretations) 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 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 Australian 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 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 2014 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 Resource Equipment 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.

### ***Independence***

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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## **Independent auditor's review report to the members of Resource Equipment Limited (cont'd)**

### *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 Resource Equipment 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 2014 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'N R McConnell'.

N R McConnell  
Partner

Sydney  
26 February 2015