

**Emeco Holdings Limited and its Controlled Entities**

**ABN 89 112 188 815**

**Interim Financial Report**

**for the half year ended 31 December 2007**

**Emeco Holdings Limited and its Controlled Entities**

**ABN 89 112 188 815**

**Interim Financial Report - 31 December 2007**

**Contents**

	<b>Page</b>
<b>Directors' report.....</b>	<b>3</b>
<b>Financial report.....</b>	<b>6 – 16</b>
<b>Directors' declaration.....</b>	<b>17</b>
<b>Independent review report to the members.....</b>	<b>18</b>

**Emeco Holdings Limited**  
**Directors' report**  
**31 December 2007**

The Board of directors of Emeco Holdings Limited (the "Company") has pleasure in submitting its report in respect of the half-year financial period ended 31 December 2007 and the review report thereon.

**Directors**

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

Director	Date of appointment
<b>Non-Executive</b>	
Mr Alec Brennan (Chairman)	16 August 2005
Mr Greg Minton	14 December 2004
Mr Paul McCullagh	23 December 2004
Mr Stuart Fitton (resigned 17 August 2007)	5 April 2006
Mr Peter Johnston	1 September 2006
<b>Executive</b>	
Mr Laurie Freedman (Chief Executive Officer)	21 January 2005
Mr Robin Adair (Executive Director Corporate Strategy and Business Development)	21 January 2005

Mr Greg Minton was re-elected as a director at the Company's annual general meeting held on 7 November 2007.

On 1 November 2007, Mr Robin Adair was appointed to the position of Executive Director Corporate Strategy and Business Development to focus on the Group's internal strategic capabilities.

**Financial performance**

Emeco Holdings Limited and its Controlled Entities (the "Group") achieved a net profit after tax for the half-year ended 31 December 2007 of \$30.5 million (2006: \$16.1 million) with total revenue of \$288.2 million (2006: \$251.6 million).

**Dividends**

The Company has declared a fully franked dividend of 2 cents per ordinary share for the interim period (2006: 1 cent).

**Review of operations**

**Review of operations**

The key results of the Consolidated Entity's operations are summarised as follows:

	Half year ended		Change %
	2007 \$m	2006 \$m	
Net profit after tax	30.5	34.8 <sup>(1)</sup>	(12.3)
After tax effects of IPO transactions	-	(18.7) <sup>(1)</sup>	N/A
Reported net profit after tax	30.5	16.1	89.4
Reported EBITDA	98.6	98.4	-
Reported EBITA	55.4	59.9	(7.5)
Reported EBIT	54.5	58.0	(6.0)

The Group's revenue to 31 December 2007 increased when compared to the preceding interim period by \$36.6 million to \$288.2 million, representing an increase of 14.5%.

Net profit after tax before the effects of the IPO transactions decreased 12.3% over the comparative period from \$34.8 million to \$30.5 million.

**Emeco Holdings Limited and its Controlled Entities**  
**Directors' report**  
**31 December 2007**

- <sup>(1)</sup> The comparative interim period net profit after tax is a proforma number as it includes the write back of one off transactions that occurred as a result of the Company's initial public offering ("IPO") during the period. This write back includes a one off bonus paid to senior management of \$0.9 million and \$17.8 million from additional finance costs expensed under the pre IPO financing arrangement and the subsequent extinguishment of these facilities.

The Group's earnings before interest and tax ("EBIT") decreased by 6.0% over the comparative period from \$58.0 million to \$54.5 million. The main contributors to the lower comparative period EBIT earnings on a net pcp basis were:

- Lower Sales and Rental activity in the USA (\$3.0M).
- A slower than anticipated recovery in the Indonesian business following a drop in asset utilisation levels (\$4.5M).
- Lower asset utilisation levels in Canada as a result of disruption to Canadian oil and gas demand. (\$2.0M).

Offsetting the above were:

- A \$1.9M EBIT increase in Australia, albeit that further improvement was hampered by shipping delays on sales inventory and growth constraints due to cut backs in coal production in New South Wales and Queensland.
- A \$1.6M EBIT uplift in Europe due to the contribution from our Euro Machinery business acquired in January 2007.
- A \$1.0M reduction in the amortisation charge.
- The impact of the (\$1.4M) EBIT one-off bonuses paid to senior management in August 2006 due to the IPO.

### **Significant changes in the state of affairs**

Other than referred to above, there have been no significant changes in the state of affairs of the Group during the half-year.

### **Significant events occurring after half-year end**

The following significant events occurred after 31 December 2007.

#### **Appointment of Chief Financial Officer**

The Company announced on 11 February 2008 that Mr Stephen Gobby was appointed Chief Financial Officer and will formally take up the position on 4 March 2008.


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

The lead auditor's independence declaration is set out on page 5 and forms part of the directors' report for the half year ended 31 December 2007.

### **Rounding of amounts**

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities & Investments Commission, relating to the 'rounding off' of amounts in the interim financial report and directors' report. Amounts in the interim financial report and directors' report have been rounded off in accordance with the Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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



Laurence Freedman  
Managing Director

Perth  
18 February 2008



**Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001**

To: the directors of Emeco Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2007 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

B C Fullarton  
*Partner*

Perth  
18 February 2008

**Emeco Holdings Limited and its Controlled Entities**  
**Consolidated interim income statement**  
**For the six months ended 31 December 2007**

	31 December 2007	31 December 2006
	Note	\$'000
		\$'000
Revenue from rental income		148,552
Revenue from the sale of machines and parts		119,725
Revenue from maintenance services		19,935
		<u>288,212</u>
Changes in machinery and parts inventory		(67,315)
Machinery and parts purchases and consumables		(32,449)
Repairs and maintenance		(43,709)
Hired in equipment and labour		(2,988)
Employee expenses		(20,217)
Gross profit		<u>121,534</u>
Other income		2,630
Other expense		(25,521)
EBITDA <sup>(1)</sup>		<u>98,643</u>
Depreciation expense		(43,199)
Amortisation expense		(949)
EBIT <sup>(2)</sup>		<u>54,495</u>
Financial income	6	1,010
Financial expenses	6	(12,521)
Profit before income tax expense		<u>42,984</u>
Income tax expense		(12,506)
Net Profit		<u>30,478</u>
Attributed to:		
Equity holders of the parent		30,478
Minority interests		-
Net Profit		<u>30,478</u>
<b>Earnings per share for profit attributable to the ordinary equity holders of the company:</b>		
	2007	2006
	cents	cents
Basic earnings per share from continuing operations	4.8	2.8
Diluted earnings per share from continuing operations	<u>4.8</u>	<u>2.8</u>

The income statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 16.

<sup>(1)</sup> EBITDA - Earnings before interest expense, tax, depreciation and amortisation

<sup>(2)</sup> EBIT - Earnings before interest expense and tax.

**Emeco Holdings Limited and its Controlled Entities**  
**Consolidated interim statement of recognised income and expense**  
**For the six months ended 31 December 2007**

	31 December 2007 \$'000	31 December 2006 \$'000
Effective portion of changes in fair value of cash flow hedges	72	(259)
Foreign currency translation differences for foreign operations	<u>(1,459)</u>	<u>(4,200)</u>
<b>Net income recognised directly in equity</b>	<b>(1,387)</b>	<b>(4,459)</b>
<b>Profit for the half year</b>	<b>30,478</b>	<b>16,114</b>
<b>Total recognised income and expense for half year</b>	<b><u>29,091</u></b>	<b><u>11,655</u></b>
<b>Total recognised income and expense for the half year attributed to</b>		
Equity holders of the Company	29,091	11,219
Minority interest	<u>-</u>	<u>436</u>
<b>Total recognised income and expense for the period</b>	<b><u>29,091</u></b>	<b><u>11,655</u></b>

The statement of recognised income and expense is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 16.

**Emeco Holdings Limited and its Controlled Entities**  
**Consolidated interim balance sheet**  
**as at 31 December 2007**

	Note	31 December 2007 \$'000	30 June 2007 \$'000
<b>Current Assets</b>			
Cash and cash equivalents		12,696	27,740
Trade and other receivables		84,387	90,093
Inventories		255,359	187,131
Current tax asset		2,787	2,932
Prepayments		10,334	8,846
Total current assets		<u>365,563</u>	<u>316,742</u>
<b>Non-current assets</b>			
Trade and other receivables		4,388	2,279
Intangible assets		222,975	223,390
Property, plant and equipment		584,851	544,303
Deferred tax assets		3,372	10,105
Total non-current assets		<u>815,586</u>	<u>780,077</u>
Total assets		<u>1,181,149</u>	<u>1,096,819</u>
<b>Current Liabilities</b>			
Trade and other payables		43,157	43,621
Interest bearing liabilities		7,567	6,521
Current tax liabilities		13,300	12,489
Provisions		3,817	3,636
Total current liabilities		<u>67,841</u>	<u>66,267</u>
<b>Non-current Liabilities</b>			
Interest bearing liabilities		400,338	326,323
Deferred tax liabilities		26,049	30,826
Provisions		1,039	524
Total non-current liabilities		<u>427,426</u>	<u>357,673</u>
Total liabilities		<u>495,267</u>	<u>423,940</u>
Net assets		<u>685,882</u>	<u>672,879</u>
<b>Equity</b>			
Issued capital		609,044	609,278
Other equity		832	1,023
Reserves		(8,407)	(7,020)
Retained earnings		84,413	69,598
Total equity attributable to equity holders of the parent	8	<u>685,882</u>	<u>672,879</u>

The balance sheet is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 16.

**Emeco Holdings Limited and its Controlled Entities**  
**Consolidated interim statement of cash flow**  
**For the six months ended 31 December 2007**

	31 December 2007	31 December 2006
Note	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Cash receipts in the course of operations	294,450	255,154
Cash payments in the course of operations	(260,250)	(200,957)
Interest received	1,010	493
Interest paid	(13,018)	(21,009)
Income tax paid	(7,905)	(4,869)
Net cash provided by operating activities	<u>14,287</u>	<u>28,812</u>
<b>Cash flows from investing activities</b>		
Proceeds on disposal of non-current assets	15,364	14,830
Payment for business combinations	-	(141,604)
Payment for property, plant and equipment	(96,334)	(140,516)
Net cash used in investing activities	<u>(80,970)</u>	<u>(267,290)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares (net of issue costs)	-	431,222
Proceeds from borrowings	84,208	119,535
Repayment of exchangeable notes	-	(54,694)
Repayment of loans	(11,614)	(260,000)
Repurchase own shares	9 (590)	-
Payment for deferred borrowing costs	-	(870)
Finance lease payments	(4,748)	(4,471)
Dividends paid	(15,663)	-
Net cash provided by financing activities	<u>51,593</u>	<u>230,722</u>
Net decrease in cash held	(15,090)	(7,756)
Cash at the beginning of the period	27,740	19,240
Effects of exchange rate fluctuations on cash held	46	(667)
Cash at the end of the financial period	<u><u>12,696</u></u>	<u><u>10,817</u></u>

The statement of cash flow is to be read in conjunction with the notes to the financial statements set out on pages 10 to 16.

**Emeco Holdings Limited and its Controlled Entities**  
**Notes to the consolidated interim financial statements**  
**For the half-year period ended 31 December 2007**

**1. Reporting entity**

Emeco Holdings Limited (the “Company”) is a company domiciled in Australia. The consolidated interim financial report of the Company for the six months ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as the “Group”).

The consolidated annual financial report of the Group as at and for the year ended 30 June 2007 is available on the Company’s web site at [www.emecoequipment.com](http://www.emecoequipment.com).

**2. Statement of compliance**

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

The consolidated interim financial report does not include all of the information required for a 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 2007.

This consolidated interim financial report was approved by the Board of Directors on 18 February 2008.

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

**3. Significant accounting policies**

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2007.

**4. Estimates**

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

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group’s accounting policies and the key source of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2007.

**Emeco Holdings Limited and its Controlled Entities**  
**Notes to the consolidated interim financial statements**  
**For the half-year period ended 31 December 2007**

**5. Segment reporting**

Segment information is presented in the consolidated interim financial statements in respect of the Group's business segments, which are the primary basis of segment reporting. The business segment reporting format reflects the Group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

**Business Segments**

The Group comprises the following main business segments, based on the Group's management reporting system:

Rental	Provides a wide range of earthmoving equipment to customers.
Sales	Sells a wide range of earthmoving equipment to customers in the civil construction and mining industries.
Parts	Procuring and supplying global sourced used and reconditioned parts to external customers and internally to the rental and sales division.
Maintenance	Maintenance, repair and refurbishment of customer plant and equipment.

**Emeco Holdings Limited and its Controlled Entities**  
**Notes to the consolidated interim financial statements**  
**For the half-year period ended 31 December 2007**

5. Segment reporting cont'd

**Business segments**

For the six months ended 31 December 2007

	<b>Rental</b>	<b>Rental</b>	<b>Sales</b>	<b>Sales</b>	<b>Parts</b>	<b>Parts</b>	<b>Maintenance</b>	<b>Maintenance</b>	<b>Eliminations</b>	<b>Eliminations</b>	<b>Consolidated</b>	<b>Consolidated</b>
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Revenue from external customers	171,861	163,048	98,378	68,314	16,230	17,267	1,743	2,996	-	-	288,212	251,625
Inter segment revenue	-	-	2,281	5,127	1,912	2,325	403	26	(4,596)	(7,478)	-	-
<b>Total segment revenue</b>	<b>171,861</b>	<b>163,048</b>	<b>100,659</b>	<b>73,441</b>	<b>18,142</b>	<b>19,592</b>	<b>2,146</b>	<b>3,022</b>	<b>(4,596)</b>	<b>(7,478)</b>	<b>288,212</b>	<b>251,625</b>
Segment result	48,407	53,379	3,759	2,788	2,161	1,810	168	33	-	-	54,495	58,010
Results before interest and tax											54,495	58,010

**Emeco Holdings Limited and its Controlled Entities**  
**Notes to the consolidated interim financial statements**  
**For the half-year period ended 31 December 2007**

**6. Items included in profit before income tax expense**

	Consolidated 2007	Consolidated 2006
Financial expenses:		
- bank loans and overdrafts	11,512	9,019
- exchangeable notes	-	4,490
- finance leases	209	570
- loss on extinguishment of debt	-	18,848 <sup>(1)</sup>
- amortisation of debt establishment costs	149	187
- other facility costs	651	889
	<u>12,521</u>	<u>34,003</u>
Financial income:		
- interest revenue	(1,010)	(493)
	<u>11,511</u>	<u>33,510</u>

<sup>(1)</sup> Due to the extinguishment of the Group's debt facilities and exchangeable notes, the associated deferred borrowing costs, and the discount on conversion of notes to shares in the Company were expensed during the comparative period.

**Emeco Holdings Limited and its Controlled Entities**  
**Notes to the consolidated interim financial statements**  
**For the half-year period ended 31 December 2007**

**7. Property, plant and equipment**

**Acquisition and disposals**

During the six months ended 31 December 2007, the Group acquired assets with a cost of \$96.3 million (six months ended 31 December 2006: \$160.7 million), including assets acquired through business combinations of \$Nil (six months ended 31 December 2006: \$20.2 million).

Assets with a carrying amount of \$13.2 million (2006: \$12.2 million) were disposed of in the ordinary course of business, resulting in a gain on disposal of \$2.2 million (2006: \$2.6 million), which is included in other income.

**Capital commitments**

The Group has entered into commitments with certain suppliers for the purchase of fixed assets, primarily rental fleet assets in the amount of \$68.3 million (six months ended 31 December 2006: \$35.7 million) payable within one year.

**8. Capital and reserves**

**Reconciliation of movement in capital and reserves**

**Attributable to equity holders of the parent**

Consolidated \$000's	Share capital	Other contributed equity	Hedging reserve	Foreign currency translation reserve	Retained earnings	Total	Minority interest	Total equity
Balance at 1 July 2006	173,928	150	1,195	-	20,732	196,005	40,264	236,269
Total recognised income and expense	-	-	(259)	(3,315)	14,793	11,219	436 <sup>(1)</sup>	11,655
Shares issued (net of expenses)	439,041	-	-	-	-	439,041	854	439,895
Share based payments	-	736	-	-	-	736	-	736
Conversion of exchangeable notes	72,109	-	-	-	-	72,109	-	72,109
Acquisition of minority interest	-	-	-	-	-	-	(41,554)	(41,554)
Acquisition reserve	(75,887)	-	-	-	-	(75,887)	-	(75,887)
Balance at 31 December 2006	<u>609,191</u>	<u>886</u>	<u>936</u>	<u>(3,315)</u>	<u>35,525</u>	<u>643,223</u>	<u>-</u>	<u>643,223</u>

<sup>(1)</sup> Included in the total recognised income and expense of the minority interest are exchange differences on transactions of foreign operations of (\$885,000).

Consolidated \$000's	Note	Share capital	Own shares acquired employee share plan trust	Other contributed equity	Hedging reserve	Foreign currency translation reserve	Retained earnings	Total equity
Balance at 1 July 2007		609,278	-	1,023	915	(7,935)	69,598	672,879
Total recognised income and expense		-	-	-	72	(1,459)	30,478	29,091
Share based payments		-	-	399	-	-	-	399
Shares acquired - trust	9	-	(590)	-	-	-	-	(590)
IPO costs		(234)	-	-	-	-	-	(234)
Dividends paid		-	-	-	-	-	(15,663)	(15,663)
Balance at 31 December 2007		<u>609,044</u>	<u>(590)</u>	<u>1,422</u>	<u>987</u>	<u>(9,394)</u>	<u>84,413</u>	<u>685,882</u>

**Emeco Holdings Limited and its Controlled Entities**  
**Notes to the consolidated interim financial statements**  
**For the half-year period ended 31 December 2007**

**9. Key management personnel**

During the period the Company implemented a long term incentive plan (“LTIP”) for certain senior management personnel. Under the LTIP shares granted to each LTIP participant vest to the employee after 3 years if the prescribed performance condition is met. The performance condition is a performance hurdle based on relative total shareholder return (“TSR”). The peer group that the Company’s TSR is measured against consists of 105 Companies and includes 12 Companies that are considered direct peers to Emeco, in addition to the S&P/ASX Small Industrials (excluding banks, insurance companies, property trust companies and investment property trust/companies and other stapled securities). During the period the Company acquired shares on market at a fair value of \$590,000 to be held in trust to satisfy the potential vesting of shares under the LTIP. Shares that have been forfeited under the Company’s Management Incentive Share Plan due to employees under that plan not meeting the service vesting requirement have also been transferred to the LTIP trust. At period end 1.14 million shares were held in the trust.

**10. Dividends**

The Company declared a fully franked dividend of 2 cents per ordinary share for the interim period subsequent to 31 December 2007 (six months ended 31 December 2006: 1 cent). These dividends have not been provided for as at 31 December 2007.

**11. Loans and borrowings**

The following loans and borrowings (non-current and current) were issued and repaid during the six months ended 31 December 2007:

<i>In thousands of AUD</i>	<b>Currency</b>	<b>Interest rate nominal %</b>	<b>Interest rate effective %</b>	<b>Face value</b>	<b>Carrying amount</b>	<b>Year of maturity</b>
<b>Balance at 1 July 2007</b>					332,844	2009
<u>New issues</u>						
Senior debt draw down	AUD	7.3	6.8	57,000	57,000	2009
Senior debt draw down	CAD	5.2	4.8	18,300	23,889	2009
Senior debt draw down	EURO	4.8	4.8	5,000	9,170	2009
Finance leases	AUD	7.8	7.8	5,134	5,134	2008
<u>Repayments</u>						
Senior debt draw down	USD	5.4	-	(10,000)	(11,614)	-
Finance lease liabilities	USD	9.8	-	(3,911)	(4,716)	-
<u>Effects of foreign currency translation</u>						
Translation on foreign denominated borrowings and repayments	-	-	-	-	(3,653)	-
<u>Borrowing costs</u>						
Amortisation of debt establishment costs	-	-	-	-	(149)	-
Balance at 31 December 2007					<u>407,905</u>	

There were \$118,375,000 of new loans and borrowings in the prior interim period and an amount of \$389,471,000 was repaid.

## **12. Financial instruments**

### **Hedging of fluctuations in interest rates**

The Group adopts a policy of ensuring that at least 50 percent of its interest bearing liabilities are hedged or bears interest at a fixed rate. Interest rate swaps have been entered into to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy. The swaps mature over the next four years following the maturity of the related loans.

The Group classifies interest rate swaps as cash flow hedges and measures them at fair value. At 31 December 2007, the Group's interest rate swaps had a notional contract amount of AUD95.0M CAD80.0M, USD \$30.0M and EURO10.0M (30 June 2007: AUD175.0M and CAD40.0M). The net fair value of swaps at 31 December 2007 was \$1.4M (30 June 2007: \$2.9M) comprising assets of \$2.3M (30 June 2007: \$2.9M) and liabilities of \$0.9M (30 June 2007: Nil).

## Directors' Declaration

In the opinion of the directors of Emeco Holdings Limited ("the company"):

1. the financial statements and notes, set out on pages 6 to 16, 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 2007 and of its performance, as represented by the results of its operations and cash flows 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 this 18<sup>th</sup> day of February 2008

Signed in accordance with a resolution of the directors:

A handwritten signature in black ink, appearing to read 'L Freedman', written over a horizontal line.

**Laurence Freedman**  
Managing Director



## **Independent auditor's review report to the members of Emeco Holdings Limited**

### **Report on the financial report**

We have reviewed the accompanying half-year financial report of Emeco Holdings Limited, which comprises the consolidated interim balance sheet as at 31 December 2007, income statement, statement of recognised income and expense and cash flow statement for the half-year ended on that date, a description of accounting policies and other explanatory notes 1 to 12 and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

#### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *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 an Interim 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 Group's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As 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.



*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 Group's financial position as at 31 December 2007 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.

KPMG

B C Fullarton  
*Partner*

Perth  
18 February 2008