

BARMINCO HOLDINGS PTY LIMITED

ABN 85 126 398 276

Unaudited condensed consolidated Interim Financial Statements

For the half year ended 31 December 2016

Barmenco Holdings Pty Limited
Interim Financial Statements
For the half year ended 31 December 2016

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Barmenco Holdings Pty Limited

Unaudited condensed interim consolidated statement of profit or loss and other comprehensive income

For the six months ended 31 December 2016

		6 Months Ended 31 Dec 2016 \$'000	6 Months Ended 31 Dec 2015 \$'000
	Notes		
Revenue		292,020	263,538
Other income		563	83
Consumables used		(88,071)	(81,454)
Employee benefits expense		(110,729)	(103,560)
Contractor and consultant expenses		(20,625)	(14,097)
Depreciation of property, plant and equipment		(30,394)	(25,145)
Amortisation of intangible assets		(472)	(288)
Other expenses		(20,497)	(14,744)
Results from operating activities		21,795	24,333
Share of profit from equity accounted investments, net of tax	5	7,654	8,509
Finance income		334	9,324
Financing costs		(27,627)	(57,451)
Profit/(loss) before income tax		2,156	(15,285)
Income tax benefit/(expense)	4	4,048	(115)
Profit/(Loss) for the period attributable to equity holders of the Company		6,204	(15,400)
Other comprehensive income/(loss)			
<i>Items that may be reclassified to profit or loss</i>			
Effective portion of changes in fair value of cash flow hedges		335	(149)
Foreign currency translation differences – foreign operations		(1,339)	1,091
Other comprehensive income/(loss) for period, net of tax		(1,004)	942
Total comprehensive income/(loss) attributable to equity holders of the Company		5,200	(14,458)
		\$	\$
Earnings/(Loss) per share			
Basic and diluted earnings/(loss) per share		1.241	(3.082)

The above unaudited condensed interim consolidated statement of profit and loss and other comprehensive income should be read in conjunction with the accompanying notes.

Barmenco Holdings Pty Limited

Unaudited condensed interim consolidated statement of financial position as at 31 December 2016

	Notes	31 Dec 2016 \$'000	30 Jun 2016 \$'000
ASSETS			
Cash and cash equivalents		69,258	70,647
Trade and other receivables		61,860	48,469
Inventories		21,600	19,696
Prepayments		2,240	3,068
Total current assets		154,958	141,880
Investments accounted for using the equity method	5	71,634	69,517
Derivative financial instruments	7	6,586	-
Property, plant and equipment	6	143,064	116,381
Intangibles		260,318	260,790
Deferred tax asset	4	79,325	75,277
Other non-current assets		1,799	1,918
Total non-current assets		562,726	523,883
TOTAL ASSETS		717,684	665,763
LIABILITIES			
Trade and other payables		70,230	57,227
Borrowings	8	10,814	2,592
Employee benefits		29,190	26,195
Provisions		487	208
Total current liabilities		110,721	86,222
Derivative financial instruments	7	-	5,419
Borrowings	8	450,130	425,219
Employee benefits		4,375	1,645
Total non-current liabilities		454,505	432,283
TOTAL LIABILITIES		565,226	518,505
NET ASSETS		152,458	147,258
EQUITY			
Contributed equity		396,442	396,442
Reserves		10,319	10,670
Accumulated losses		(254,303)	(259,854)
TOTAL EQUITY		152,458	147,258

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

Barmenco Holdings Pty Limited

Unaudited condensed interim consolidated statement of cash flows for the six months ended 31 December 2016

	Notes	6 Months Ended 31 Dec 2016 \$'000	6 Months Ended 31 Dec 2015 \$'000
Cash flows from operating activities			
Receipts from customers		304,256	284,259
Payments to suppliers and employees		(255,123)	(230,950)
Interest received		332	1,601
Interest paid		(23,752)	(27,424)
Net cash inflow from operating activities		25,713	27,486
Cash flows from investing activities			
Payments for property, plant and equipment and intangibles		(14,260)	(27,658)
Proceeds from sale of property, plant and equipment		1,908	1,018
Dividends received from joint venture entities	5	4,110	8,816
Net cash outflow from investing activities		(8,242)	(17,824)
Cash flows from financing activities			
Proceeds/(Payment) from reset of cross currency interest rate swaps		(221)	32,765
Repurchase of senior notes		(9,056)	(60,160)
Finance lease payments		(9,739)	(1,725)
Loans to key management LTI scheme		-	(6)
Net cash outflow from financing activities		(19,016)	(29,126)
Net increase/(decrease) in cash and cash equivalents		(1,545)	(19,464)
Effect of exchange rate fluctuations on cash held		156	(9)
Cash and cash equivalents at beginning of the period		70,647	104,844
Cash and cash equivalents at end of the period		69,258	85,371

The above unaudited condensed interim consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Barmenco Holdings Pty Limited

Unaudited condensed interim consolidated statement of changes in equity

For the six months ended 31 December 2016

	Ordinary Shares \$'000	Redeemable Preference Shares \$'000	Total Contributed Equity \$'000	Hedging Reserve \$'000	Foreign Currency Translation Reserve \$'000	Interest Free Loan Reserve \$'000	Legal Reserve \$'000	Accumulated Losses \$'000	Total Equity \$'000
Balance at 1 July 2016	4,722	391,720	396,442	(5,375)	8,592	6,421	1,032	(259,854)	147,258
Total comprehensive income for the period									
Profit/(loss) for the period	-	-	-	-	-	-	-	6,204	6,204
Other comprehensive income/(loss)									
Changes in the fair value of cash flow hedges, net of tax	-	-	-	335	-	-	-	-	335
Changes in the foreign exchange translation reserve	-	-	-	-	(1,339)	-	-	-	(1,339)
Changes in the legal reserve	-	-	-	-	-	-	653	(653)	-
Total other comprehensive income/(loss)	-	-	-	335	(1,339)	-	653	(653)	(1,004)
Total comprehensive income/(loss) for the period	-	-	-	335	(1,339)	-	653	5,551	5,200
Transactions with owners of the Company	-	-	-	-	-	-	-	-	-
Balance at 31 December 2016	4,722	391,720	396,442	(5,040)	7,253	6,421	1,685	(254,303)	152,458

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

Barmenco Holdings Pty Limited

Unaudited condensed interim consolidated statement of changes in equity (continued)

For the six months ended 31 December 2015

	Contributed Equity \$'000	Hedging Reserve \$'000	Foreign Currency Translation Reserve \$'000	Legal Reserve \$'000	Accumulated Losses \$'000	Total Equity \$'000
Balance at 1 July 2015	4,722	(10,342)	7,588	387	(301,666)	(299,311)
Total comprehensive income for the period						
Profit/(loss) for the period	-	-	-	-	(15,400)	(15,400)
Other comprehensive income/(loss)						
Changes in the fair value of cash flow hedges, net of tax	-	(149)	-	-	-	(149)
Changes in the foreign exchange translation reserve	-	-	1,091	-	-	1,091
Changes in the legal reserve	-	-	-	336	(336)	-
Total other comprehensive income/(loss)	-	(149)	1,091	336	(336)	942
Total comprehensive income/(loss) for the period	-	(149)	1,091	336	(15,736)	(14,458)
Transactions with owners of the Company	-	-	-	-	-	-
Balance at 31 December 2015	4,722	(10,491)	8,679	723	(317,402)	(313,769)

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

Barmenco Holdings Pty Limited
Notes to the unaudited interim consolidated financial statements
For the six months ended 31 December 2016

Notes to the financial statements

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Barmenco Holdings Pty Limited

Notes to the unaudited interim consolidated financial statements (continued)

For the six months ended 31 December 2016

1. Corporate information

Barmenco Holdings Pty Limited ("the Company") is a company limited by shares, incorporated and domiciled in Australia. The Company was registered on 5 July 2007. The address of the Company's registered office is 390 Stirling Crescent Hazelmere, Western Australia, 6055. The Company is a for profit entity and is primarily involved in underground contract development and production mining, and development projects in Australia, India, Egypt, Tanzania and West Africa.

The interim financial statements of the Company for the six months ended 31 December 2016 comprises the Company and its subsidiaries (the "Group") and the Group's interest in jointly controlled entities.

2. Basis of preparation

a) Statement of Compliance

The interim financial report is a general purpose financial report which has been prepared in accordance with IAS 34 Interim Financial Reporting. The financial report does not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2016.

b) Critical accounting estimates and judgements

In preparing these interim financial statements, management make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2016.

3. Significant accounting policies

The consolidated interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2016.

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the year of initial application. They are available for early adoption at 1 July 2016, but have not been applied in preparing these financial statements.

- AASB 9 Financial Instruments; includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 will become mandatory for the Group's 30 June 2019 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2013 or earlier. The Group has not yet determined the potential effect of the standard and has chosen not to early adopt.
- AASB 15 Revenue from Contracts with Customers; The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. AASB 15 will become mandatory for the Group's 30 June 2018 financial statements. The Group has not yet determined the potential effect of the standard and has chosen not to early adopt.

Barmenco Holdings Pty Limited

Notes to the unaudited interim consolidated financial statements (continued)

For the six months ended 31 December 2016

- AASB 16 Leases; removes the classification of leases as either operating leases or finance leases for the lessee effectively treating all leases as finance leases. Short-term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the lease accounting requirements. There are also changes in accounting over the life of the lease. In particular, companies will now recognise a front-loaded pattern of expenses for most leases, even when they pay constant annual rentals. The Group has not yet determined the potential effect of the standard and has chosen not to early adopt.

Barmenco Holdings Pty Limited

Notes to the unaudited interim consolidated financial statements (continued)

For the six months ended 31 December 2016

4. Income tax

31 Dec 2016 \$'000	31 Dec 2015 \$'000
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Recognised deferred tax assets

Deferred tax assets have been recognised in respect of the following items:

Tax losses (gross)	166,768	159,343
Other deferred tax assets (gross)	98,050	91,580
Total recognised deferred tax assets (gross)	264,818	250,923

A Deferred Tax Benefit will only be obtained if:

- (i) the relevant company in the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (ii) the relevant company in the Group continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) No changes in tax legislation adversely affect the relevant company in realising the benefit from the deductions for the losses.

The tax losses recognised in Australia do not expire. Also the deductible temporary differences do not expire under current tax legislation. Deferred tax assets for unused tax losses of \$166,768,000 (30 June 2016: \$159,343,000) and deductible temporary differences of \$98,050,000 (30 June 2016: \$91,580,000), have been recognised because it is probable that future taxable profit will be available against which the Group can utilise the benefits therefrom. This recognition of deferred tax assets including carried forward tax losses relates to activities carried out by the Australian business.

The movement in the carrying value of the High Yield Bonds has created a temporary difference of \$103,325,000 (June 2016: \$103,500,000) for which a deferred tax asset has been recognised in 2016 (December 2015: Deferred tax asset not recognised).

5. Jointly controlled entities

During the six months ended 31 December 2016 the jointly controlled entities, collectively called African Underground Mining Services (AUMS), generated equity accounted profits of A\$7,654,000 (six months ended 31 December 2015 \$8,509,000). In the six months ended 31 December 2016 the equity accounted profit included a realised exchange gain of A\$784,000 on a dividend paid (six months ended 31 December 2015 \$1,258,000).

African Underground Mining Services Ltd ("AUMS") Joint Venture paid a dividend to the Group during the six months to 31 December 2016 in the amount of US\$3,082,000 (A\$4,110,000). African Underground Mining Services Mali SARL (AUMSM) paid a dividend to the Group during the six months ended 31 December 2015 in the amount of EUR 5,591,000 (A\$8,816,000).

Barmenco Holdings Pty Limited

Notes to the unaudited interim consolidated financial statements (continued)

For the six months ended 31 December 2016

6. Property, plant and equipment

Additions and disposals

During the six months ended 31 December 2016 additions to property, plant and equipment totalled \$58,421,000 (six months ended 31 December 2015: \$27,658,000). The book value of disposals during the quarter was \$1,345,000 (six months ended 31 December 2015: \$935,000).

During the six month period additions using finance leases were \$44,161,000 (six months ended 31 December 2015: Nil) which are a non-cash item. These are included in the additions to property, plant and equipment of \$58,421,000 above.

7. Derivative Financial Instruments

31 Dec 2016 \$'000	30 Jun 2016 \$'000
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Non-current asset

Cross currency interest rate swap contract cash flow hedge	6,586	-
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Non-current liability

Cross currency interest rate swap contract cash flow hedge	-	5,419
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The Group entered into cross currency interest rate swaps in May 2013 for a notional principal of US\$485,000,000 maturing on 1 June 2018. During the six month period ended 31 December 2015, the swaps were reset as management took the opportunity to extract value from the swaps and repurchased 49,710,000 of issued US dollar bonds. In the six month period ended 31 December 2016, management used existing cash reserves to repurchase 6,500,000 of the issued US dollar Bonds.

The swaps were reset three times during the 2016 year to match the reduction in Bond principle and interest repayments and once in the six month period to 31 December 2016. The swaps remain fixed interest to fixed interest United States dollar/Australian dollar swaps under which the Group receives a United States dollar fixed interest payment and pays an Australian dollar fixed interest payment, with interest settled on 1 June and 1 December each year respectively until maturity. On maturity the Group will receive US\$299,733,000 and pay A\$404,948,000 in final settlement of the swaps.

The reset swaps have been re-designated for cash flow hedge accounting against the remaining High Yield Bonds and remain a highly effective hedge of exchange exposure.

Barmenco Holdings Pty Limited

Notes to the unaudited interim consolidated financial statements (continued)

For the six months ended 31 December 2016

8. Borrowings	Note							
		Currency	Nominal interest rate	Year of maturity	31 Dec 2016		30 Jun 2016	
					Current \$'000	Non-current \$'000	Current \$'000	Non-current \$'000
High Yield Bonds	(a)	USD	9%	2018	-	416,180	-	411,493
Shareholder loans	(c)	AUD	0%	2026	-	10,000	-	10,000
Finance lease liabilities	(b)	AUD	4.53%	2017 - 2019	13,311	25,318	5,144	6,072
					13,311	451,498	5,144	427,565
Capitalised borrowings costs		AUD			(2,497)	(1,368)	(2,552)	(2,346)
Total interest bearing liabilities					10,814	450,130	2,592	425,219

(a) High Yield Bonds

The High Yield Bonds relate to the senior notes issued on 20 May 2013 for the issue price of US\$485,000,000 and due for repayment 1 June 2018. During the six months to December 2016, the Group repurchased 6,500,000 (six months to 31 December 2015: 49,710,000) of the issued notes, with notes remaining on issue of US\$299,733,000 (31 December 2015: US\$336,333,000). The terms of the remaining notes remain unchanged. The notes which were issued by Barmenco Finance Pty Ltd are unsecured and have been guaranteed by Barmenco Holdings Pty Limited and Barmenco Limited. Under the terms of the notes issue, interest is payable on 1 June and 1 December. The High Yield Bonds are quoted on the Singapore Stock Exchange.

(b) Finance lease liabilities

Lease liabilities are effectively secured, as the rights to the leased assets which are recognised in the financial statements revert to the lessor in the event of a default. Included as Finance lease liabilities are net amounts owing to the East Kundana Joint Venture (EKJV). Under the terms of the underground mining services project awarded to the Group on 1 July 2016, the Group acquired the use of fixed assets amounting to \$17.9 million on rental over a period of three years. The liability is netted off against amounts receivable from EKJV amounting to \$7.3 million.

(c) Shareholder loan notes

Capitalised interest of 14% was accrued on the Shareholder loan notes balance annually on 30 August each year. In June 2016, the Shareholder Loan Note Deed Poll was amended and interest ceased to be accrued from 29 June 2016. Consequently, the liability was reduced by discounting the loan and the difference (net of the tax effect) between the nominal value of the loan (\$19.172 million) and the discounted value (\$10 million) was transferred to an Interest Free Loan Reserve. A cost of debt at 7.5% per annum was used to discount the loan to its fair value. The Shareholder loan notes mature on 1 May 2026.

Barmenco Holdings Pty Limited

Notes to the unaudited interim consolidated financial statements (continued)

For the six months ended 31 December 2016

9. Segment reporting

The Group has identified its operating segments based on the internal reports that are reviewed and used by the CEO in assessing performance and in determining the allocation of resources.

Management has determined that the nature of the company's services and products are the same across the whole business. The same equipment is acquired from the same suppliers in order to perform similar services contracted by the respective clients. The same types of equipment are used, and the same processes are applied as they relate to each underground mine. Additionally, the company's customers are involved in the same industry and several customer sites are operated under common client ownership. Accordingly, management believes there is only the single segment.

a) Geographical information

In presenting information on the basis of geographical information, revenue is based on the geographical location of customers. Assets are based on the geographical location of the assets.

	6 Months Ended 31 Dec 2016	31 Dec 2016	6 Months Ended 31 Dec 2015	30 Jun 2016
	Revenue/ Other income	Non-current assets	Revenue/ Other income	Non-current assets
	\$'000	\$'000	\$'000	\$'000
Australia	258,614	487,428	231,881	450,341
India	850	461	-	-
Egypt	33,119	3,203	31,740	4,025
Africa – AUMS Joint Venture	-	71,634	-	69,517
	292,583	562,726	263,621	523,883

b) Major customers

Revenues from the Group's 5 major customers represented A\$226 million of the Group's total revenues for the six months ended 31 December 2016.

Barmingo Holdings Pty Limited

Notes to the unaudited interim consolidated financial statements (continued)

For the six months ended 31 December 2016

10. Related parties

a) Director transactions

(i) *Mr P M Bartlett - Director of Barmingo Holdings*

Bremerton Pty Ltd (an entity controlled by Mr Bartlett), has redeemable preference shares, the accumulated interest as at 31 December 2016 was \$78,428,234 (30 June 2016: \$78,428,234). In June 2016, the terms of the Redeemable Preference Shares were amended and interest ceased to accrue from 29 June 2016.

Bremerton has a loan note and as at 31 December 2016 the accumulated interest was \$13,156,908 (30 June 2016: \$13,156,908). In June 2016, the terms of the Loan Note were amended and interest ceased to accrue from 29 June 2016.

A consultancy agreement between Peter Bartlett and the Group provides for a consultancy fee. Costs incurred during the period: \$166,667 (six months to 31 December 2015 : \$166,667).

The Group provided mining services to Gordon Sirdar, a mine controlled by Peter Bartlett. Revenues for the six months to 31 December 2016 were \$2,566,170 (six months to 31 December 2015: Nil). At 31 December 2016, \$532,093 was owed by Gordon Sirdar to the Group (31st December 2015: Nil). The mining services contract was terminated during the period.

Hahn Electrical Contracting Pty Ltd ("Hahn") supplies Barmingo with electrical labour hire and electrical consumables under an ongoing agreement and provides electrical services on an order basis. Peter Bartlett has a 49% interest in Hahn. Costs incurred during the period: \$6,969,835 (six months to 31 December 2015: \$4,663,801).

The Group has a contract with Peter Bartlett for the lease of the property located at 390 Stirling Crescent Hazelmere, Western Australia. Costs incurred during the six month period to 31 December 2016: \$954,869 (six months to 31 December 2015: \$1,375,662).

(ii) *Existing Gresham Investors*

Gresham Investors hold redeemable preference shares. The accumulated interest as at 31 December 2016 was \$183,074,153 (30 June 2016: \$183,074,153). In June 2016, the terms of the Redeemable Preference Shares were amended and interest ceased to accrue from 29 June 2016.

A consultancy agreement between Gresham Private Equity Limited and the Group allows for consultancy fees. Costs incurred during the period: \$333,333 (six months to 31 December 2015: \$333,333).

b) Other related party transactions

AUMS Joint Ventures

The Group has a 50% interest in the AUMS Joint Ventures. At 31 December 2016 a subsidiary of the Group has related party trade debtors of \$960,978 (30 June 2016: \$578,806).

11. Subsidiaries

There has been no change to existing subsidiaries since the last annual report. New subsidiaries were established during the period to conduct business in India. Barmingo Indian Underground Mining Services LLP is a limited liability partnership and was established in India during the period to provide mining services. Barmingo India Holdings Pty Ltd and Barmingo India Investments Ltd are equal joint partners in Barmingo Indian Underground Mining Services LLP.

Barmenco Holdings Pty Limited

Notes to the unaudited interim consolidated financial statements (continued)

For the six months ended 31 December 2016

12. Subsequent events

There have been no matters or significant events that have arisen since 31 December 2016 that have or may significantly affect the operations, results, or state of affairs of the Group.