

BARMINCO HOLDINGS PTY LIMITED

ABN 85 126 398 276

Unaudited condensed consolidated interim financial statements

For the quarter ended 30 September 2014

Barmenco Holdings Pty Limited

Unaudited condensed consolidated interim financial statements

For the quarter ended 30 September 2014

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Note: All "\$" amounts refer to Australian dollars unless otherwise indicated

Barmenco Holdings Pty Limited

Unaudited condensed consolidated interim statement of comprehensive income For the quarter ended 30 September 2014

		Qtr Ended 30 Sept 2014 \$'000	Qtr Ended 30 Sept 2013 \$'000
	Notes		
Revenue		120,459	141,364
Other income		408	161
Consumables used		(37,896)	(44,612)
Employee benefits expense		(52,689)	(63,067)
Contractor and consultant expenses		(3,528)	(3,677)
Depreciation of property, plant & equipment		(13,299)	(15,711)
Amortisation of intangible assets		(254)	(256)
Other expenses		(4,941)	(2,449)
Results from operating activities		8,260	11,753
Share of profit from equity accounted investments		(665)	2,309
Net financing costs		(27,484)	(26,773)
Profit/(loss) before income tax		(19,889)	(12,711)
Income tax expense	4	(274)	(651)
Profit/(loss) for the period attributable to equity holders of the Company		(20,163)	(13,362)
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		1,207	168
Foreign currency translation differences – foreign operations		2,217	367
Other comprehensive income/(loss) for the period, net of tax		3,424	535
Total comprehensive income/(loss) attributable to equity holders of the Company		(16,739)	(12,827)
		Cents	Cents
Earnings/(Loss) per share			
Basic and diluted earnings/(loss) per share		(336.9)	(258.1)

The above interim consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Barmenco Holdings Pty Limited

Unaudited condensed consolidated interim statement of financial position

As at 30 September 2014

		30 Sept 2014 \$'000	30 June 2014 \$'000
	Notes		
ASSETS			
Cash and cash equivalents		116,234	95,818
Trade and other receivables		49,748	56,819
Inventories		23,180	24,187
Prepayments		3,390	4,785
Total current assets		192,552	181,609
Other non-current assets		10,218	8,110
Investments accounted for using the equity method		69,125	67,574
Derivative financial instruments	6	57,575	15,410
Property, plant and equipment	5	118,270	123,112
Intangibles		259,998	260,252
Deferred tax asset	4	840	853
Total non-current assets		516,026	475,311
TOTAL ASSETS		708,578	656,920
LIABILITIES			
Trade and other payables		68,147	49,052
Borrowings	7	2,288	5,345
Employee benefits		26,684	27,255
Provisions		99	74
Current tax liabilities		783	528
Total current liabilities		98,001	82,254
Borrowings	7	875,964	823,295
Employee benefits		2,198	2,217
Total non-current liabilities		878,162	825,512
TOTAL LIABILITIES		976,163	907,766
NET LIABILITIES		(267,585)	(250,846)
EQUITY			
Contributed equity		4,719	4,719
Reserves		(3,530)	(6,954)
Accumulated losses		(268,774)	(248,611)
TOTAL EQUITY		(267,585)	(250,846)

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

Barmenco Holdings Pty Limited

Unaudited condensed consolidated interim statement of cash flows

For the quarter ended 30 September 2014

	Qtr Ended 30 Sept 2014 \$'000	Qtr Ended 30 Sept 2013 \$'000
Cash flows from operating activities		
Receipts from customers	138,294	181,833
Payments to suppliers and employees	(104,686)	(137,869)
Interest received	516	796
Interest paid	(844)	(1,885)
Income taxes received/(paid)	(5)	(195)
Net cash inflow from operating activities	33,275	42,680
Cash flows from investing activities		
Payments for property, plant and equipment	(7,775)	(14,034)
Proceeds from sale of property, plant and equipment	1,328	680
Net cash outflow from investing activities	(6,447)	(13,354)
Cash flows from financing activities		
Loans for issue of shares	(1,780)	-
Finance lease payments	(4,432)	(7,814)
Payments for transaction costs relating to loans and borrowings	(200)	-
Net cash inflow/(outflow) from financing activities	(6,412)	(7,814)
Net increase in cash and cash equivalents	20,416	21,512
Cash and cash equivalents at beginning of the period	95,818	106,591
Cash and cash equivalents at end of the period	116,234	128,103

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

Barmenco Holdings Pty Limited

Unaudited condensed consolidated interim statement of changes in equity

For the quarter ended 30 September 2014

	Contributed Equity \$'000	Hedging Reserve \$'000	Foreign Currency Translation Reserve \$'000	Accumulated Losses \$'000	Total Equity \$'000
Balance at 1 July 2014	4,719	(11,726)	4,772	(248,611)	(250,846)
Total comprehensive income/(loss) for the period					
Profit/(loss) for the period	-	-	-	(20,163)	(20,163)
Other comprehensive income/(loss)					
Changes in the fair value of cash flow hedges, net of tax	-	1,207	-	-	1,207
Changes in the foreign exchange translation reserve	-	-	2,217	-	2,217
Total other comprehensive income/(loss)	-	1,207	2,217	-	3,424
Total comprehensive income/(loss) for the period	-	1,207	2,217	(20,163)	(16,739)
Balance at 30 September 2014	4,719	(10,519)	6,989	(268,774)	(267,585)

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

Barmenco Holdings Pty Limited

Unaudited condensed consolidated interim statement of changes in equity

For the quarter ended 30 September 2013

	Contributed Equity \$'000	Hedging Reserve \$'000	Foreign Currency Translation Reserve \$'000	Accumulated Losses \$'000	Total Equity \$'000
Balance at 1 July 2013	4,720	(4,035)	4,874	(190,071)	(184,512)
Total comprehensive income/(loss) for the period					
Profit/(loss) for the period	-	-	-	(13,362)	(13,362)
Other comprehensive income/(loss)					
Changes in the fair value of cash flow hedges, net of tax	-	168	-	-	168
Changes in the foreign exchange translation reserve	-	-	367	-	367
Total other comprehensive income/(loss)	-	168	367	-	535
Total comprehensive income/(loss) for the period	-	168	367	(13,362)	(12,827)
Balance at 30 September 2013	4,720	(3,867)	5,241	(203,433)	(197,339)

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

Barmenco Holdings Pty Limited

Notes to the condensed consolidated interim financial statements

For the quarter ended 30 September 2014

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Barmenco Holdings Pty Limited

Notes to the condensed consolidated interim financial statements (continued)

For the quarter ended 30 September 2014

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, Egypt, and West Africa.

The interim financial statements of the Company for the quarter ended 30 September 2014 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 2014.

b) Critical accounting judgements and estimates

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 2014.

3. Significant accounting policies

The significant accounting policies that have been used in the preparation of these consolidated interim financial statements are summarised below.

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 2014, except in relation to the matters discussed below. The relevant amendments and their effects on the current period or prior periods are described below.

a) Change in accounting policy

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 30 June 2014, but have not been applied in preparing this interim financial report.

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 2016 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.

Barmenco Holdings Pty Limited

Notes to the condensed consolidated interim financial statements (continued)

For the quarter ended 30 September 2014

4. Income tax

30 Sept 2014 \$'000	30 June 2014 \$'000
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a) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect on the following items:

Tax losses (gross)	170,475	166,645
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A deferred tax asset has not been recognised as at 30 September 2014 because it is not probable that future taxable profit will be available against which the Group can utilise the benefit of those losses. The Group reviews evidence of the recoverability of these tax losses at each reporting date and additional evidence indicating recoverability may result in recognition at a future reporting date.

The availability of these carried forward tax losses to offset profits in future years depends on the Group's continued ability to satisfy the requirements under Australian tax law.

5. Property, plant and equipment

a) Additions and disposals

During the quarter additions to property, plant and equipment totalled \$9,377,000 (quarter ended 30 September 2013 \$17,590,000). The book value of disposals during the quarter was \$1,328,000 (quarter ended 30 September 2013 \$680,000).

During the quarter there were \$1,602,000 of additions using finance leases, which are a non-cash item (quarter ended 30 September 2013 \$3,556,000).

30 Sept 2014 \$'000	30 June 2014 \$'000
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6. Derivative financial instruments

Non-current asset

Cross currency interest rate swap contract cash flow hedge	57,575	15,410
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In connection with the issuance of US\$485 million aggregate principal amount of 9.00% Senior Notes due 2018 (the "Senior Notes") in May 2013, the Group entered into cross currency interest rate swaps with various parties for a notional principal of US\$485 million maturing on 1 June 2018. The swaps are for 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 interest payment, with interest settled on 1 June and 1 December each year respectively until maturity. On maturity the Group will receive US\$485,000,000 and pay A\$487,780,000 in final settlement of the swaps.

Barmenco Holdings Pty Limited

Notes to the condensed consolidated interim financial statements (continued)

For the quarter ended 30 September 2014

7. Borrowings	Note							
			Nominal	Year of	30 Sept 2014		30 June 2014	
		Currency	interest rate	maturity	Current	Non-current	Current	Non-current
					\$'000	\$'000	\$'000	\$'000
Senior Notes	(d)	USD	9.00%	2018	-	555,874	-	514,917
Shareholder loans	(b)	AUD	14.00%	2019	-	15,240	-	14,752
Redeemable preference shares	(c)	AUD	14.00%	2019	-	311,396	-	301,418
Finance lease liabilities	(a)	AUD	9.01%	2014 - 2018	6,369	4,326	9,426	4,100
					6,369	886,836	9,426	835,187
Capitalised borrowings costs		AUD			(4,081)	(10,872)	(4,081)	(11,892)
Total interest bearing liabilities					2,288	875,964	5,345	823,295

a) 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.

b) Shareholder loan notes

Capitalised interest of 14% is added to the Shareholder loan notes balance annually on the 30th August each year. The Shareholder loan notes mature on 31 January 2019 and are subordinated to the Senior Notes.

c) Redeemable preference shares

Redeemable preference shares (RPS) are on issue at \$1 each with an interest rate of 14% compounded annually and unpaid interest is capitalised to the RPS balance. The RPS's are subordinated to the Senior Notes.

d) Senior Notes

The Senior Notes are unsecured and mature on 1 June 2018. The Senior Notes were issued by Barmenco Finance Pty Limited and have been guaranteed by Barmenco Holdings Pty Limited and several of its subsidiaries. Interest is payable on 1 June and 1 December of each year. In connection with the issuance of the Senior Notes, the Group entered into a cross-currency swap. Refer to Note 6.

Barmenco Holdings Pty Limited

Notes to the condensed consolidated interim financial statements (continued)

For the quarter ended 30 September 2014

8. Related parties

a) Director transactions

(i) Mr P M Bartlett - Director of Barmenco Holdings

Bremerton Pty Ltd (an entity controlled by Mr Bartlett), has redeemable preference shares, the accumulated interest as at 30 September 2014 was \$55,000,488 (30 September 2013: \$44,116,927).

Bremerton has a loan note and as at 30 September 2014 the accumulated interest was \$9,225,361 (30 September 2013: \$7,353,738).

Peter Bartlett and his associated entities have an interest in Ausdrill Ltd which in turn have a subsidiary which operates the Miners Rest Hotel. Barmenco business with the Miners Rest Hotel has diminished with the completion of a nearby mining contract last year. Costs incurred for the period \$143,584 (30 September 2013: \$22,139).

A consultancy agreement between Peter Bartlett and the Group provides for a consultancy fee. Costs incurred during the period: \$83,250.

Hahn Electrical Contracting Pty Ltd ("Hahn") 49% interest, costs incurred during the period: \$2,605,474 (30 September 2013: \$2,823,255).

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 period: \$640,717 (30 September 2013: \$569,272).

(ii) Existing Gresham Investors

Gresham Investors hold redeemable preference shares. The accumulated interest as at 30 September 2014 was \$128,395,444 (30 September 2013 \$102,988,399).

A consultancy agreement between Gresham Private Equity Limited and the Group allows for consultancy fees. Costs incurred during the period: \$166,667 (30 September 2013: \$166,667).

b) Other related party transactions

AUMS Joint Ventures

The Group has a 50% interest in the AUMS Joint Ventures. At 30 September 2014 a subsidiary of the Group has a related party receivable loan to AUMS of \$7,220,630 (US\$6,300,000), and related party trade debtors of \$526,090.

9. Segment reporting

The Group has identified its operating segments based on the internal reports that are reviewed and used by the CEO and CFO 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.

Barmenco Holdings Pty Limited

Notes to the condensed consolidated interim financial statements (continued)

For the quarter ended 30 September 2014

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.

	Qtr Ended 30 Sept 2014	As at 30 Sept 2014	Qtr Ended 30 Sept 2013	As at 30 June 2014
	Revenue/ Other income	Non-current assets	Revenue/ Other income	Non-current assets
	\$'000	\$'000	\$'000	\$'000
Australia	106,632	435,766	130,032	395,811
Africa	14,235	11,135	11,493	11,926
Africa - AUMS Joint Venture (50%)	-	69,125	-	67,574
	120,867	516,026	141,525	475,311

10. Subsequent events

There are no matters or significant events that have arisen since 30 September 2014 that have or may significantly affect the operations, results, or state of affairs of the Group.