

BARMINCO HOLDINGS PTY LIMITED

ABN 85 126 398 276

Unaudited condensed consolidated interim financial statements

For the 9 months ended 31 March 2016

Barmenco Holdings Pty Limited

Unaudited condensed consolidated interim financial statements

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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 9 months ended 31 March 2016

		9 Months Ended 31 Mar 2016 \$'000	9 Months Ended 31 Mar 2015 \$'000
	Notes		
Revenue		386,652	361,133
Other income		345	943
Consumables used		(120,526)	(111,391)
Employee benefits expense		(150,170)	(152,502)
Contractor and consultant expenses		(21,593)	(14,171)
Depreciation of property, plant & equipment		(37,273)	(39,141)
Amortisation of intangible assets		(432)	(762)
Other expenses		(17,730)	(13,612)
Results from operating activities		39,273	30,497
Share of profit from equity accounted investments	5	9,425	6,989
Net financing costs		(74,338)	(82,338)
Profit/(loss) before income tax		(25,640)	(44,852)
Income tax expense	4	(164)	(408)
Profit/(loss) for the period attributable to equity holders of the Company		(25,804)	(45,260)
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		(719)	(2,274)
Foreign currency translation differences – foreign operations		(494)	3,322
Other comprehensive income/(loss) for the period, net of tax		(1,213)	1,048
Total comprehensive income/(loss) attributable to equity holders of the Company		(27,017)	(44,212)
		Cents	Cents
Earnings/(loss) per share			
Basic and diluted earnings/(loss) per share		(517.0)	(885.8)

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 31 March 2016

		31 Mar 2016 \$'000	30 June 2015 \$'000
	Notes		
ASSETS			
Cash and cash equivalents		105,726	104,844
Trade and other receivables		55,094	57,473
Inventories		22,409	25,292
Prepayments		3,799	5,574
Total current assets		187,028	193,183
Other non-current assets		1,831	1,653
Investments accounted for using the equity method	5	67,457	67,342
Derivative financial instruments	7	-	10,545
Property, plant and equipment	6	112,649	114,456
Intangibles		258,803	259,235
Deferred tax asset	4	667	765
Total non-current assets		441,407	453,996
TOTAL ASSETS		628,435	647,179
LIABILITIES			
Trade and other payables		72,630	53,959
Borrowings	8	(141)	70
Employee benefits		27,588	28,783
Provisions		155	20
Current tax liabilities		-	-
Total current liabilities		100,232	82,832
Borrowings	8	828,909	860,932
Derivative financial instruments	7	23,354	-
Employee benefits		2,268	2,726
Total non-current liabilities		854,531	863,658
TOTAL LIABILITIES		954,763	946,490
NET LIABILITIES		(326,328)	(299,311)
EQUITY			
Contributed equity		4,722	4,722
Reserves		(3,580)	(2,367)
Accumulated losses		(327,470)	(301,666)
TOTAL EQUITY		(326,328)	(299,311)

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 9 months ended 31 March 2016

	9 Months Ended 31 Mar 2016 \$'000	9 Months Ended 31 Mar 2015 \$'000
Cash flows from operating activities		
Receipts from customers	428,240	393,228
Payments to suppliers and employees	(340,590)	(314,190)
Interest received	1,991	1,967
Interest paid	(27,924)	(34,487)
Income taxes received/(paid)	(67)	(783)
Net cash inflow from operating activities	61,650	45,735
Cash flows from investing activities		
Payments for property, plant and equipment	(36,206)	(31,025)
Proceeds from sale of property, plant and equipment	1,085	5,819
Dividends received from joint venture entities	8,816	-
Net cash outflow from investing activities	(26,305)	(25,206)
Cash flows from financing activities		
Proceeds from reset of cross currency interest rate swaps	32,867	119,417
Repayment of loans from Joint Ventures	-	6,689
Loans to key management LTI scheme	(230)	(1,781)
Finance lease payments	(2,518)	(9,072)
Repurchase of senior notes	(64,578)	(119,417)
Payments for transaction costs relating to loans and borrowings	-	(200)
Net cash outflow from financing activities	(34,459)	(4,364)
Net increase in cash and cash equivalents	886	16,165
Effect of exchange rate fluctuations on cash held	(4)	-
Cash and cash equivalents at beginning of the period	104,844	95,818
Cash and cash equivalents at end of the period	105,726	111,983

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 9 months ended 31 March 2016

	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/(loss) for the period						
Profit/(loss) for the period					(25,804)	(25,804)
Other comprehensive income/(loss)						
Changes in the fair value of cash flow hedges, net of tax	-	(719)	-	-	-	(719)
Changes in the foreign exchange translation reserve	-	-	(494)	-	-	(494)
Total other comprehensive income/(loss)	-	(719)	(494)	-	-	(1,213)
Total comprehensive income/(loss) for the period	-	(719)	(494)	-	(25,804)	(27,017)
Transactions with owners of the Company						
Ordinary shares allotted	-	-	-	-	-	-
Total transactions with owners of the Company	-	-	-	-	-	-
Balance at 31 March 2016	4,722	(11,061)	7,094	387	(327,470)	(326,328)

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 9 months ended 31 March 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 2014	4,719	(11,726)	4,772	-	(248,611)	(250,846)
Total comprehensive income/(loss) for the period						
Profit/(loss) for the period	-	-	-	-	(45,260)	(45,260)
Other comprehensive income/(loss)						
Changes in the fair value of cash flow hedges, net of tax	-	(2,274)	-	-	-	(2,274)
Changes in the foreign exchange translation reserve	-	-	3,322	-	-	3,322
Changes in the legal reserve	-	-	-	387	(387)	-
Total other comprehensive income/(loss)	-	(2,274)	3,322	387	(387)	1,048
Total comprehensive income/(loss) for the period	-	(2,274)	3,322	387	(45,647)	(44,212)
Transactions with owners of the Company						
Repurchase of ordinary shares	3	-	-	-	-	3
Total transactions with owners of the Company	3	-	-	-	-	3
Balance at 31 March 2015	4,722	(14,000)	8,094	387	(294,258)	(295,055)

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

Barmenco Holdings Pty Limited

Notes to the condensed consolidated interim financial statements

For the 9 months ended 31 March 2016

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Barmenco Holdings Pty Limited

Notes to the condensed consolidated interim financial statements (continued) For the 9 months ended 31 March 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, Egypt, and West Africa.

The interim financial statements of the Company for the nine months ended 31 March 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 2015.

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 2015.

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 2015, except in relation to the matters discussed below. The relevant amendments and their effects on the current period or prior periods are described below.

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 1 July 2015, but have not been applied in preparing this 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 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.

Barmenco Holdings Pty Limited

Notes to the condensed consolidated interim financial statements (continued) For the 9 months ended 31 March 2016

- 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 standard permits modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application, i.e. without restating the comparative period. The Group will only need to apply the new rules to contracts that are not completed as of the date of initial application. The Group has not yet determined the potential effect of the standard and has chosen not to early adopt.

4. Income tax

31 Mar 2016 \$'000	30 June 2015 \$'000
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Unrecognised deferred tax assets

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

Tax losses (gross)	135,285	94,695
Other deferred tax assets (gross)	114,549	108,028
Total unrecognised deferred tax assets (gross)	249,834	202,723

A deferred tax asset has not been recognised for the Australian tax group as at 31 March 2016 because it is not considered probable that future taxable profit will be available against which the Group can utilise the benefit of these 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.

During July 2015 the Group's CCIRS swaps were reset in order to extract value from the swaps and repurchase High Yield Bonds. The gains and proceeds from the swaps are assessable for income tax immediately on reset. High yield bonds were also repurchased in October 2015 and February 2016. Movement in the carrying value of the high yield bonds has created a temporary difference of \$99 million for which no deferred tax asset has been recognised.

The income tax expense and deferred tax asset in the financial statements relates to the Group's Egyptian subsidiary.

5. Jointly controlled entities

During the nine month period the jointly controlled entities, collectively called African Underground Mining Services (AUMS), generated equity accounted profits of A\$9,425,000 (nine months ended 31 March 2015 \$6,989,000). The equity accounted profit includes a realised exchange gain of A\$1,258,000 on a dividend paid during the September quarter.

African Underground Mining Services Mali SARL (AUMSM) paid a dividend to the Group during the September quarter in the amount of EUR 5,591,000 (A\$8,816,000).

Barmenco Holdings Pty Limited

Notes to the condensed consolidated interim financial statements (continued) For the 9 months ended 31 March 2016

6. Property, plant and equipment

Additions and disposals

During the nine month period, additions to property, plant and equipment totalled \$36,206,000 (nine months ended 31 March 2015 \$33,451,000). The net book value of disposals during the period was \$740,000 (nine months ended 31 March 2015 \$5,819,000).

During the nine month period there were no new additions using finance leases, which are a non-cash item (nine months ended 31 March 2015 \$2,426,000).

7. Derivative financial instruments

31 Mar 2016 \$'000	30 June 2015 \$'000
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Non-current asset

Cross currency interest rate swap contract cash flow hedge	-	10,545
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Non-current liability

Cross currency interest rate swap contract cash flow hedge	23,354	-
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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 previous financial year the swaps were reset as management took the opportunity to extract value from the swaps and repurchased 98,957,000 of issued US dollar bonds. At 30 June 2015 the notional principle of the swap was US\$386,043,000 and A\$487,781,000 in final settlement of the swaps.

During the quarter the group repurchased high yield bonds with a face value of US\$4,000,000. For the nine months ended 31 March 2016 the Group has now repurchased high yield bonds with a face value of US\$53,710,000. The amount required to settle the principle repayment of the Bonds in May 2018 is US\$332,333,000. The swap terms were amended to match the reduction in Bond principle and interest repayments. On maturity the Group will receive US\$332,333,000 and pay A\$448,992,000 in final settlement. The Group will benefit from the amendment to the swap terms in the form of lower Australian dollar fixed interest paid into the swaps and the final settlement amount at maturity has been reduced by A\$38,788,000.

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.

The reset and amended swaps have been re-designated for cash flow hedge accounting against the remaining high yield bonds and remain as a highly effective hedge of exchange exposure.

Barmenco Holdings Pty Limited

Notes to the condensed consolidated interim financial statements (continued)

For the 9 months ended 31 March 2016

8. Borrowings	Note	Currency	Nominal interest rate	Year of maturity	31 March 2016		30 June 2015	
					Current \$'000	Non-current \$'000	Current \$'000	Non-current \$'000
High Yield Bonds	(a)	USD	9.00%	2018	-	433,346	-	504,302
Shareholder loans	(c)	AUD	14.00%	2019	-	18,579	-	16,817
Redeemable preference shares	(d)	AUD	14.00%	2019	-	379,624	-	343,617
Finance lease liabilities	(b)	AUD	9.01%	2014 - 2018	2,632	595	3,316	2,428
					2,632	832,144	3,316	867,164
Capitalised borrowings costs		AUD			(2,773)	(3,235)	(3,246)	(6,232)
Total interest bearing liabilities					(141)	828,909	70	860,932

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 nine month period ended 31 March 2016 the Group has repurchased 53,710,000 of the issued notes, with notes remaining on issue of US\$332,333,000. 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.

c) Shareholder loan notes

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

d) Redeemable preference shares

Redeemable preference shares (RPS) were issued on 31 August 2007 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 High Yield Bonds.

Barmenco Holdings Pty Limited

Notes to the condensed consolidated interim financial statements (continued) For the 9 months ended 31 March 2016

9. 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 31 March 2016 was \$75,243,256 (31 March 2015: \$61,268,748).

Bremerton has a loan note and as at 31 March 2016 the accumulated interest was \$12,564,195 (31 March 2015: \$10,276,762).

Peter Bartlett and his associated entities have an interest in Ausdrill Ltd which in turn has a subsidiary which operates the Miners Rest Hotel. There have been no transactions with the Miners Rest Hotel during the period (31 March 2015: \$160,922).

A consultancy agreement between Peter Bartlett and the Group provides for a consultancy fee. Costs incurred during the period: \$250,000 (31 March 2015: \$250,000).

Hahn Electrical Contracting Pty Ltd ("Hahn") 49% interest, costs incurred during the period: \$6,418,623 (31 March 2015: \$8,513,843).

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: \$1,658,949 (31 March 2015: \$1,670,863).

(ii) *Existing Gresham Investors*

Gresham Investors hold redeemable preference shares. The accumulated interest as at 31 March 2016 was \$175,651,005 (31 March 2015: \$143,028,332).

A consultancy agreement between Gresham Private Equity Limited and the Group allows for consultancy fees. Costs incurred during the period: \$500,000 (31 March 2015: \$500,000).

b) Other related party transactions

AUMS Joint Ventures

The Group has a 50% interest in the AUMS Joint Ventures. At 31 March 2016 a subsidiary of the Group has related party trade debtors of \$698,319 (31 March 2015: \$277,444).

10. Segment reporting

The Group has identified its operating segments based on the internal reports that are reviewed and used by the CEO, CFO and COO 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 9 months ended 31 March 2016

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.

	9 Months Ended 31 Mar 2016	As at 31 Mar 2016	9 Months Ended 31 Mar 2015	As at 30 June 2015
	Revenue/ Other income	Non-current assets	Revenue/ Other income	Non-current assets
	\$'000	\$'000	\$'000	\$'000
Australia	342,751	366,484	318,818	375,709
Africa	44,247	7,467	43,258	10,945
Africa - AUMS Joint Venture (50%)	-	67,457	-	67,342
	386,998	441,408	362,076	453,996

11. Subsequent events

Subsequent to the end of the reporting period, Barmenco has demobilised from its Renison operation in Tasmania. The client has transitioned the mine to owner operator at the conclusion of the existing contract which ended 30 April 2016.

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