

BARMINCO HOLDINGS PTY LIMITED

ABN 85 126 398 276

Unaudited condensed consolidated interim financial statements

For the half year ended 31 December 2014

Barmenco Holdings Pty Limited

Unaudited condensed consolidated interim financial statements

For the half year ended 31 December 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 half year ended 31 December 2014

		Half Year Ended 31 Dec 2014 \$'000	Half Year Ended 31 Dec 2013 \$'000
	Notes		
Revenue		237,266	284,977
Other income		445	721
Consumables used		(75,006)	(91,742)
Employee benefits expense		(101,368)	(124,440)
Contractor and consultant expenses		(6,859)	(7,743)
Depreciation of property, plant & equipment		(25,793)	(33,110)
Amortisation of intangible assets		(508)	(512)
Other expenses		(9,942)	(6,309)
Results from operating activities		18,235	21,842
Share of profit from equity accounted investments		2,431	5,705
Net financing costs		(54,324)	(53,639)
Profit/(loss) before income tax		(33,658)	(26,092)
Income tax expense	4	(272)	(1,171)
Profit/(loss) for the period attributable to equity holders of the Company		(33,930)	(27,263)
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		(3,347)	6,947
Foreign currency translation differences – foreign operations		1,419	4,753
Other comprehensive income/(loss) for the period, net of tax		(1,928)	11,700
Total comprehensive income/(loss) attributable to equity holders of the Company		(35,858)	(15,563)
		Cents	Cents
Earnings/(Loss) per share			
Basic and diluted earnings/(loss) per share		(721.6)	(313.2)

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 December 2014

		31 Dec 2014 \$'000	30 June 2014 \$'000
Notes			
ASSETS			
	Cash and cash equivalents	109,799	95,818
	Trade and other receivables	41,748	56,819
	Inventories	24,615	24,187
	Prepayments	5,030	4,785
	Total current assets	181,192	181,609
	Other non-current assets	2,458	8,110
	Investments accounted for using the equity method	71,423	67,574
6	Derivative financial instruments	53,695	15,410
5	Property, plant and equipment	110,768	123,112
	Intangibles	259,744	260,252
4	Deferred tax asset	834	853
	Total non-current assets	498,922	475,311
	TOTAL ASSETS	680,114	656,920
LIABILITIES			
	Trade and other payables	51,810	49,052
7	Borrowings	513	5,345
	Employee benefits	26,088	27,255
	Provisions	104	74
	Current tax liabilities	3	528
	Total current liabilities	78,518	82,254
7	Borrowings	886,031	823,295
	Employee benefits	2,269	2,217
	Total non-current liabilities	888,300	825,512
	TOTAL LIABILITIES	966,818	907,766
	NET LIABILITIES	(286,704)	(250,846)
EQUITY			
	Contributed equity	4,719	4,719
	Reserves	(8,882)	(6,954)
	Accumulated losses	(282,541)	(248,611)
	TOTAL EQUITY	(286,704)	(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 half year ended 31 December 2014

	Half Year Ended 31 Dec 2014 \$'000	Half Year Ended 31 Dec 2013 \$'000
Cash flows from operating activities		
Receipts from customers	273,882	341,104
Payments to suppliers and employees	(214,510)	(255,562)
Interest received	1,205	1,676
Interest paid	(32,298)	(35,555)
Income taxes received/(paid)	(778)	(1,889)
Net cash inflow from operating activities	27,501	49,774
Cash flows from investing activities		
Payments for property, plant and equipment	(13,536)	(23,758)
Proceeds from sale of property, plant and equipment	2,780	3,364
Repayment of loans from Joint Ventures	6,689	-
Net cash outflow from investing activities	(4,067)	(20,394)
Cash flows from financing activities		
Proceeds from settlement of cross currency interest rate swaps	41,493	-
Loans for issue of shares	(1,781)	-
Finance lease payments	(7,472)	(14,790)
Repurchase of Senior Notes	(41,493)	-
Payments for transaction costs relating to loans and borrowings	(200)	-
Net cash outflow from financing activities	(9,453)	(14,790)
Net increase in cash and cash equivalents	13,981	14,590
Cash and cash equivalents at beginning of the period	95,818	106,591
Cash and cash equivalents at end of the period	109,799	121,181

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 half year ended 31 December 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				(33,930)	(33,930)
Other comprehensive income/(loss)					
Changes in the fair value of cash flow hedges, net of tax		(3,347)			(3,347)
Changes in the foreign exchange translation reserve			1,419		1,419
Total other comprehensive income/(loss)	-	(3,347)	1,419	-	(1,928)
Total comprehensive income/(loss) for the period	-	(3,347)	1,419	(33,930)	(35,858)
Balance at 31 December 2014	4,719	(15,073)	6,191	(282,541)	(286,704)

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 half year ended 31 December 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	-	-	-	(27,263)	(27,263)
Other comprehensive income/(loss)					
Changes in the fair value of cash flow hedges, net of tax	-	6,947	-	-	6,947
Changes in the foreign exchange translation reserve	-	-	4,753	-	4,753
Total other comprehensive income/(loss)	-	6,947	4,753	-	11,700
Total comprehensive income/(loss) for the period	-	6,947	4,753	(27,263)	(15,563)
Balance at 31 December 2013	4,720	2,912	9,627	(217,334)	(200,075)

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 half year ended 31 December 2014

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Barmenco Holdings Pty Limited

Notes to the condensed consolidated interim financial statements (continued)

For the half year ended 31 December 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 half year ended 31 December 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 2015, 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 2015 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 half year ended 31 December 2014

4. Income tax

31 Dec	30 June
2014	2014
\$'000	\$'000

a) Unrecognised deferred tax assets

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

Tax losses (gross)	144,484	166,645
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A deferred tax asset has not been recognised as at 31 December 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 six month period additions to property, plant and equipment totalled \$15,785,000 (six months ended 31 December 2013 \$30,359,000). The book value of disposals during the period was \$2,780,000 (six months ended 31 December 2013 \$3,364,000).

During the six month period there were \$2,249,000 of additions using finance leases, which are a non-cash item (six month period ended 31 December 2013 \$6,601,000).

31 Dec	30 June
2014	2014
\$'000	\$'000

6. Derivative financial instruments

Non-current asset

Cross currency interest rate swap contract cash flow hedge	53,695	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. In December 2014 Barmenco successfully repurchased US\$36.9 million in aggregate principal, reducing the value of the debt to US\$448.1 million. Following the repurchase the swap was effectively reset. 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\$448,099,000 and pay A\$487,780,000 in final settlement of the swaps. The US leg of the swap is unchanged at receive 9%. The effect of the reset has resulted in an annual interest saving of A\$2.7 million for the remainder of the bond/swap term.

Barmenco Holdings Pty Limited

Notes to the condensed consolidated interim financial statements (continued)

For the half year ended 31 December 2014

7. Borrowings	Note							
			Nominal	Year of	31 Dec 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	-	553,088	-	514,917
Shareholder loans	(b)	AUD	14.00%	2019	-	15,772	-	14,752
Redeemable preference shares	(c)	AUD	14.00%	2019	-	322,252	-	301,418
Finance lease liabilities	(a)	AUD	9.01%	2014 - 2018	4,283	4,019	9,426	4,100
					4,283	895,131	9,426	835,187
Capitalised borrowings costs		AUD			(3,770)	(9,100)	(4,081)	(11,892)
Total interest bearing liabilities					513	886,031	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 half year ended 31 December 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 31 December 2014 was \$58,169,059 (31 December 2013: \$46,913,827).

Bremerton has a loan note and as at 31 December 2014 the accumulated interest was \$9,756,839 (31 December 2013: \$7,819,946).

Peter Bartlett and his associated entities have an interest in Ausdrill Ltd which in turn have a subsidiary which operates the Miners Rest Hotel. Costs incurred for the period \$160,922 (31 December 2013: \$22,139).

A consultancy agreement between Peter Bartlett and the Group provides for a consultancy fee. Costs incurred during the period: \$166,667 (31 December 2013: \$166,667).

Hahn Electrical Contracting Pty Ltd ("Hahn") 49% interest, costs incurred during the period: \$5,070,929 (31 December 2013: \$6,536,296).

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: \$1,141,881 (31 December 2013: \$1,049,935).

(ii) Existing Gresham Investors

Gresham Investors hold redeemable preference shares. The accumulated interest as at 31 December 2014 was \$135,792,288 (31 December 2013 \$109,517,600).

A consultancy agreement between Gresham Private Equity Limited and the Group allows for consultancy fees. Costs incurred during the period: \$333,333 (31 December 2013: \$333,333).

b) Other related party transactions

AUMS Joint Ventures

The Group has a 50% interest in the AUMS Joint Ventures. At 31 December 2014 a subsidiary of the Group has a related party receivable loan to AUMS of \$Nil (31 December 2013 \$7,100,191 (US\$6,300,000)), and related party trade debtors of \$578,416 (31 December 2013: \$427,913).

9. 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 half year ended 31 December 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.

	Half Year Ended 31 Dec 2014	As at 31 Dec 2014	Half Year Ended 31 Dec 2013	As at 30 June 2014
	Revenue/ Other income	Non-current assets	Revenue/ Other income	Non-current assets
	\$'000	\$'000	\$'000	\$'000
Australia	209,409	416,281	262,697	395,811
Africa	28,302	11,218	23,001	11,926
Africa - AUMS Joint Venture (50%)	-	71,423	-	67,574
	237,711	498,922	285,698	475,311

10. Subsequent events

Shortly after period end, Barmenco entered into two privately negotiated transactions to repurchase US \$62 million of its outstanding 9.00% Senior Notes. These transactions settled on January 15, 2015 and February 6, 2015 (US time) and all repurchased notes were effectively cancelled. The repurchases were funded through unwinding a cross-currency swap, meaning no existing cash reserves were used, and will provide an additional annual saving in cash interest of A\$3.7 million.

Other than the above, there are no matters or significant events that have arisen since 31 December 2014 that have or may significantly affect the operations, results, or state of affairs of the Group.