

BARMINCO HOLDINGS PTY LIMITED

ABN 85 126 398 276

Unaudited Interim Financial Statements

For the half year ended 31 December 2019

Barmenco Holdings Pty Limited
Interim Financial Statements
For the half year ended 31 December 2019

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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 2019

		6 Months Ended 31 Dec 2019	6 Months Ended 31 Dec 2018
	Notes	\$'000	\$'000
Revenue		356,495	319,266
Other income		30	234
Consumables used		(111,031)	(99,992)
Employee benefits expense		(137,727)	(123,430)
Contractor and consultant expenses		(18,793)	(17,299)
Depreciation of property, plant and equipment		(34,015)	(28,654)
Amortisation of intangible assets		(389)	(936)
Other expenses	3	(25,601)	(28,284)
Share of profit from equity accounted investments, net of tax	4	24,471	15,997
Finance income		235	376
Financing costs		(24,091)	(21,240)
Profit before income tax		29,584	16,038
Income tax expense		(5,144)	(49,311)
Profit/(loss) for the period attributable to equity holders of the Company		24,440	(33,273)
Other comprehensive income/(loss)			
<i>Items that may be reclassified to profit or loss</i>			
Changes in the fair value of cash flow hedges, net of tax		-	3,858
Hedge reserve reclassified to profit or loss, net of tax		2,622	-
Foreign currency translation differences – foreign operations		(1,068)	3,389
Other comprehensive income/(loss) for period, net of tax		1,554	7,247
Total comprehensive income/(loss) attributable to equity holders of the Company		25,994	(26,026)
		\$	\$
Earnings per share			
Basic and diluted earnings per share		4.9	(6.7)

Note: 31 Dec 2018 statement of profit or loss was amended to reinstate Intangibles.

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

Barminco Holdings Pty Limited

Unaudited condensed interim consolidated statement of financial position as at 31 December 2019

	Notes	31 Dec 2019 \$'000	30 June 2019 \$'000
ASSETS			
Cash and cash equivalents		69,573	73,260
Trade and other receivables		86,718	96,919
Inventories		24,619	24,562
Prepayments		5,344	4,635
Total current assets		186,254	199,376
Investments accounted for using the equity method	4	108,460	84,977
Property, plant and equipment		159,661	161,670
Right of use assets		26,129	-
Intangibles		256,388	256,575
Deferred tax asset		12,273	14,028
Other non-current assets		-	225
Total non-current assets		562,911	517,475
TOTAL ASSETS		749,165	716,851
LIABILITIES			
Trade and other payables		76,354	86,942
Borrowings	6	5,383	5,174
Employee benefits		30,968	29,626
Provisions		115	119
Total current liabilities		112,820	121,861
Borrowings	6	521,058	505,811
Employee benefits		894	780
Total non-current liabilities		521,952	506,591
TOTAL LIABILITIES		634,772	628,452
NET ASSETS		114,393	88,399
EQUITY			
Contributed equity		394,662	394,662
Reserves		8,599	7,045
Accumulated losses		(288,868)	(313,308)
TOTAL EQUITY		114,393	88,399

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 2019

	Notes	6 Months Ended 31 Dec 2019 \$'000	6 Months Ended 31 Dec 2018 \$'000
Cash flows from operating activities			
Receipts from customers		383,400	347,859
Payments to suppliers and employees		(332,500)	(293,713)
Interest received		235	376
Interest paid		(18,121)	(20,036)
Income taxes paid		(2,068)	(928)
Net cash inflow from operating activities		30,946	33,558
Cash flows from investing activities			
Payments for property, plant and equipment and intangibles		(38,652)	(48,195)
Proceeds from sale of property, plant and equipment		130	589
Dividends received from joint venture entities	7	9,876	5,189
Net cash outflow from investing activities		(28,646)	(42,417)
Cash flows from financing activities			
Transaction Costs		-	(15,352)
Finance lease payments		(6,054)	(7,953)
Net cash outflow from financing activities		(6,054)	(23,305)
Net (decrease)/increase in cash and cash equivalents		(3,754)	(32,164)
Cash and cash equivalents at beginning of the period		73,260	80,288
Effect of exchange rate fluctuations on cash held		68	(60)
Cash and cash equivalents at end of the period		69,573	48,064

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 2019

	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 2019	4,722	389,940	394,662	(15,296)	12,755	6,421	3,165	(313,308)	88,399
Total comprehensive income for the period									
Profit/(loss) for the period	-	-	-	-	-	-	-	24,440	24,440
Other comprehensive income/(loss)									
Hedge reserve reclassified to profit or loss, net of tax	-	-	-	2,622	-	-	-	-	2,622
Changes in the foreign exchange translation reserve	-	-	-	-	(1,068)	-	-	-	(1,068)
Total other comprehensive income/(loss)	-	-	-	2,622	(1,068)	-	-	-	1,554
Total comprehensive income/(loss) for the period	-	-	-	2,662	(1,068)	-	-	24,440	25,994
Transactions with owners of the Company	-	-	-	-	-	-	-	-	-
Balance at 31 December 2019	4,722	389,940	394,662	(12,674)	11,687	6,421	3,165	(288,868)	114,393

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 2018

	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 2018	4,722	389,940	394,662	(13,010)	8,077	6,421	2,604	(304,532)	94,222
Total comprehensive income for the period									
Profit/(loss) for the period	-	-	-	-	-	-	-	(33,273)	(33,273)
Other comprehensive income/(loss)									
Changes in the fair value of cash flow hedges, net of tax	-	-	-	3,858	-	-	-	-	3,858
Changes in the foreign exchange translation reserve	-	-	-	-	3,389	-	-	-	3,389
Total other comprehensive income/(loss)	-	-	-	3,858	3,389	-	-	-	7,247
Total comprehensive income/(loss) for the period	-	-	-	3,858	3,389	-	-	(33,273)	(26,026)
Transactions with owners of the Company									
Changes in the legal reserve	-	-	-	-	-	-	561	(561)	-
Total transactions with owners of the Company	-	-	-	-	-	-	561	(561)	-
Balance at 31 December 2018	4,722	389,940	394,662	(9,152)	11,466	6,421	3,165	(338,366)	68,196

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 2019

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 2019

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, acquired by Perenti Global Limited (“Perenti”) in October 2018.

The address of the Company’s registered office is Level 2, 202 Pier Street, Perth, Western Australia, 6000. The Group is a for profit entity and is primarily involved in underground mining services including development and production mining in Australia, India, Canada, Egypt, Tanzania and West Africa. The West African and Tanzanian businesses are carried on through several jointly controlled entities referred to as African Underground Mining Services “AUMS”.

The interim financial statements of the Company for the six months ended 31 December 2019 comprises the Company and its subsidiaries (the “Group”) and the Group’s interest in joint arrangements.

2. Basis of preparation of half-year report

(a) Statement of compliance

The interim financial statements are general purpose financial statements prepared in accordance with AASB 134 Interim Financial Reporting.

They do not include all the information required for a complete set of annual 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 2019.

The Company is of a kind referred to in Instrument 2016/191 issued by the Australian Securities and Investments Commission, relating to the “rounding off” of amounts in the financial statements. Amounts in the financial statement have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(b) Critical accounting judgements and estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. In preparing the consolidated interim financial statements the significant judgements made by the Group in applying the Group’s accounting policies and the key sources of estimation uncertainty were consistent with those applied to the consolidated financial statements for the year ended 30 June 2019.

(c) Significant Accounting Policies

Except as noted below, the accounting policies applied in these interim financial statements are the same as those applied in the consolidated annual financial statements as at and for the year ended 30 June 2019.

New or amended Accounting Standards and Interpretations adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the group had to change its accounting policies as a result of adopting AASB 16 Leases.

The impact of the adoption of the leasing standard and the new accounting policies are disclosed below. The other standards did not have any impact on the group’s accounting policies and did not require retrospective adjustments. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Adoption of AASB 16

The Group has adopted AASB 16 from 1 July 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

Barmenco Holdings Pty Limited

Notes to the unaudited interim consolidated financial statements (continued)

For the six months ended 31 December 2019

Adjustments recognised on adoption of AASB 16

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 July 2019. The weighted average Group's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 7.04%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date. No remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	31 Dec 2019 \$'000	1 July 2019 \$'000
Properties	8,027	9,086
Equipment	18,102	17,714
Total right-of-use assets	26,129	26,800

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

- property, plant and equipment - decrease by \$17.7 million
- right-of-use assets - increase by \$26.8 million
- finance lease liabilities - decreased by \$7.8 million
- lease liabilities - increase by \$16.9 million

There was no impact on retained earnings on 1 July 2019.

Practical expedients applied

In applying AASB 16 for the first time, the group has used the following practical expedients permitted by the standard:

- right-of-use assets have been recognised equal to the net present value of the lease liabilities, adjusted for the amount of any prepaid or accrued lease payment;
 - the group has chosen not to separate contracts into lease and non-lease components;
 - the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
 - reliance on previous assessments on whether leases are onerous;
 - the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
 - the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease.

Barmenco Holdings Pty Limited

Notes to the unaudited interim consolidated financial statements (continued)

For the six months ended 31 December 2019

3. Other expenses

	31 Dec 2019 \$'000	31 Dec 2018 \$'000
Lease expense (out of AASB 16 scope)	(4,048)	(4,811)
Freight	(5,777)	(4,698)
Travel and accommodation	(4,854)	(3,100)
Transaction costs	(1,640)	(8,943)
Insurance	(925)	(648)
IT and communications	(2,535)	(1,856)
Training	(1,516)	(502)
Foreign exchange gain/(loss), net	189	(153)
Other	(4,495)	(3,573)
	(25,601)	(28,284)

4. Jointly controlled entities

For the purpose of the credit group, Barmenco Holdings Pty Limited has the following investments in jointly controlled entities:

Name of entity	Country of incorporation	Principal activities	Ownership 31 Dec 2019 %	Ownership 30 June 2019 %
African Underground Mining Services Ltd ("AUMS") Joint Venture	Ghana	Mining services	50	50
African Underground Mining Services Mali SARL ("AUMSM") Joint Venture	Mali	Mining services	50	50
African Underground Mining Services Burkina Faso SARL ("AUMSB") Joint Venture	Burkina Faso	Mining services	50	50
AUMS (T) Limited ("AUMST") Joint Venture	Tanzania	Mining services	50	50
Underground Mining Alliance Limited ("UMA") Joint Venture	Ghana	Mining Services	35	35

The investments in AUMS are accounted for using the equity method in accordance with AASB 128. During the six months ended 31 December 2019 the jointly controlled entities, collectively called African Underground Mining Services (AUMS), generated equity accounted profits of A\$24,471,000 (six months ended 31 December 2018 A\$15,997,000).

AUMSB paid a dividend to the Group during the six months to 31 December 2019 in the amount of CFA 4,000,000,000 (A\$9,876,000). AUMST paid a dividend to the Group during the six months to 31 December 2018 in the amount of US\$3,750,000 (A\$5,189,000).

Underground Mining Alliance Limited is a 70/30 joint venture between AUMS and Rocksure International, a Ghanaian mining contractor.

Barmenco Holdings Pty Limited

Notes to the unaudited interim consolidated financial statements (continued)

For the six months ended 31 December 2019

5. Property, plant and equipment

Additions and disposals

During the six months ended 31 December 2019 additions to property, plant and equipment totalled \$49,136,000 (six months ended 31 December 2018: \$48,195,000). The book value of disposals during the six months ended 31 December 2019 was \$100,000 (six months ended 31 December 2018: \$354,000).

During the six month period additions using finance leases were \$10,484,000 (six months ended 31 December 2018: \$Nil).

Barmenco Holdings Pty Limited

Notes to the unaudited interim consolidated financial statements (continued)

For the six months ended 31 December 2019

6. Borrowings	Note	Currency	Nominal interest rate	Year of maturity	31 Dec 2019		30 Jun 2019	
					Current \$'000	Non-current \$'000	Current \$'000	Non-current \$'000
High Yield Bond 2022	(a)	USD	6.63%	2022	-	498,818	-	498,481
Shareholder loans	(c)	AUD	0%	2026	-	11,989	-	11,556
Finance lease liabilities	(b)	AUD	5.9%	2018 - 2020	-	-	7,542	215
Lease liabilities	(b)	AUD	5.9%-7.0%	2018 - 2036	7,753	13,533	-	-
					7,753	524,340	7,542	510,252
Capitalised borrowings costs – High Yield Bonds		AUD			(2,370)	(3,282)	(2,368)	(4,441)
Total interest bearing liabilities					5,383	521,058	5,174	505,811

(a) High Yield Bonds

The 2022 High Yield Bonds relate to the senior notes issued on 26 April 2017 for the total issue price of US\$350,000,000 and due for repayment 15 May 2022. The 2022 notes were issued by Barmenco Finance Pty Ltd are secured and have been guaranteed by Barmenco Holdings Pty Limited, Barmenco Finance Pty Limited, Barmenco Limited, Barmenco AUMS Holdings Pty Limited, Barmenco India Investments Pty Limited and Barmenco India Holdings Pty Limited. Under the terms of the notes issued, interest is payable on 15 May and 15 November. The High Yield Bonds are quoted on the Singapore Stock Exchange.

(b) Lease liabilities

The Group has adopted AASB 16 Leases from 1 July 2019, refer to note 2(c) for further detail. Lease liabilities may be secured by the specific assets under lease.

(c) Shareholder loan notes

In June 2016, the Shareholder Loan Deed Poll was amended and annual interest of 14% 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 (\$19.2 million) and the discounted value (\$10.0 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 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 2019

7. Segment reporting

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

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 2019	31 Dec 2019	6 Months Ended 31 Dec 2018	30 Jun 2019
	Revenue/ Other income	Non-current assets	Revenue/ Other income	Non-current assets
	\$'000	\$'000	\$'000	\$'000
Australia	299,084	435,100	269,719	417,550
Africa	43,892	18,902	40,999	14,492
India	11,888	449	8,782	456
Canada	1,661	-	-	-
Africa – AUMS Joint Venture	-	108,460	-	84,977
	356,525	562,911	319,500	517,475

8. Subsidiaries

There has been no change to existing subsidiaries since the last annual report.

9. Subsequent events

On 30 January 2020, the Group announced that it had been selected as preferred contractor by Panoramic Resources at the Savannah Project in the Kimberley. The contract is worth approximately \$200 million over a three-year term, with work expected to commence in March 2020.

No other matters or significant events that have arisen since 31 December 2019 that have or may significantly affect the operations, results, or state of affairs of the Group.