

BARMINCO HOLDINGS PTY LIMITED

ABN 85 126 398 276

Unaudited Interim Financial Statements

For the period ended 30 September 2019

Barmenco Holdings Pty Limited

Unaudited condensed interim consolidated financial statements

For the three months ended 30 September 2019

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Barmenco Holdings Pty Limited

Unaudited condensed interim consolidated statement of profit or loss and other comprehensive income For the three months ended 30 September 2019

		Qtr Ended 30 Sept 2019 \$'000	Qtr Ended 30 Sept 2018 \$'000
	Notes		
Revenue		179,244	159,266
Other income		-	207
Consumables used		(57,532)	(51,054)
Employee benefits expense		(68,552)	(61,046)
Contractor and consultant expenses		(9,007)	(9,094)
Depreciation of property, plant and equipment		(17,162)	(14,000)
Amortisation of intangible assets		(195)	(192)
Other expenses	3	(12,203)	(10,947)
Share of profit from equity accounted investments, net of tax	4	11,362	7,443
Finance income		136	209
Financing costs		(12,053)	(11,043)
Profit before income tax		14,038	9,749
Income tax expense		(333)	463
(Loss)/profit for the period attributable to equity holders of the Company		13,705	10,212
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		-	(152)
Hedge reserve reclassified to profit or loss, net of tax		1,311	-
Foreign currency translation differences – foreign operations		(1,889)	2,000
Other comprehensive income/(loss) for period, net of tax		(578)	1,848
Total comprehensive (loss)/income attributable to equity holders of the Company		13,127	12,060
		\$	\$
Earnings per share			
Basic and diluted earnings per share		2.7	2.0

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 30 September 2019

	Notes	30 Sept 2019 \$'000	30 June 2019 \$'000
ASSETS			
Cash and cash equivalents		73,840	73,260
Trade and other receivables		99,961	96,919
Inventories		25,601	24,562
Prepayments		4,350	4,635
Total current assets		203,752	199,376
Investments accounted for using the equity method	4	98,411	84,977
Property, plant and equipment		166,440	161,670
Right of use assets		8,529	-
Intangibles		266,678	256,575
Deferred tax asset		20,655	14,028
Other non-current assets		30	225
Total non-current assets		560,743	517,475
TOTAL ASSETS		764,495	716,851
LIABILITIES			
Trade and other payables		93,662	86,942
Borrowings	6	3,982	5,174
Employee benefits		31,042	29,626
Provisions		73	119
Total current liabilities		128,759	121,861
Borrowings	6	533,200	505,811
Employee benefits		1,010	780
Total non-current liabilities		534,210	506,591
TOTAL LIABILITIES		662,969	628,452
NET ASSETS		101,526	88,399
EQUITY			
Contributed equity		394,662	394,662
Reserves		6,467	7,045
Accumulated losses		(299,603)	(313,308)
TOTAL EQUITY		101,526	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 three months ended 30 September 2019

	Notes	Qtr Ended 30 Sept 2019 \$'000	Qtr Ended 30 Sept 2018 \$'000
Cash flows from operating activities			
Receipts from customers		185,001	168,583
Payments to suppliers and employees		(162,925)	(148,960)
Interest received		136	209
Interest paid		(552)	(880)
Income taxes paid		(1,667)	-
Net cash inflow from operating activities		19,993	18,952
Cash flows from investing activities			
Payments for property, plant and equipment and intangibles		(21,421)	(30,585)
Proceeds from sale of property, plant and equipment		47	539
Dividends received from joint venture entities	4	5,643	-
Net cash outflow from investing activities		(15,731)	(30,046)
Cash flows from financing activities			
Finance lease payments		(3,441)	(3,827)
Transaction costs		-	(2,072)
Net cash outflow from financing activities		(3,441)	(5,899)
Net decrease in cash and cash equivalents		821	(16,993)
Cash and cash equivalents at beginning of the period		73,260	80,288
Effect of exchange rate fluctuations on cash held		(241)	64
Cash and cash equivalents at end of the period		73,840	63,359

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 three months ended 30 September 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									
Loss for the period	-	-	-	-	-	-	-	13,705	13,705
Other comprehensive income/(loss)									
Hedge reserve reclassified to profit or loss, net of tax	-	-	-	1,311	-	-	-	-	1,311
Changes in the foreign exchange translation reserve	-	-	-	-	(1,889)	-	-	-	(1,889)
Total other comprehensive income/(loss)	-	-	-	1,311	(1,889)	-	-	-	(578)
Total comprehensive income/(loss) for the period	-	-	-	1,311	(1,889)	-	-	13,705	13,127
Transactions with owners of the Company	-	-	-	-	-	-	-	-	-
Balance at 30 September 2019	4,722	389,940	394,662	(13,985)	10,866	6,421	3,165	(299,603)	101,526

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 three months ended 30 September 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 for the period	-	-	-	-	-	-	-	10,211	10,211
Other comprehensive income/(loss)									
Changes in the fair value of cash flow hedges, net of tax	-	-	-	(152)	-	-	-	-	(152)
Changes in the foreign exchange translation reserve	-	-	-	-	2,000	-	-	-	2,000
Total other comprehensive income/(loss)	-	-	-	(152)	2,000	-	-	-	1,848
Total comprehensive income/(loss) for the period	-	-	-	(152)	2,000	-	-	10,211	12,059
Transactions with owners of the Company	-	-	-	-	-	-	-	-	-
Balance at 30 September 2018	4,722	389,940	394,662	(13,162)	10,077	6,421	2,604	(294,321)	106,281

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 three months ended 30 September 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 three months ended 30 September 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 Ausdrill Limited now trading as Perenti Global ("Perenti") in October 2018.

The address of the Company's registered office is 6-12 Uppsala Place, Canning Vale, Western Australia, 6155. The Group 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 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 three months ended 30 September 2019 comprises the Company and its subsidiaries (the "Group") and the Group's interest in joint arrangements.

2. Basis of preparation

(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.

(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

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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 Leases from 1 July 2019 and had to change its accounting policies and make retrospective adjustments as a result of adopting AASB 16 Leases.

The Group has adopted AASB 16 retrospectively 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 three months ended 30 September 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 lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 7.0%.

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.

	30 Sept 2019 \$'000
Operating lease commitments disclosed as at 30 June 2019	12,642
(Less): short-term and low-value leases recognised on a straight-line basis as expense	(460)
Discounted using the lessee's incremental borrowing rate of at the date of initial application	9,059
Add: finance lease liabilities recognised as at 30 June 2019	7,757
Lease liability recognised as at 1 July 2019	16,816
Of which are:	
Current lease liabilities	9,230
Non-current lease liabilities	7,586
	16,816

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other 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:

	30 Sept 2019 \$'000	1 July 2019 \$'000
Properties	8,515	9,044
Equipment	14	15
Total right-of-use assets	8,529	9,059

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

- right-of-use assets – increase by \$9,059
- lease liabilities – increase by \$9,059.

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

Barminco Holdings Pty Limited

Notes to the unaudited interim consolidated financial statements (continued)

For the three months ended 30 September 2019

Practical expedients applied

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

- 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 three months ended 30 September 2019

3. Other expenses

	Qtr Ended 30 Sept 2019 \$'000	Qtr Ended 30 Sept 2018 \$'000
Lease expense (out of AASB 16 scope)	(1,856)	(2,216)
Freight	(2,847)	(2,284)
Travel	(1,834)	(1,224)
Transaction costs (Ausdrill Limited acquisition)	(1,640)	(2,071)
Other	(4,026)	(3,152)
	(12,203)	(10,947)

4. Jointly controlled entities

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

Name of entity	Country of incorporation	Principal activities	Ownership 2020%	Ownership 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 quarter ended 30 September 2019 the jointly controlled entities, collectively called African Underground Mining Services (AUMS), generated equity accounted profits of A\$11,362,000 (quarter ended 30 September 2018 A\$7,443,000).

AUMSB paid a dividend to the Group during the quarter ended 30 September 2019 in the amount of CFA 2,286,000,000 (A\$5,643,000). No dividends were paid during the quarter ended 30 September 2018

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

5. Property, plant and equipment

Additions and disposals

During the quarter ended 30 September 2019 additions to property, plant and equipment totalled \$21,421,000 (quarter ended 30 September 2018: \$30,589,000). The book value of disposals during the quarter ended 30 September 2019 was \$44,000 (quarter ended 30 September 2018: \$333,000).

During the quarter additions using finance leases were \$Nil (quarter ended 30 September 2018: \$Nil) which are a non-cash item.

Barmenco Holdings Pty Limited

Notes to the unaudited interim consolidated financial statements (continued)

For the three months ended 30 September 2019

6. Borrowings	Note	Currency	Nominal interest rate	Year of maturity	30 Sept 2019		30 Jun 2019	
					Current \$'000	Non-current \$'000	Current \$'000	Non-current \$'000
High Yield Bond 2022	(a)	USD	6.63%	2022	-	518,519	-	498,481
Shareholder loans	(c)	AUD	0%	2026	-	11,773	-	11,556
Lease liabilities	(b)	AUD	5.9% - 7.0%	2018 - 2036	6,446	6,929	7,542	215
					6,446	537,221	7,542	510,252
Capitalised borrowings costs – High Yield Bonds		AUD			(2,464)	(4,021)	(2,368)	(4,441)
Total interest bearing liabilities					3,982	533,200	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

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

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 three months ended 30 September 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.

	Qtr Ended 30 Sept 2019	30 Sept 2019	Qtr Ended 30 Sept 2018	30 Jun 2019
	Revenue/ Other income	Non-current assets	Revenue/ Other income	Non-current assets
	\$'000	\$'000	\$'000	\$'000
Australia	151,853	445,428	135,563	417,550
Africa	22,281	16,479	20,598	14,492
India	5,110	425	3,312	456
Africa – AUMS Joint Venture	-	98,411	-	84,977
	179,244	560,743	159,473	517,475

8. Subsidiaries

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

9. Subsequent events

No matters or significant events that have arisen since 30 September 2019 that have or may significantly affect the operations, results, or state of affairs of the Group.