

Merredin Energy Holdings Pty Ltd and controlled entity

Half-Year Special Purpose Financial
report
(Unaudited)
For the half-year ended 31 December
2017

This half-year financial report is to be
read in conjunction with the financial
report for the year ended 30 June
2017.

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MERREDIN ENERGY HOLDINGS PTY LTD AND CONTROLLED ENTITY

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

	Note	December 2017 \$ '000	December 2016 \$ '000
Revenue and other income			
Revenue	2	4,866	4,953
Other revenue	2	2,447	16
Other income	2	-	1,499
	2	<u>7,313</u>	<u>6,468</u>
Less: expenses			
Materials and consumables used		(64)	(81)
Transmission expenses and fees		(307)	(447)
Consultancy and advisory expenses		(231)	(61)
Depreciation expense	3	(1,518)	(1,539)
Finance costs	3	(1,568)	(1,320)
Insurance expenses		(106)	(114)
Loss on fair value of derivatives	3	(406)	-
Management fees		(102)	(34)
Operations & maintenance		(453)	(583)
Other expenses		<u>(83)</u>	<u>(33)</u>
		<u>(4,838)</u>	<u>(4,212)</u>
Profit before income tax expense		2,475	2,256
Income tax expense	4	<u>(743)</u>	<u>(677)</u>
Net profit from continuing operations		<u>1,732</u>	<u>1,579</u>
Other comprehensive income for the period		<u>-</u>	<u>-</u>
Total comprehensive income		<u><u>1,732</u></u>	<u><u>1,579</u></u>

The accompanying notes form part of these financial statements.

MERREDIN ENERGY HOLDINGS PTY LTD AND CONTROLLED ENTITY
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	December 2017 \$ '000	June 2017 \$ '000
Current assets			
Cash and cash equivalents	5	1,962	1,162
Receivables	6	1,749	1,092
Inventories	7	1,041	1,057
Other assets	10	<u>180</u>	<u>106</u>
Total current assets		<u>4,932</u>	<u>3,417</u>
Non-current assets			
Property, plant and equipment	8	60,653	62,160
Intangible assets	9	561	561
Deferred tax assets	4	1,989	2,731
Other assets	10	<u>130</u>	<u>130</u>
Total non-current assets		<u>63,333</u>	<u>65,582</u>
Total assets		<u>68,265</u>	<u>68,999</u>
Current liabilities			
Payables	11	999	613
Borrowings	12	2,233	37,675
Other liabilities	13	<u>-</u>	<u>1,323</u>
Total current liabilities		<u>3,232</u>	<u>39,611</u>
Non-current liabilities			
Borrowings	12	39,380	2,037
Other liabilities	13	<u>-</u>	<u>3,430</u>
Total non-current liabilities		<u>39,380</u>	<u>5,467</u>
Total liabilities		<u>42,612</u>	<u>45,078</u>
Net assets		<u>25,653</u>	<u>23,921</u>
Equity			
Share capital	14	31,147	31,147
Accumulated losses	15	<u>(5,494)</u>	<u>(7,226)</u>
Total equity		<u>25,653</u>	<u>23,921</u>

The accompanying notes form part of these financial statements.

MERREDIN ENERGY HOLDINGS PTY LTD AND CONTROLLED ENTITY

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Share capital \$ '000	Accumulated losses \$ '000	Total equity \$ '000
Consolidated			
Balance as at 1 July 2016	31,147	(9,445)	21,702
Profit for the half-year	<u>-</u>	<u>1,579</u>	<u>1,579</u>
Total comprehensive income for the half-year	<u>-</u>	<u>1,579</u>	<u>1,579</u>
Balance as at 31 December 2016	<u>31,147</u>	<u>(7,866)</u>	<u>23,281</u>
Balance as at 1 July 2017	31,147	(7,226)	23,921
Profit for the half-year	<u>-</u>	<u>1,732</u>	<u>1,732</u>
Total comprehensive income for the half-year	<u>-</u>	<u>1,732</u>	<u>1,732</u>
Balance as at 31 December 2017	<u>31,147</u>	<u>(5,494)</u>	<u>25,653</u>

The accompanying notes form part of these financial statements.

MERREDIN ENERGY HOLDINGS PTY LTD AND CONTROLLED ENTITY

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	December 2017 \$ '000	December 2016 \$ '000
Cash flow from operating activities			
Receipts from customers		4,696	4,978
Payments to suppliers		(1,505)	(1,412)
Finance costs		(1,264)	(1,147)
Interest received		<u>8</u>	<u>16</u>
Net cash provided by operating activities		<u>1,935</u>	<u>2,435</u>
Cash flow from investing activities			
Payment for property, plant and equipment		(12)	-
Return of bond deposits on trust		<u>-</u>	<u>7</u>
Net cash (provided by) / used in investing activities		<u>(12)</u>	<u>7</u>
Cash flow from financing activities			
Proceeds from borrowings		44,000	-
Repayment of advance		-	(346)
Repayment of borrowings & derivatives		(42,362)	(2,049)
Borrowing costs		<u>(2,761)</u>	<u>-</u>
Net cash used in financing activities		<u>(1,123)</u>	<u>(2,395)</u>
Reconciliation of cash			
Cash at beginning of the half year		1,162	1,262
Net increase in cash held		<u>800</u>	<u>47</u>
Cash at end of the half year		<u>1,962</u>	<u>1,309</u>

The accompanying notes form part of these financial statements.

MERREDIN ENERGY HOLDINGS PTY LTD AND CONTROLLED ENTITY

NOTES TO FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This condensed consolidated half-year financial report does not include all the notes of the type usually included in an annual financial report.

The condensed consolidated half-year financial report covers Merredin Energy Holdings Pty Ltd and controlled entity ("the Group") as a consolidated entity. Merredin Energy Holdings Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Merredin Energy Holdings Pty Ltd is a for-profit entity for the purpose of preparing the financial statements.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2017. This condensed consolidated half-year financial report is a special purpose financial report prepared in order to satisfy the financial report preparation requirements of the Group's Note Trust Deed. The directors have determined that the Group is not a reporting entity.

The condensed half-year financial report was authorised for issue by the directors as at the date of the directors' declaration.

The following are the significant accounting policies adopted by the group in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the financial report

This condensed consolidated half-year financial report has been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting, and the Corporations Act 2001 as appropriate for for-profit entities. Compliance with AASB 134, as appropriate for for-profit entities, ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

The half-year financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

Unless otherwise stated, the accounting policies adopted are consistent with those of the previous reporting period.

MERREDIN ENERGY HOLDINGS PTY LTD AND CONTROLLED ENTITY

**NOTES TO FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Going concern

The consolidated half-year financial report has been prepared on a going concern basis.

In determining the basis for preparation of the financial report, the directors have reviewed the financial performance, future operating plans (including cashflow forecasts), financial position and existing finance facilities of the Group.

(c) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current half-year disclosures.

(d) Rounding of amounts

The parent entity and the consolidated entity have applied the relief available under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, the amounts in the consolidated financial statements and in the directors' report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar (where indicated).

(e) Adoption of new and amended accounting standards that are first operative

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which may be relevant to the Group. The Group has decided not to early adopt any of these new and amended pronouncements, and have not yet made an assessment of the impact of the new and amended Accounting Standards and Interpretations.

MERREDIN ENERGY HOLDINGS PTY LTD AND CONTROLLED ENTITY

NOTES TO FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	December 2017 \$ '000	December 2016 \$ '000
NOTE 2: REVENUE AND OTHER INCOME		
Reserve capacity credits	<u>4,866</u>	<u>4,953</u>
	4,866	4,953
Other revenue		
Interest Income	8	16
Non cash gain on writeback of advance interest	<u>2,439</u>	<u>-</u>
	<u>2,447</u>	<u>16</u>
Other Income		
Gain on fair value adjustments of derivatives	<u>-</u>	<u>1,499</u>
	<u>7,313</u>	<u>6,468</u>
NOTE 3: OPERATING PROFIT		
Profit before income tax has been determined after:		
Finance costs		
- Interest expense on term debt	1,056	1,146
- Amortisation of capitalised borrowing costs	<u>512</u>	<u>174</u>
	1,568	1,320
Depreciation	1,518	1,539
Loss on fair value adjustment of derivatives	406	-
NOTE 4: INCOME TAX		
(a) Components of tax expense		
Deferred tax	<u>743</u>	<u>677</u>
	<u>743</u>	<u>677</u>
(b) Prima facie tax payable		
The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:		
Prima facie income tax payable on profit before income tax at 30.0% (June 2017: 30.0%)	<u>743</u>	<u>677</u>
Income tax expense	<u>743</u>	<u>677</u>

MERREDIN ENERGY HOLDINGS PTY LTD AND CONTROLLED ENTITY

NOTES TO FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	December 2017 \$ '000	June 2017 \$ '000
NOTE 4: INCOME TAX (CONTINUED)		
(c) Deferred tax		
Deferred tax relates to the following:		
<i>Deferred tax assets</i>		
The balance comprises:		
Tax losses carried forward	3,292	2,643
Derivatives	-	1,426
Accruals	<u>2</u>	<u>-</u>
	<u>3,294</u>	<u>4,069</u>
<i>Deferred tax liabilities</i>		
The balance comprises:		
Property, plant and equipment	1,259	1,297
Other	<u>46</u>	<u>41</u>
Net deferred tax assets / (liabilities)	<u>1,989</u>	<u>2,731</u>
NOTE 5: CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	<u>1,962</u>	<u>1,162</u>
NOTE 6: RECEIVABLES		
CURRENT		
Trade receivables	1,518	1,092
Other receivables	<u>231</u>	<u>-</u>
	<u>1,749</u>	<u>1,092</u>
NOTE 7: INVENTORIES		
CURRENT		
<i>At net realisable value</i>		
Other inventories	<u>1,041</u>	<u>1,057</u>

MERREDIN ENERGY HOLDINGS PTY LTD AND CONTROLLED ENTITY

NOTES TO FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	December 2017 \$ '000	June 2017 \$ '000
NOTE 8: PROPERTY, PLANT AND EQUIPMENT		
Land and buildings		
At cost	<u>205</u>	<u>205</u>
Plant and equipment		
At cost	79,303	79,291
Less accumulated depreciation	<u>(18,855)</u>	<u>(17,336)</u>
	<u>60,448</u>	<u>61,955</u>
Total property, plant and equipment	<u><u>60,653</u></u>	<u><u>62,160</u></u>
NOTE 9: INTANGIBLE ASSETS		
Goodwill at cost	<u>561</u>	<u>561</u>
NOTE 10: OTHER ASSETS		
CURRENT		
Prepayments	<u>180</u>	<u>106</u>
NON CURRENT		
Bond deposits on trust	<u>130</u>	<u>130</u>
NOTE 11: PAYABLES		
CURRENT		
Trade payables	319	529
Sundry creditors and accruals	<u>680</u>	<u>84</u>
	<u>999</u>	<u>613</u>
NOTE 12: BORROWINGS		
CURRENT		
<i>Secured liabilities</i>		
Fixed rate amortising notes	(a) 2,233	-
Bank loans	<u>-</u>	<u>37,675</u>
	<u>2,233</u>	<u>37,675</u>

MERREDIN ENERGY HOLDINGS PTY LTD AND CONTROLLED ENTITY

NOTES TO FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

		December 2017 \$ '000	June 2017 \$ '000
NOTE 12: BORROWINGS (CONTINUED)			
NON CURRENT			
<i>Secured liabilities</i>			
Fixed rate amortising notes	(a)	39,380	-
Bank loans		<u>-</u>	<u>2,037</u>
		<u>39,380</u>	<u>2,037</u>

(a) Capitalised establishment fees

Included within Current Fixed rate amortising notes is \$0.47M of capitalised establishment fees that are being recognised over the term of the notes. The closing written down value as at 31 December 2017 is \$0.41M.

Included within Non-Current Fixed rate amortising notes is \$1.98M of capitalised establishment fees that are being recognised over the term of the notes.

NOTE 13: OTHER LIABILITIES

Other current liabilities	<u>-</u>	<u>1,323</u>
NON CURRENT		
Other non-current liabilities	<u>-</u>	<u>3,430</u>

NOTE 14: SHARE CAPITAL

Issued and paid-up capital		
-22,993,901 (2017: 22,993,901) Ordinary shares- fully paid	32,345	32,345
- Cost of equity	<u>(1,198)</u>	<u>(1,198)</u>
	<u>31,147</u>	<u>31,147</u>

NOTE 15: ACCUMULATED LOSSES

Accumulated losses at beginning of period	(7,226)	(9,445)
Net profit for the half-year	<u>1,732</u>	<u>2,219</u>
	<u>(5,494)</u>	<u>(7,226)</u>

MERREDIN ENERGY HOLDINGS PTY LTD AND CONTROLLED ENTITY

**NOTES TO FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

NOTE 16: ENTITY DETAILS

The registered office of the group is:

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