

Merredin Energy Holdings Pty Ltd and controlled entity

Half-Year Special Purpose Financial
report
(Unaudited)
For the half-year ended 31 December
2018

This half-year financial report is to be
read in conjunction with the financial
report for the year ended 30 June
2018.

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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 2018**

	Note	December 2018 \$ '000	December 2017 \$ '000
Revenue and other income			
Revenue	2	5,123	4,866
Other revenue	2	<u>13</u>	<u>2,447</u>
	2	<u>5,136</u>	<u>7,313</u>
Less: expenses			
Materials and consumables used		(42)	(64)
Transmission expenses and fees		(364)	(307)
Consultancy and advisory expenses		(146)	(231)
Depreciation expense	3	(1,502)	(1,518)
Finance costs	3	(1,817)	(1,568)
Insurance expenses		(105)	(106)
Loss on fair value of derivatives	3	-	(406)
Management fees		(141)	(102)
Operations & maintenance		(436)	(453)
Other expenses		<u>(100)</u>	<u>(83)</u>
		<u>(4,653)</u>	<u>(4,838)</u>
Profit before income tax expense		483	2,475
Income tax expense	4	<u>(133)</u>	<u>(743)</u>
Net profit from continuing operations		<u>350</u>	<u>1,732</u>
Other comprehensive income for the period		<u>-</u>	<u>-</u>
Total comprehensive income		<u><u>350</u></u>	<u><u>1,732</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 2018

	Note	December 2018 \$ '000	June 2018 \$ '000
Current assets			
Cash and cash equivalents	5	2,829	2,397
Receivables	6	1,761	1,431
Inventories	7	1,109	1,034
Other assets	10	<u>217</u>	<u>101</u>
Total current assets		<u>5,916</u>	<u>4,963</u>
Non-current assets			
Property, plant and equipment	8	57,730	59,193
Intangible assets	9	561	561
Deferred tax assets	4	1,699	1,832
Other assets	10	<u>130</u>	<u>130</u>
Total non-current assets		<u>60,120</u>	<u>61,716</u>
Total assets		<u>66,036</u>	<u>66,679</u>
Current liabilities			
Payables	11	712	626
Borrowings	12	<u>2,163</u>	<u>2,163</u>
Total current liabilities		<u>2,875</u>	<u>2,789</u>
Non-current liabilities			
Borrowings	12	<u>37,347</u>	<u>38,426</u>
Total non-current liabilities		<u>37,347</u>	<u>38,426</u>
Total liabilities		<u>40,222</u>	<u>41,215</u>
Net assets		<u>25,814</u>	<u>25,464</u>
Equity			
Share capital	13	31,147	31,147
Reserves	15	1,763	1,763
Accumulated losses	14	<u>(7,096)</u>	<u>(7,446)</u>
Total equity		<u>25,814</u>	<u>25,464</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 2018

	Share capital \$ '000	Reserves \$ '000	Accumulated losses \$ '000	Total equity \$ '000
Consolidated				
Balance as at 1 July 2017	31,147	-	(7,226)	23,921
Profit for the half-year	<u>-</u>	<u>-</u>	<u>1,732</u>	<u>1,732</u>
Total comprehensive income for the half-year	<u>-</u>	<u>-</u>	<u>1,732</u>	<u>1,732</u>
Balance as at 31 December 2017	<u>31,147</u>	<u>-</u>	<u>(5,494)</u>	<u>25,653</u>
Balance as at 1 July 2018	31,147	1,763	(7,446)	25,464
Profit for the half-year	<u>-</u>	<u>-</u>	<u>350</u>	<u>350</u>
Total comprehensive income for the half-year	<u>-</u>	<u>-</u>	<u>350</u>	<u>350</u>
Balance as at 31 December 2018	<u>31,147</u>	<u>1,763</u>	<u>(7,096)</u>	<u>25,814</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 2018

	December 2018 \$ '000	December 2017 \$ '000
Cash flow from operating activities		
Receipts from customers	5,338	4,696
Payments to suppliers	(1,983)	(1,505)
Finance costs	(1,577)	(1,264)
Interest received	<u>13</u>	<u>8</u>
Net cash provided by operating activities	<u>1,791</u>	<u>1,935</u>
Cash flow from investing activities		
Payment for property, plant and equipment	<u>(38)</u>	<u>(12)</u>
Net cash used in investing activities	<u>(38)</u>	<u>(12)</u>
Cash flow from financing activities		
Proceeds from borrowings	-	44,000
Repayment of borrowings & derivatives	(1,321)	(42,362)
Borrowing costs	<u>-</u>	<u>(2,761)</u>
Net cash used in financing activities	<u>(1,321)</u>	<u>(1,123)</u>
Reconciliation of cash		
Cash at beginning of the half year	2,397	1,162
Net increase in cash held	<u>432</u>	<u>800</u>
Cash at end of the half year	<u><u>2,829</u></u>	<u><u>1,962</u></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 2018

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 2018. 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

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 2018**

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).

MERREDIN ENERGY HOLDINGS PTY LTD AND CONTROLLED ENTITY

**NOTES TO FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	December 2018 \$ '000	December 2017 \$ '000
NOTE 2: REVENUE AND OTHER INCOME		
Reserve capacity credits	<u>5,123</u>	<u>4,866</u>
	5,123	4,866
Other revenue		
Interest Income	13	8
Non cash gain on writeback of advance interest	<u>-</u>	<u>2,439</u>
	<u>13</u>	<u>2,447</u>
	<u><u>5,136</u></u>	<u><u>7,313</u></u>

NOTE 3: OPERATING PROFIT

Profit before income tax has been determined after:

Finance costs		
- Interest expense on term debt	1,577	1,056
- Amortisation of capitalised borrowing costs	<u>240</u>	<u>512</u>
	1,817	1,568
Depreciation	1,502	1,518
Loss on fair value adjustment of derivatives	-	406

NOTE 4: INCOME TAX

(a) Components of tax expense

Deferred tax	<u>133</u>	<u>743</u>
	<u><u>133</u></u>	<u><u>743</u></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 27.5% (December 2017: 30.0%)	<u>133</u>	<u>743</u>
Income tax expense	<u><u>133</u></u>	<u><u>743</u></u>

MERREDIN ENERGY HOLDINGS PTY LTD AND CONTROLLED ENTITY

NOTES TO FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	December 2018 \$ '000	June 2018 \$ '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	2,836	2,995
Accruals	<u>6</u>	<u>5</u>
	<u>2,842</u>	<u>3,000</u>
<i>Deferred tax liabilities</i>		
The balance comprises:		
Property, plant and equipment	1,067	1,097
Other	<u>76</u>	<u>71</u>
	<u>1,143</u>	<u>1,168</u>
Net deferred tax assets	<u>1,699</u>	<u>1,832</u>
NOTE 5: CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	<u>2,829</u>	<u>2,397</u>
NOTE 6: RECEIVABLES		
CURRENT		
Trade receivables	1,649	1,321
Other receivables	<u>112</u>	<u>110</u>
	<u>1,761</u>	<u>1,431</u>
NOTE 7: INVENTORIES		
CURRENT		
<i>At net realisable value</i>		
Other inventories	<u>1,109</u>	<u>1,034</u>

MERREDIN ENERGY HOLDINGS PTY LTD AND CONTROLLED ENTITY

NOTES TO FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	December 2018 \$ '000	June 2018 \$ '000
NOTE 8: PROPERTY, PLANT AND EQUIPMENT		
Land and buildings		
At cost	<u>205</u>	<u>205</u>
Plant and equipment		
At cost	79,380	79,342
Less accumulated depreciation	<u>(21,855)</u>	<u>(20,354)</u>
	<u>57,525</u>	<u>58,988</u>
Total property, plant and equipment	<u><u>57,730</u></u>	<u><u>59,193</u></u>
NOTE 9: INTANGIBLE ASSETS		
Goodwill at cost	<u><u>561</u></u>	<u><u>561</u></u>
NOTE 10: OTHER ASSETS		
CURRENT		
Prepayments	<u><u>217</u></u>	<u><u>101</u></u>
NON CURRENT		
Bond deposits on trust	<u><u>130</u></u>	<u><u>130</u></u>
NOTE 11: PAYABLES		
CURRENT		
Trade creditors	324	226
Sundry creditors and accruals	<u>388</u>	<u>400</u>
	<u><u>712</u></u>	<u><u>626</u></u>
NOTE 12: BORROWINGS		
CURRENT		
<i>Secured liabilities</i>		
Fixed rate amortising notes	(a) <u><u>2,163</u></u>	<u><u>2,163</u></u>
NON CURRENT		
<i>Secured liabilities</i>		
Fixed rate amortising notes	(a) <u><u>37,347</u></u>	<u><u>38,426</u></u>

MERREDIN ENERGY HOLDINGS PTY LTD AND CONTROLLED ENTITY

**NOTES TO FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

December 2018 \$ '000	June 2018 \$ '000
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NOTE 12: BORROWINGS (CONTINUED)

(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.

Included within Non-Current Fixed rate amortising notes is \$1.37M of capitalised establishment fees that are being recognised over the term of the notes.

NOTE 13: SHARE CAPITAL

Issued and paid-up capital

-22,993,901 (2017: 22,993,901) Ordinary shares- fully paid	<u>31,147</u>	<u>31,147</u>
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NOTE 14: ACCUMULATED LOSSES

Accumulated losses at beginning of period	(7,446)	(7,226)
Net profit	350	1,543
Transfers to reserves	<u>-</u>	<u>(1,763)</u>
	<u>(7,096)</u>	<u>(7,446)</u>

NOTE 15: RESERVES

Profits reserve	<u>1,763</u>	<u>1,763</u>
	<u>1,763</u>	<u>1,763</u>

The profits reserve is used to record transfers of profits that would otherwise be offset against accumulated losses. The balance of the profits reserve is available for distribution as a dividend in future periods.

NOTE 16: ENTITY DETAILS

The registered office of the group is:

Merredin Energy Holdings Pty Ltd and Controlled Entity
C/- Pitcher Partners
Level 13, 664 Collins Street
Docklands, VIC, 3008

MERREDIN ENERGY HOLDINGS PTY LTD AND CONTROLLED ENTITY

DIRECTORS' DECLARATION

The directors of the company declare that:

1. In the directors' opinion, the financial statements and notes thereto, as set out on pages 1 - 10, are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
 - (b) as stated in Note 1, the consolidated financial statements also comply with *International Financial Reporting Standards*; and
 - (c) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2018 and its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director: _____

L.J. Ward.

Dated this 19th day of February 2019