



## Pacific Energy Limited (PEA)

22 009 191 744

### Appendix 4D – Half Year Report for six months ended 31 December 2014

#### 1. Details of reporting periods:

<b>Current reporting period</b>	: Six (6) months to 31 December 2014
<b>Previous corresponding period</b>	: Six (6) months to 31 December 2013

#### 2. Results for announcement to the market:

	Six Months 31 December 2014 \$'000	Six Months 31 December 2013 \$'000	% Change
Revenues	23,001	24,923	-8%
Profit after tax	5,347	6,987	-23%
Profit after tax attributable to members.	5,347	6,987	-23%
Adjusted profit after tax attributable to members. <sup>1</sup>	6,973	8,333	-16%

<sup>1</sup> Adjusted profit after tax equates to the reported net profit after tax pre non-cash amortisation charges, non-cash employee share and option expense, one-off CEO resignation payment and the related tax effect.

Commentary on the above figures is included in the accompanying ASX Announcement and the attached Interim Financial Report for the half year ended 31 December 2014.

Dividends / distributions	Amount per security (cents)	Franked amount per security (cents)	Amount \$'000	Amount per security of foreign sourced dividends (cents)	Record date	Date paid / payable
Interim dividend – current period	1.0	1.0	3,670	-	6/03/15	25/03/15
Interim dividend – previous period	1.0	1.0	3,670	-	26/02/14	12/03/14

This Appendix 4D Half Year Report is provided to the ASX under Listing Rule 4.3B and should be read in conjunction with the accompanying Interim Financial Report for the half year ended 31 December 2014.

**3. Statement of comprehensive income**

Refer to attached Interim Financial Report for the half year ended 31 December 2014.

**4. Statement of financial position**

Refer to attached Interim Financial Report for the half year ended 31 December 2014.

**5. Statement of cash flows**

Refer to attached Interim Financial Report for the half year ended 31 December 2014.

**6. Dividend payments**

The Company paid a final 30 June 2014 fully franked dividend of 1.5 cents per share, \$5.49 million on 24 September 2014 (2013: \$3.63 million).

**7. Dividend reinvestment plans**

Not applicable.

**8. Statement of changes in equity**

Refer to attached Interim Financial Report for the half year ended 31 December 2014.

**9. Net tangible assets per security**

	31 December 2014 Cents	30 June 2014 Cents
Net tangible assets per ordinary security	28.5	27.8

**10. Gain or loss of control over entities**

Refer to attached Interim Financial Report for the half year ended 31 December 2014.

**11. Associates and joint ventures**

Not applicable.

**12. Other significant information**

Not applicable.

**13. Foreign entities**

Not applicable.

**14. Status of audit**

The Interim Financial Report for the half year ended 31 December 2014 has been audit reviewed and is not subject to dispute or qualification.



**PACIFIC ENERGY LIMITED**  
ABN 22 009 191 744

**INTERIM FINANCIAL REPORT  
FOR THE HALF YEAR ENDED  
31 DECEMBER 2014**

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**Directors**

Mr M Cliff Lawrenson  
Non-Executive Chairman

Mr Adam H Boyd  
Chief Executive Officer & Managing Director

Mr Kenneth J Hall  
Executive Director

Mr A Stuart Foster  
Non-Executive Director

Mr Louis I Rozman  
Non-Executive Director

Mr Gregory A Dick  
Alternate Director for Mr Louis I Rozman

**Company Secretary**

Ms Adela Ciupryk

**Registered & Principal Office**

338 Gnangara Road  
LANDSDALE WA 6065  
AUSTRALIA

Telephone: +61 8 9303 8888  
Facsimile: +61 8 9303 8899  
Email: [info@pacificenergy.com.au](mailto:info@pacificenergy.com.au)  
Website: [www.pacificenergy.com.au](http://www.pacificenergy.com.au)  
[www.kps.com.au](http://www.kps.com.au)

**Postal Address**

PO Box 5  
KINGSWAY WA 6065  
AUSTRALIA

**Share Registry**

Computershare Investor Services Pty Limited  
GPO Box 2975  
MELBOURNE VIC 3001  
AUSTRALIA

Telephone: 1300 850 505 (within Australia)  
+61 3 9415 4000 (outside Australia)  
Facsimile: +61 3 9473 2500

**Auditor**

Crowe Horwath Perth  
Level 6, 256 St Georges Terrace  
PERTH WA 6000  
AUSTRALIA

**Bankers**

Australian & New Zealand Banking Group Limited  
77 St Georges Terrace  
PERTH WA 6000  
AUSTRALIA

Commonwealth Bank of Australia Limited  
150 St Georges Terrace  
PERTH WA 6000  
AUSTRALIA

National Australia Bank  
100 St Georges Terrace  
PERTH WA 6000  
AUSTRALIA

**Solicitor**

Hardy Bowen  
Level 1, 28 Ord Street  
WEST PERTH WA 6872  
AUSTRALIA

**Stock Exchange Listing**

Australian Securities Exchange  
ASX Code: PEA



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# Directors' Report



The directors present their report together with the consolidated financial report for the six months ended 31 December 2014 and the review report thereon.

## Directors

The directors of the company at any time during or since the end of the interim period are:

Mr M Cliff Lawrenson	Non-Executive Chairman
Mr Adam H Boyd	Chief Executive Officer & Managing Director
Mr Kenneth J Hall	Executive Director
Mr A Stuart Foster	Non-Executive Director
Mr Louis I Rozman	Non-Executive Director
Mr Gregory A Dick	Alternate Director for Mr Louis I Rozman

Unless otherwise disclosed, all directors held their office from 1 July 2014 until the date of this report. Mr Boyd has resigned as Chief Executive Officer and Managing Director with effect from 31 March 2015.

## Review of Financial Operations

### *Profit and earnings per share*

Consolidated entity (or Group) net profit after tax for the six month period ended 31 December 2014 was \$5.3 million, compared with a net profit after tax of \$7.0 million during the previous six month period to 31 December 2013.

Based on 366,475,112 weighted average shares on issue during the six month period to 31 December 2014, the result as detailed in these financial statements represents a basic profit of 1.46 cents per share (31 December 2013: profit of 1.92 cents per share).

### **Adjusted profit after tax<sup>1</sup>**

The Group's reported net profit after tax is inclusive of non-cash and "one-off" charges associated with:

- The amortisation charge of electricity supply contracts acquired in the KPS Acquisition;
- The expense associated with the issue of employee options and share plan arrangements; and
- The one-off payment to the CEO upon his resignation in December 2014.

The adjusted net profit after tax pre these adjustments is \$7.0 million compared to \$8.3 million during the six month period to 31 December 2013. Details of adjustments and a comparison to the six month period to 31 December 2013 are as follows:

	6 month period to 31 December 2014 \$'000	6 month period to 31 December 2013 \$'000
<b>Profit after tax attributable to members</b>	<b>5,347</b>	<b>6,987</b>
Add back non-cash charges and one-off items:		
Amortisation - purchased contracts and associated rights	1,130	1,283
Employee share and option expense	246	63
CEO resignation payment	357	-
Tax expense (benefit) of non-cash and one-off items	(107)	-
<b>Adjusted profit after tax attributable to members<sup>1</sup></b>	<b>6,973</b>	<b>8,333</b>

<sup>1</sup>Adjusted profit after tax equates to the reported net profit after tax pre non-cash amortisation charges, non-cash employee share and option expense, one-off CEO resignation payment and the related tax effect.

# Directors' Report



## Review of Financial Operations (continued)

The table below provides a comparison of the key results for the six month period ended 31 December 2014 as reported, against the six month period ended 31 December 2013.

Comprehensive Income Statement	% Change	6 month period to 31 December 2014 \$000	6 month period to 31 December 2013 \$'000
Revenue from operations	-8%	23,001	24,923
<b>EBITDA pre employee share and option expense, impairment of intangible assets and CEO resignation payment</b>	<b>-11%</b>	<b>15,368</b>	<b>17,320</b>
EBITDA	-12%	14,796	16,742
Reported profit after tax attributable to members	-23%	5,347	6,987
<b>Adjusted profit after tax attributable to members<sup>1</sup></b>	<b>-16%</b>	<b>6,973</b>	<b>8,333</b>

<sup>1</sup>Adjusted profit after tax equates to the reported net profit after tax pre non-cash amortisation charges, non-cash employee share and option expense, one-off CEO resignation payment and the related tax effect.

### EBITDA performance

Group reported EBITDA for the six months ended 31 December 2014 of \$14.8 million was 12% lower than \$16.7 million EBITDA as reported for the six months to 31 December 2013. The decrease in EBITDA compared to the prior period is primarily the result of the following:

- EBITDA for the six months ended 31 December 2013 included \$0.6M in non-recurring other income, primarily relating to the reimbursement of royalties by Melbourne Water Corporation (MWC) for the historical under-supply of water to the Cardinia power station. The MWC obligation to supply a Minimum Annual Volume of water to the Cardinia power station ceased on 31 December 2013 and will no longer apply;
- Decreased construction activity throughout the resource sector during the period resulted in an increase in preventative and general asset maintenance activity across the KPS fleet. Accordingly, maintenance and consumables expenditure increased compared to the prior period by approximately \$1.0 million; and
- Payment of one-off CEO resignation costs of \$0.4M in the six months ended 31 December 2014.

### Financial position

The value of property, plant and equipment remained constant during the period as capital expenditure on generator overhaul works and the installation of our waste heat recovery technology offset the depreciation for the period.

The company's working capital position remains strong, with current cash and cash equivalents reducing by 14% compared to the prior period. Trade receivables have remained constant compared to the prior period, and less than 1% of the Group's customers are in arrears at 31 December 2014.

## Review of Operations

### Power Generation Activities

#### Kalgoorlie Power Systems

Pacific Energy's core business is Kalgoorlie Power Systems (KPS). The KPS business builds, owns and maintains diesel, gas and dual fuelled power stations located at mine sites across Western Australia, Northern Territory and South Australia. The total contracted generation capacity of the KPS business now exceeds 204MW. See Operating Segment Note 5 for more details of the financial performance of the KPS Power Generation segment.

Revenues from three customers in the KPS Power Generation segment represents approximately 51% (31 December 2013: 38% from three customers) of the Group's total revenues (each customer greater than 10% individually).

# Directors' Report



## Review of Operations (continued)

### Kalgoorlie Power Systems (continued)

#### *New Power Station Contracts and Contract Extensions*

From 1 July 2014 to the date of this report, KPS secured contracts for the diesel to gas power station conversion and contract extensions for the following clients:

- AngloGold Ashanti Australia Limited to convert the existing KPS 44MW 100% diesel fuelled Tropicana Gold Project power station to gas fuelled power station, with an associated tariff increase; and
- Newmont Tanami Pty Limited and KPS have agreed a 12-month extension of the existing electricity supply contract for the 13MW power station located at the Granites milling operations and the 20MW power station located at the Dead Bullock Soak gold mine in the Northern Territory through to 31 December 2015. The documentation for the 12-month extension is expected to be executed in February 2015;

#### *Contract Expiry*

During the period, the following reduction in contracted capacity occurred:

- The Electricity Supply Contract with Alacer Gold to supply electricity to the Chalice gold mine concluded. The installed capacity of this power station was 3MW.

The company continues to progress electricity supply contract and related negotiations with mining sector companies developing or operating resource project opportunities. Pacific Energy expects these negotiations to result in the signing of new electricity supply contracts by 30 June 2015.

The company's business development activities continue to focus on the establishment of new, high quality opportunities and KPS is actively presenting to mining and resource companies in our preferred markets.

#### *Other Developments*

The further roll-out of the KPS waste heat recovery solution was delayed at both Garden Well and Moolart Well power stations during the period. The roll-out deferral was primarily due to the completion of rectification works by the supplier to the waste heat recovery systems. These rectified units were completed and installed on the previously retro-fitted waste heat recovery units at the KPS Garden Well power station during December 2014 and January 2015. Further roll-out is expected to recommence at both Garden Well and Moolart Well in February 2015.

The company completed the refinancing of the KPS credit facilities with the Australian and New Zealand Banking Group (ANZ) during the period. The new loan facilities provided by ANZ have a total aggregate facility limit of \$63 million and will be repaid in equal instalments amortising down to 60% of the original drawn amount by 19 November 2017. These new credit facilities and the forecast cash flow to be generated by KPS over the coming 12 months will fund the planned new power generation construction activities during 2015/16.

#### *Perth Workshop and Office Complex*

In June 2012, Pacific Energy acquired a 2 hectare industrial site 30kms from the Perth CBD and approved the establishment of a Perth domiciled KPS workshop and office complex. Practical Completion of the new KPS workshop and office complex was achieved in August 2014. From 15 December 2014, all Pacific Energy Group personnel are now located at either the KPS Kalgoorlie or KPS Perth workshop and office facilities.

#### *Victorian Hydro operations*

Pacific Energy owns and operates two hydro power stations, located approximately 70 kilometres from Melbourne, Victoria. These two stations have a combined power generation capacity of 6MW and have been in operation since 1992.

The Cardinia and Blue Rock hydro power stations both performed in line with budget during the period. Renewable energy generation by Cardinia and Blue Rock totaled 6.1 GWh (2013: 2.5 GWh) and 6.7 GWh (2013: 6.5 GWh) respectively. The generation performance of these hydro power stations is entirely dependent on water flows made available by the relevant water authority suppliers. Particularly pleasing was the return to usual water supply volumes to the Cardinia hydro power station during the period.

## Lead Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 5 and forms part of the directors' report for the six months ended 31 December 2014.



## Directors' Report



### Rounding Off

The company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read "Adam Boyd".

**Adam Boyd**

Chief Executive Officer & Managing Director

Dated at Perth this 20<sup>th</sup> day of February 2015.

## Lead Auditor's Independence Declaration



### AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Pacific Energy Ltd for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in blue ink that reads "Crowe Horwath Perth".

**Crowe Horwath Perth**

A handwritten signature in blue ink, appearing to read "Cyrus Patell".

**Cyrus Patell**  
Partner

Signed at Perth, 20 February 2015

*Crowe Horwath Perth is a member of Crowe Horwath International, a Swiss Verein. Each member of Crowe Horwath is a separate and independent legal entity. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.*

# Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income



For the six months ended 31 December 2014

<i>In thousands of AUD</i>	<i>Notes</i>	<b>31 December 2014</b>	<b>31 December 2013</b>
Revenue		23,001	24,923
Other income	6	16	579
Consumables and spare parts		(1,723)	(1,324)
Employee benefits expense		(4,215)	(2,912)
Impairment expense	7	-	(2,355)
Other expenses		(2,283)	(2,169)
<b>Earnings before interest, tax, depreciation and amortisation</b>		<b>14,796</b>	<b>16,742</b>
Depreciation and amortisation		(5,783)	(5,509)
<b>Results from operating activities</b>		<b>9,013</b>	<b>11,233</b>
Financial income		162	160
Financial expenses		(1,457)	(1,314)
<b>Net financing expense</b>		<b>(1,295)</b>	<b>(1,154)</b>
<b>Profit before income tax</b>		<b>7,718</b>	<b>10,079</b>
Income tax expense		(2,371)	(3,092)
<b>Profit for the period</b>		<b>5,347</b>	<b>6,987</b>
<b>Other comprehensive income</b>			
Foreign currency translation differences for foreign operations		25	5
<b>Other comprehensive profit for the period, net of income tax</b>		<b>25</b>	<b>5</b>
<b>Total comprehensive profit for the period</b>		<b>5,372</b>	<b>6,992</b>
<b>Profit attributable to:</b>			
Equity holders of the company		5,347	6,987
<b>Profit for the period</b>		<b>5,347</b>	<b>6,987</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the company		5,372	6,992
<b>Total comprehensive income for the period</b>		<b>5,372</b>	<b>6,992</b>
<b>Earnings per share</b>			
Basic earnings per share (cents)		1.46	1.92
Diluted earnings per share (cents)		1.46	1.92

The condensed notes on pages 10 to 14 are an integral part of these consolidated interim financial statements.

# Consolidated Interim Statement of Financial Position



As at 31 December 2014

<i>In thousands of AUD</i>	<i>Notes</i>	<b>31 December 2014</b>	<b>30 June 2014</b>
<b>Assets</b>			
Cash and cash equivalents		13,400	15,611
Trade and other receivables		7,075	6,585
Inventory		989	869
<b>Total current assets</b>		<b>21,464</b>	<b>23,065</b>
Cash and cash equivalents		103	103
Trade and other receivables		-	88
Property, plant and equipment		129,178	128,758
Intangible assets		28,232	29,357
<b>Total non-current assets</b>		<b>157,513</b>	<b>158,306</b>
<b>Total assets</b>		<b>178,977</b>	<b>181,371</b>
<b>Liabilities</b>			
Trade and other payables		1,626	1,827
Employee benefits		265	330
Provisions		949	948
Current tax liabilities		960	2,214
Loans and borrowings		7,076	10,578
<b>Total current liabilities</b>		<b>10,876</b>	<b>15,897</b>
Loans and borrowings		33,527	32,371
Provisions		991	970
Employee benefits		253	289
Deferred tax liabilities		6,375	6,091
<b>Total non-current liabilities</b>		<b>41,146</b>	<b>39,721</b>
<b>Total liabilities</b>		<b>52,022</b>	<b>55,618</b>
<b>Net assets</b>		<b>126,955</b>	<b>125,753</b>
<b>Equity</b>			
Share capital	8	110,008	108,374
Reserves		(1,029)	(744)
Retained earnings		17,976	18,123
<b>Total equity</b>		<b>126,955</b>	<b>125,753</b>

The condensed notes on pages 10 to 14 are an integral part of these consolidated interim financial statements.

# Consolidated Interim Statement of Changes in Equity



For the six months ended 31 December 2014

<i>In thousands of AUD</i>	Share capital	Translation reserve	Option reserve	Retained earnings	Total equity
<b>Balance at 1 July 2014</b>	<b>108,374</b>	<b>(1,255)</b>	<b>511</b>	<b>18,123</b>	<b>125,753</b>
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	-	5,347	5,347
Foreign currency translation differences for foreign operations	-	25	-	-	25
Total other comprehensive income	-	25	-	-	25
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>25</b>	<b>-</b>	<b>5,347</b>	<b>5,372</b>
<b>Transactions with owners, recorded directly in equity</b>					
<b>Contributions by and distributions to owners</b>					
Dividends paid	-	-	-	(5,494)	(5,494)
Issue of ordinary shares, related to employee share scheme, net of transaction costs and tax	236	-	-	-	236
Share options exercised, net of transaction costs and tax	1,398	-	(319)	-	1,079
Issue of share options	-	-	9	-	9
Total transactions with owners	1,634	-	(310)	(5,494)	(4,170)
<b>Balance at 31 December 2014</b>	<b>110,008</b>	<b>(1,230)</b>	<b>201</b>	<b>17,976</b>	<b>126,955</b>
<b>Balance at 1 July 2013</b>	<b>106,980</b>	<b>(1,250)</b>	<b>1,014</b>	<b>10,728</b>	<b>117,472</b>
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	-	6,987	6,987
Foreign currency translation differences for foreign operations	-	5	-	-	5
Total other comprehensive income	-	5	-	-	5
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>6,987</b>	<b>6,992</b>
<b>Transactions with owners, recorded directly in equity</b>					
<b>Contributions by and distributions to owners</b>					
Issue of ordinary shares, related to employee share scheme, net of transaction costs and tax	164	-	-	-	164
Share options exercised, net of transaction costs and tax	574	-	(189)	-	385
Issue of share options	-	-	59	-	59
Share options lapsed	-	-	(161)	-	(161)
Total transactions with owners	738	-	(291)	(3,634)	(3,187)
<b>Balance at 31 December 2013</b>	<b>107,718</b>	<b>(1,245)</b>	<b>723</b>	<b>14,081</b>	<b>121,277</b>

The condensed notes on pages 10 to 14 are an integral part of these consolidated interim financial statements.

# Consolidated Interim Statement of Cash Flows



For the six months ended 31 December 2014

<i>In thousands of AUD</i>	31 December 2014	31 December 2013
<b>Cash flows from operating activities</b>		
Receipts from customers	22,615	22,756
Payments to suppliers and employees	(8,398)	(6,037)
Interest received	162	159
Interest paid	(1,114)	(1,157)
Income tax paid	(3,338)	(5,528)
<b>Net cash from operating activities</b>	<b>9,927</b>	<b>10,193</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(5,073)	(8,259)
Payments relating to new electricity supply contracts	(4)	(4)
<b>Net cash used in investing activities</b>	<b>(5,077)</b>	<b>(8,263)</b>
<b>Cash flows from financing activities</b>		
Proceeds from exercise of options	1,080	388
Payment of transaction costs	(384)	(8)
Dividends paid	(5,494)	(3,634)
Proceeds from borrowings	38,963	4,000
Repayments of borrowings	(41,251)	(2,149)
<b>Net cash used in financing activities</b>	<b>(7,086)</b>	<b>(1,403)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,236)</b>	<b>527</b>
Cash and cash equivalents at the beginning of the period	15,611	11,981
Effect of exchange rate fluctuations on cash held	25	5
<b>Current cash and cash equivalents at the end of the period</b>	<b>13,400</b>	<b>12,513</b>

The condensed notes on pages 10 to 14 are an integral part of these consolidated interim financial statements.

# Condensed Notes to the Consolidated Interim Financial Statements

For the six months ended 31 December 2014

## 1. Reporting Entity

Pacific Energy Limited (the “company”) is a company domiciled in Australia. The consolidated interim financial report of the company as at and for the six months ended 31 December 2014 comprises the company and its subsidiaries (together referred to as the “Group”).

The consolidated annual financial report of the Group for the year ended 30 June 2014 is available upon request from the company's registered office at 338 Gngara Road, Landsdale WA 6065, Australia.

## 2. Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year report does not include notes of the type normally included in an annual financial report, and should be read in conjunction with the most recent annual financial report.

## 3. Significant Accounting Policies

### Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

All amounts are presented in Australian dollars, unless otherwise noted. The company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's financial report for the year ended 30 June 2014. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The adoption of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) has not resulted in any changes to the company's accounting policies and has no effect on the accounts reported in the current and prior periods.

## 4. Estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation of uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2014.

## 5. Operating Segments

The Group has one reportable segment, KPS Power Generation, which includes the generation of electricity by diesel, gas and dual-fuelled generators located at a number of mine sites across WA, NT and SA. This is the Group's sole strategic business unit, and the Group's CEO reviews internal management reports for the strategic business unit on at least a quarterly basis.

Other operations include Hydro Power Generation which does not meet any of the quantitative thresholds for determining reportable segments at 31 December 2014.

# Condensed Notes to the Consolidated Interim Financial Statements

For the six months ended 31 December 2014

## 5. Operating Segments (continued)

Information regarding the results of each reportable segment is included below. Performance is measured based on segment earnings before interest, income tax, depreciation and amortisation and net cash flows, as included in the internal management reports that are reviewed by the Group's CEO.

Segment earnings before interest, income tax, depreciation and amortisation and net cash flows are used to measure performance, as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

### Information about reportable segments

<i>In thousands of AUD</i>	KPS Power Generation		Other		Total	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
External revenues	22,402	24,562	599	361	23,001	24,923
Interest income	96	89	2	2	98	91
Interest expense	(1,114)	(1,157)	-	-	(1,114)	(1,157)
Depreciation and amortisation	(5,625)	(5,351)	(144)	(142)	(5,769)	(5,493)
Reportable segment profit before income tax	9,306	10,660	176	398	9,482	11,058
Income tax expense	(2,852)	(3,252)	(53)	(120)	(2,905)	(3,372)
Reportable segment assets	172,024	168,172	2,781	3,480	174,805	171,652
Reportable segment liabilities	50,155	55,218	506	628	50,661	55,846
Capital expenditure	5,049	8,341	11	18	5,060	8,359

### Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items

<i>In thousands of AUD</i>	31 December 2014	31 December 2013
<b>Revenues</b>		
Total revenue for reportable segments	23,001	24,923
Other revenue	9,512	8,976
Elimination of inter-segment revenue	(9,512)	(8,976)
Consolidated revenue	23,001	24,923
<b>Profit or loss</b>		
Total profit or loss for reportable segments	9,482	11,058
Other profit or loss	(1,764)	(979)
Elimination of inter-segment profits	-	-
Consolidated profit or loss before income tax	7,718	10,079
<b>Assets</b>		
Total assets for reportable segments	174,805	171,652
Other assets	4,172	7,129
Consolidated total assets	178,977	178,781
<b>Liabilities</b>		
Total liabilities for reportable segments	50,661	55,846
Other liabilities	1,361	1,658
Consolidated total liabilities	52,022	57,504



# Condensed Notes to the Consolidated Interim Financial Statements

## For the six months ended 31 December 2014

### 5. Operating Segments (continued)

#### Other material items – 6 months ended 31 December 2014

<i>In thousands of AUD</i>	Reportable segment totals	Adjustments	Consolidated totals
Interest revenue	98	64	162
Interest expense	(1,114)	-	(1,114)
Capital expenditure	5,060	13	5,073
Depreciation and amortisation	(5,769)	(14)	(5,783)
Income tax benefit / (expense)	(2,905)	534	(2,371)

#### Other material items – 6 months ended 31 December 2013

<i>In thousands of AUD</i>	Reportable segment totals	Adjustments	Consolidated totals
Interest revenue	91	69	160
Interest expense	(1,157)	-	(1,157)
Capital expenditure	8,359	2	8,361
Depreciation and amortisation	(5,493)	(16)	(5,509)
Income tax benefit / (expense)	(3,372)	280	(3,092)

#### Major customer

Revenues from three customers in the KPS Power Generation segment represents approximately 51% (31 December 2013: 38% from three customers) of the Group's total revenues (each customer greater than 10% individually).

### 6. Other Income

<i>In thousands of AUD</i>	31 December 2014	31 December 2013
Royalty rebate	-	355
Other income	16	224
	<b>16</b>	<b>579</b>

### 7. Impairment expense

<i>In thousands of AUD</i>	31 December 2014	31 December 2013
Impairment of financial assets <sup>1</sup>	-	1,840
Impairment of intangible assets <sup>2</sup>	-	515
	<b>-</b>	<b>2,355</b>

<sup>1</sup> During the prior period, one of the Group's customers, GMK Exploration Pty Ltd, was placed into Administration. An impairment provision was raised for all amounts owing by this customer at 16 September 2013, which consisted approx. \$0.2 million in unpaid electricity and a \$1.6 million termination payment. The total amount receivable of \$1.8 million has been fully provided for as the amount was not considered recoverable at 31 December 2013.

<sup>2</sup> During the prior period, one of the Group's customers, Xstrata Nickel Australasia Operations Pty Ltd, terminated its power supply contracts with the Group. An impairment provision has been raised against the customer relationship intangible assets and the total amount of \$0.5 million has been written off in full.

# Condensed Notes to the Consolidated Interim Financial Statements

For the six months ended 31 December 2014

## 8. Share Capital

<i>In thousands of AUD</i>	Number of shares ('000)		Share capital (\$'000)	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
On issue at the beginning of the period	366,212	363,427	108,374	106,980
Employee share scheme	456	398	240	165
Exercise of options	200	1,250	1,398	576
Transaction costs, net of tax effect	-	-	(4)	(3)
On issue at 31 December - fully paid	366,868	365,075	110,008	107,718

### Issuance of ordinary shares

During the six month period ended 31 December 2014, the Pacific Energy Group issued 656,110 Pacific Energy Shares.

Of the total issued:

- 456,110 were issued to employees under the Pacific Energy Employee Share Plan; and
- 200,000 were issued upon the exercise of employee options.

All issued Pacific Energy Shares are fully paid.

### Exercise of options

During the six month period ended 31 December 2014, 2,500,000 employee options were exercised for which ordinary shares remained unissued at the balance date.

## 9. Loans and Borrowings

On 19 November 2014, Pacific Energy (KPS) Pty Ltd and the Australian and New Zealand Banking Group (ANZ) entered into an agreement to refinance the existing term debt facility provided by the Commonwealth Bank of Australia, with settlement taking place on 17 December 2014.

The new loan facilities provided by ANZ have a total aggregate facility limit of \$63 million and will be repaid in equal instalments amortising down to 60% of the original drawn amount by 19 November 2017.

## 10. Dividends

### (a) Dividends not recognised at year end

Since the end of the period the Directors have declared a fully franked interim dividend of 1 cent (2013: 1 cent) per fully paid ordinary share. The aggregate amount of the dividend of \$3.7 million is to be paid on 25 March 2015 and has not been recorded as a liability at 31 December 2014.

### (b) Franked Dividends

The franked portions of the interim dividend declared after 31 December 2014 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the period ended 31 December 2014.

<i>In thousands of AUD</i>	2014	2013
Franking credits available for subsequent financial years based on a tax rate of 30% (2013: 30%)	7,835	6,783
	7,835	6,783

## **Condensed Notes to the Consolidated Interim Financial Statements**

### **For the six months ended 31 December 2014**

#### **10. Dividends (continued)**

The above amounts represent the balance of the franking account as at the end of the period, adjusted where applicable for:

- (i) franking credits that will arise from the payment of the amount of the provision for income tax;
- (ii) franking debits that will arise from the payment of dividends recognised as a liability at the end of each reporting period; and
- (iii) franking credits that will arise from the receipt of dividends recognised as receivables at the end of each reporting period.

The consolidated amounts include franking credits that would be available to the company if distributable profits of subsidiaries were paid as dividends.

The impact on the franking account of the final dividend declared by the Directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of \$1.57 million (2013: \$1.57 million).

#### **11. Contingencies**

There has been no change from that which was detailed in the financial report as at 30 June 2014 in regards to contingent assets and liabilities. The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

#### **12. Subsequent Events**

There has not arisen in the interval between the end of the interim financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

## Directors' Declaration

In the opinion of the directors of Pacific Energy Limited (the "company"):

1. the financial statements and notes set out on pages 6 to 14, are in accordance with the *Corporations Act 2001*, including:
  - (a) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the six month period ended that date; and
  - (b) complying with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Dated at Perth this 20<sup>th</sup> day of February 2015.

Signed in accordance with a resolution of the directors:



**Adam Boyd**  
Chief Executive Officer & Managing Director

## Independent Review Report



### INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF PACIFIC ENERGY LTD

#### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Pacific Energy Ltd and its controlled entities (the Group) which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

#### *Directors' Responsibility for the Financial Report*

The directors of Pacific Energy Ltd are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of Pacific Energy Ltd and its controlled entities' financial position as at 31 December 2014 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of Pacific Energy Ltd and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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## Independent Review Report



### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Pacific Energy Ltd and its controlled entities is not in accordance with the *Corporations Act 2001* including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (ii) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.



**Crowe Horwath Perth**



**Cyrus Patell**  
Partner

Signed at Perth, 20 February 2015

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