



# ANNUAL REPORT 2014

Port Waratah Coal Services Limited



**PORT WARATAH**  
COAL SERVICES

*Pioneering Through Partnership*

# Port Waratah Coal Services Limited

A.C.N. 001 363 828

## FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

### Directors

M Harvey (Chairman)  
J M Cleland  
M R Eaglesham  
T Nomura  
H Okamoto  
A E Pitt  
J E Richards  
C Salisbury  
Y Takasugi  
P A Wilkes

### Chief Executive Officer

S H du Plooy

### Company Secretaries

G V Crowe  
J A Oliver

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### Auditor

Deloitte Touche Tohmatsu  
Chartered Accountants

This financial report covers the consolidated entity consisting of Port Waratah Coal Services Limited and the entity it controlled during 2014. Port Waratah Coal Services Limited ('Port Waratah') is a company limited by shares, incorporated and domiciled in Australia. Its principal place of business is:

Port Waratah Coal Services Limited  
Curlew Street  
Kooragang Island, Newcastle  
New South Wales, Australia  
Telephone (02) 4907 2000

A description of the nature of the company's operations and its principal activities is included in the review of operations and activities in the Directors' Report commencing on page 3. Port Waratah's annual report is available on the company's website [www.pwcs.com.au](http://www.pwcs.com.au).



# Chairman's Report

Port Waratah Coal Services loaded a record 111.9 Million tonnes of coal in 2014, a 2.4% increase on 2013. This throughput was loaded onto 1,228 vessels, also a record performance.

I am pleased to report a significant improvement in safety performance during 2014, with a reduction in both the number of injuries sustained (two during 2014 in comparison to four injuries in 2013 and ten injuries in 2012) and the lost time injury frequency rate. Of particular note is our contractor safety performance, with 429 days injury free being recorded at the end of 2014. This significant improvement is a credit to all Port Waratah employees and contractors and positions the business further along the road to Zero Harm.

I am delighted that Port Waratah received national recognition in winning the Best Health and Wellbeing Programme at the National Safety Council of Australia, 2014 National Safety Awards of Excellence. This award encompassed all of the employee health initiatives we have in place, including those that were a result of the Health Study Report recommendations published in 2012. Our employee health programme is a result of the combined efforts of Port Waratah Leadership, the Health and Safety Committee members and the Health and Safety team and importantly, employee participation in and support of these initiatives.

2014 proved to be another year of significant challenge for the New South Wales and global coal industries. During 2014, Port Waratah implemented operational and employee restructuring in order to improve focus and accountability across all aspects of the business and to continue to aggressively reduce our cost base. Management has been able to further improve our competitiveness with the coal handling charge being reduced to an historic low in both nominal and real terms of \$2.50 per tonne effective 1 January 2015. This restructuring, whilst being challenging and difficult, has been essential to continue to provide the lowest possible cost environment for New South Wales coal producers.

In June 2014, the Terminal 4 Project development application was referred to the Planning Assessment Commission (PAC) by the NSW Department of Planning and Environment. The PAC undertook an independent review of the Project's Environmental Assessment and related submissions and reports, with Public Hearings being held in August 2014. In December 2014, the PAC released its Review Report, which concluded that there is merit in allowing the project to proceed, subject to certain conditions, which is a critical milestone in the Terminal 4 approval process which has taken four years to date. During 2015, Port Waratah will continue to seek all further approvals for Terminal 4 to enable construction to commence when contracted demand dictates.

The continued operation of Port Waratah's facilities at Carrington remains critical to our ability to meet long term demand for coal exports. Two significant developments in 2014 have underpinned this, with new leases being executed with the Newcastle Port Corporation and Port of Newcastle Operations to secure operations until 2024 and the Board's approval of the replacement of the Carrington Terminal shiploaders which will be completed in 2016.

I have advised the Board of my intention to step down as Chairman at the end of May 2015, after nearly six years in the role. My tenure has seen a significant expansion of capacity at Port Waratah, the introduction and successful implementation of the Long Term Commercial Framework and more recently, restructuring to create a leaner and more cost focused business. I am extremely proud of Port Waratah's achievements during my tenure and would like to thank the Directors for their support and wise counsel.

On behalf of the Board I would like to express my sincere appreciation for the efforts of our Chief Executive Officer, Hennie du Plooy, the Management team and all of our employees and contractors for their contributions to making Port Waratah a safer and more competitive business during 2014.



**MICHAEL HARVEY**  
**CHAIRMAN**





# Directors' Report

In respect of the financial year the Directors of Port Waratah Coal Services Limited (the company) submit the following report:

## Directors' Details

The Directors of the company in office at the date of this report are detailed below. Directors holding office for part of the financial year are detailed in Note 21.

### M Harvey

**Bachelor of Science (Industrial Studies), Honours**  
**Member, Australian Institute of Company Directors**  
Chairman, PWCS since August 2009

### J M Cleland

**Bachelor of Economics**  
**Graduate Diploma in Financial Management**  
Head of Infrastructure, Anglo American Metallurgical Coal Pty Ltd  
Chairman, Dalrymple Bay Coal Terminal Pty. Ltd.  
Chairman, Half-Tide Marine Pty Ltd  
Chairman, Integrated Logistics Company Pty Ltd  
Director, Newcastle Coal Shippers Pty Limited  
Director, PWCS since January 2012

### M R Eaglesham

**Bachelor of Engineering, Honours**  
**Masters of Business Administration**  
Chief Operating Support & Development Officer, Rio Tinto Coal Australia Pty Limited  
Director, Newcastle Coal Shippers Pty Limited  
Alternate Director, Hunter Valley Coal Chain Coordinator Ltd  
Alternate Director, Queensland Resources Council  
Director, PWCS since July 2014

### T Nomura

**Bachelor of Law**  
Managing Director, Nippon Steel & Sumitomo Metal Australia Pty Ltd  
Director, PWCS Since June 2014

### H Okamoto

**Bachelor of Chemical Engineering**  
Group Leader, Coal Group, Toyota Tsusho Corporation  
Managing Director, Toyota Tsusho Group and its related Companies  
Managing Director, Navidale Pty. Limited  
Director, RHA Pastoral Company Pty. Limited  
Director, Tomen Panama Asset Management S.A.  
Director, PWCS since March 2013

### A E Pitt

**Bachelor of Commerce, Honours**  
**Graduate, Australian Institute of Company Directors**  
Director, Logistics and Procurement, Glencore Coal Assets Australia Pty Limited  
Chairman, Newcastle Coal Shippers Pty Limited  
Director, Abbot Point Bulkcoal Pty. Ltd.  
Director, Bowen Towage Service Pty. Limited  
Director, Dalrymple Bay Coal Terminal Pty. Ltd.  
Director, Glencore Rail (NSW) Pty Limited  
Director, Half-Tide Marine Pty Ltd

Director, Integrated Logistics Company Pty Ltd  
Director, Port Kembla Coal Terminal Limited  
Director, Surat Basin Rail Pty Ltd  
Director, Wiggins Island Coal Export Terminal Pty Limited  
Alternate Director, Hunter Valley Coal Chain Coordinator Limited  
Alternate Director, Queensland Resources Council  
Director, PWCS since January 2010

### J E Richards

**Bachelor of Rural Science, Honours I**  
Managing Director and Chief Executive Officer, The Bloomfield Group and associated companies  
Member, Australian Institute of Company Directors  
Member, Executive Committee New South Wales Minerals Council Ltd  
Director, ACA Low Emissions Technologies Limited  
Director, PWCS since September 2010

### C Salisbury

**Bachelor of Metallurgical Engineering**  
**Fellow, Australian Institute of Company Directors**  
Chief Executive Officer, Coal & Allied Industries Limited  
Managing Director, Rio Tinto Coal Australia Pty Limited  
Member, Blair Athol Joint Venture  
Member, Hail Creek Joint Venture  
Member, Warkworth Joint Venture  
Director, Australian Coal Holdings Pty. Limited  
Director, Blair Athol Coal Pty. Ltd  
Director, CNA Resources Limited  
Director, Coal & Allied Industries Limited  
Director, Coal & Allied Operations Pty Ltd  
Director, Hail Creek Marketing Pty Ltd  
Director, Newcastle Coal Shippers Pty Limited  
Director, Queensland Coal Pty. Limited  
Director, Queensland Resources Council  
Director, Rio Tinto Coal Australia Pty Limited  
Director, Rio Tinto Coal NSW Holdings Limited  
Director, Warkworth Mining Limited  
Director, Warkworth Pastoral Co. Pty Ltd  
Director, Warkworth Tailings Treatment Pty Ltd  
Director, PWCS since October 2013

### Y Takasugi

**Bachelor of Law**  
Director, Japan Coal Development Co., Ltd  
Director, PWCS since July 2014

### P A Wilkes

**Bachelor of Business (Accounting)**  
Financial Controller, Glencore Coal (NSW) Pty Limited  
Director, Cumnock Management Pty Limited  
Director, Glencore Coal (NSW) Processing Pty Limited  
Director, Mangoola Coal Operations Pty Limited  
Director, Ravensworth Coal Terminal Pty Limited and its related companies  
Director, Resource Pacific Holdings Pty Limited  
Director, Resource Pacific Pty Limited  
Director, Tahmoor Coal Pty Limited  
Alternate Director, Port Kembla Coal Terminal Limited  
Director, PWCS since July 2013

## Alternate Directors

**K Ito** (for Y Takasugi)

**Bachelor of Economics**

Managing Director, J.C.D. Australia Pty Limited

Director, Blair Athol Coal Pty. Ltd.

Director, Clermont Coal Mines Limited

**M Klasen** (for A E Pitt)

**Bachelor of Commerce**

**Graduate Diploma Computing**

**Graduate, Australian Institute of Company Directors**

Financial Controller, Glencore Coal Assets Australia Pty Limited

Director, Ulan Coal Mines Limited and its related companies

Director, Liddell Coal Operations Pty. Limited and its related companies

Director, Mt Owen Pty Limited

Director, Glendell Mining Pty Ltd

Director, Collinsville Coal Operations Pty Limited

Alternate Director, Port Kembla Coal Terminal Limited

**N Kushibuchi** (for T Nomura)

**Bachelor of Social Science**

Managing Director, JFE Steel Australia Resources Pty Ltd

**B F Lewis** (for J E Richards)

**Bachelor of Engineering (Electrical), Honours**

**Master of Business Administration**

General Manager (Marketing), Bloomfield Collieries Pty Ltd

Director, Bloomfield Collieries Pty Ltd and its related companies

Director, Corky's Carbon and Combustion Pty Ltd

Director, Hunter Valley Coal Chain Coordinator Limited

**R H McCullough** (for H Okamoto)

**Bachelor of Engineering (Civil), Honours**

**Master of Business Administration**

Director, Greenpower Energy Limited

Director, Oakbridge Pty Limited

**S P Maresh** (for C Salisbury)

**Bachelor of Science**

**Graduate Diploma Human Resource Management**

Alternate Director, Newcastle Coal Shippers Pty Ltd

Executive Committee Member, NSW Minerals Council

**A W Mason** (for P Wilkes)

**Bachelor of Arts**

**Diploma in Financial Management**

**Diploma in Applied Finance and Investment**

Director of Finance, Glencore Coal Assets Australia Pty Ltd

Director, Austral Coal Limited and its related companies

Director, Bargo Collieries Pty Limited

Director, Cumnock Coal Pty Limited and its related companies

Director, Liddell Collieries Pty Limited and its related companies

Director, Narama Investments Pty Limited

Director, Oakbridge Pty Limited and its related companies

Director, OCAL Macquarie Pty Limited

Director, Resource Pacific Holdings Pty Limited and its related companies

Director, Glencore Coal Assets Australia Pty Ltd

Alternate Director, Newcastle Coal Shippers Pty Limited

**K Moore** (for J Cleland)

**Bachelor of Business**

**Bachelor of Laws (Hons.)**

**Masters of Laws**

Manager Infrastructure Strategy Anglo American Coal

Director, Hunter Valley Coal Chain Coordinator Limited

**L Muir** (for H Okamoto)

**Certificate in Industrial Law**

Consulting Advisor, Toyota Tsusho Group and its related companies

**T Okada** (for H Okamoto)

**Bachelor of Business Administration**

Company Secretary, Navidale Pty. Limited

Company Secretary, RHA Pastoral Company Pty. Limited

Company Secretary, Toyota Tsusho Group and its related companies

**M Okano** (for H Okamoto)

**Bachelor of Economics**

Project General Manager, Toyota Tsusho Corporation

Director, Toyota Tsusho Group and its related companies

Director, Navidale Pty. Limited

Director, RHA Pastoral Company Pty. Limited

**R Samukawa** (for Y Takasugi)

**Bachelor of Economics**

Manager, J.C.D. Australia Pty Limited

**T Sano (for T Nomura)**

**Bachelor of Foreign Studies**

Director, Nippon Steel & Sumitomo Metal Australia Pty Ltd

Director, Nippon Steel & Sumikin Resources Australia Pty Ltd

Director, Nippon Steel & Sumikin Newcastle Pty Ltd

**M Shiraishi** (for H Okamoto)

**Bachelor of Social Science**

General Manager, Mitsui & Co. (Australia) Ltd.

**A Viertel** (for M Eaglesham)

**Bachelor of Mechanical Engineering**

**Master of Business Administration**

Manager of Infrastructure, Rio Tinto Coal Australia

## Directors' Meetings

The number of meetings of the company's Board of Directors and Sub-Committees of the Board of Directors held during the financial year were:

Board of Directors	6
HSE Committee	4
Audit & Risk Committee	4

The attendance details of Directors at Board meetings and Sub-Committees of the Board of Directors held throughout the financial year are as follows:

	Meetings held whilst in office	Meetings attended
<b>Board of Directors</b>		
<u>Directors</u>		
M Harvey	6	6
J M Cleland	6	6
M R Eaglesham	3	3
Y Nakata	3	3
H M Newell	3	1
T Nomura	3	3
H Okamoto	6	-
A E Pitt	6	6
J E Richards	6	4
C Salisbury	6	3
Y Takasugi	3	-
K Usuda	3	-
P A Wilkes	6	6
<u>Alternate Directors</u>		
K Ito	6	5
H Kimura	3	-
M Klasen	6	-
N Kushibuchi	6	-
B F Lewis	6	2
S P Maresh	6	2
A W Mason	6	-
R H McCullough	6	5
K R Moore	3	-
L W Muir	1	1
T Okada	6	4
M Okano	6	2
C Robertson	3	-
R Samukawa	6	1
T Sano	-	-
A W Viertel	3	-
<b>Health, Safety and Environment Committee</b>		
M Harvey	4	4
S Coleman	2	2
D McLachlan	2	-
J E Richards	4	4

Meetings held  
Whilst in office

Meetings  
attended

## Audit & Risk Committee

J M Cleland	4	4
M Harvey	4	4
H M Newell	2	2
P C Taylor	4	3
P A Wilkes	2	2

## Company Secretaries

The company secretaries are:

**Mr G V Crowe.** Mr Crowe was appointed to the position of company secretary in July 2008. Mr Crowe is a fellow of CPA Australia.

**Mr J A Oliver.** Mr Oliver was appointed to the position of company secretary in February 2008. Mr Oliver is a member of Chartered Accountants Australia and New Zealand and a fellow of CPA Australia.

## Principal Activities

The principal activities of the company were the provision of coal receipt, blending, stockpiling and shiploading services in the Port of Newcastle.

## Trading Results

The net profit of the consolidated entity for the financial year was \$47.8 million after an income tax expense of \$19.6 million.

## Dividends

Total dividends paid during the financial year were as follows:

### Importer & Exporter Class

#### Shares

Final 2013 dividend and First Interim 2014 dividend paid 26 March 2014. Fully Franked

### Importer & Exporter Class

#### Shares

Second Interim 2014 dividend paid 17 September 2014. Fully Franked

**\$32,000,000**

## Review of Operations

During the financial year the company handled 111.9 million tonnes of coal through its Carrington and Kooragang Terminals (2013, 109.2 million tonnes), representing increased tonnage of 2.4% on the previous year. The above mentioned tonnage was loaded aboard 1,228 vessels (2013, 1,193 vessels).

Steaming coal exports increased by 7.4% with shipments for the year totalling 98.8 million tonnes (2013, 92.0 million tonnes). Coking coal exports decreased by 23.8% with shipments for the year totalling 13.1 million tonnes (2013, 17.2 million tonnes).

The charge for coal handling services was \$2.80 per tonne from 1 January to 30 September 2014 and was reduced to \$2.60 per tonne from 1 October 2014. The charge for coal handling services was further reduced to \$2.50 per tonne on 1 January 2015.

At the end of the financial year there were 356 people (31 December 2013, 404 people) employed by the company.

## Subsequent Events

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the entity, the results of those operations, or the state of affairs of the entity in future financial years.

## Changes in State of Affairs

There have been no significant changes in the state of affairs of the company during the financial year.

## Future Developments and Results

In December 2014, the Planning Assessment Commission released its Review Report, which concluded that there is merit in allowing the Terminal 4 project to proceed, subject to certain conditions, which is a critical milestone in the Terminal 4 approval process which has taken four years to date. During 2015, Port Waratah will continue to seek all further approvals for Terminal 4 to enable construction to commence when contracted demand dictates.

In the opinion of Directors, there are no other developments likely to significantly affect the future results of the company.

## Directors' Interests

Each of the Directors has given a standing notice under sub-section 192(1) of the Corporations Act 2001 stating that he or she is a Director or member of certain specified corporations and as such is to be regarded as having an interest in any contract which may be made between the company and those corporations. Other than contracts of a routine nature between the company and associated corporations no Director has an interest in any contract or proposed contract made with the company since 26 March 2014 (being the date of the previous year's Directors' Report) and the date of this report.

No Director holds shares in the company or related bodies corporate as at the date of this report.



## Environmental Regulation

The NSW State legislation, relevant to the company's operations, is principally covered by the requirements of the following Government Acts and Regulations:

- Environmental Planning and Assessment Act (1979) and Regulations; and
- Protection of the Environment Operations Act (1997) and Regulations.

The NSW Department of Planning and Environment, the NSW Office of Environment and Heritage, and NSW Environment Protection Authority are the primary Government authorities responsible for the issuing and administration of relevant approvals, licences and permits, in accordance with the requirements of the above Acts and Regulations.

The company was prosecuted (fine of \$15,000 and other costs of \$23,430) by the Environment Protection Authority ('EPA') on 28 March 2014, in relation to the contravention of Section 120 of the Protection of the Environment Operations Act 1997 (Pollution of Waters). The prosecution related to a small overflow of water containing coal fines on 3 October 2012 from a water collection tank at the Carrington Terminal Wharf.

Port Waratah also received a Penalty Infringement Notice on 11 July 2014 amounting to \$1,500, issued by the EPA. This penalty was in relation to an EPA Officer observing surface water runoff draining offsite via a roadway gutter and entering a public stormwater drain following a rainfall event at the Kooragang Coal Terminal on 14 April 2014.

The EPA also issued Port Waratah with two Official Caution Notices in relation to separate minor incidents at the Kooragang Coal Terminal in 2014.

With the exception of the above incidents, the company complied with all environmental legislative requirements and operations were conducted in accordance with licence and consent conditions. All external reporting requirements associated with the National Greenhouse and Energy Reporting Act (2007) and other relevant legislation was completed.

## Directors' Benefits

No Director of the company has, since the end of the previous financial year, received or become entitled to receive a benefit (other than a benefit included in the total amount of emoluments received or due and receivable by Directors shown in the financial report) by reason of a contract made by the company or a related body corporate with a Director or with a firm of which he or she is a member, or with an entity in which he or she has a substantial financial interest.

## Indemnities and Insurance

During the financial year, the company paid a premium for an insurance policy insuring any past or present Director, Secretary, Executive Officer or employee of the company against certain liabilities. The insurance policy prohibits disclosure of the terms of the policy including the nature of the liability insured against and the amount of the premium.

In accordance with the Constitution of the company, the company must indemnify on a full indemnity basis, and to the full extent permitted by law, the following persons:

- (a) Each person who is or has been a Director, Alternate Director, Chief Executive Officer, General Manager or Secretary of the company; and
- (b) Other officers or former officers of the company or of its related bodies corporate as the Directors in each case determine.



The indemnities so provided apply for all losses or liabilities incurred by the person as an officer of the company or of a related body corporate including, but not limited to, a liability for negligence or for reasonable costs and expenses incurred:

- (a) In defending proceedings in which judgement is given in favour of the person or in which the person is acquitted; or
- (b) In connection with an application, in relation to such proceedings, in which the Court grants relief to the person under the Corporations Act 2001.

The indemnities so provided operate only to the extent that the loss or liability is not covered by insurance.

### **Proceedings on behalf of the Company**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibilities on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

### **Auditor's Independence Declaration**

The auditor's independence declaration is included on page 9 of the annual report.

### **Rounding of Amounts**

The company is a company of the kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and financial report. Amounts in the Directors' Report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order unless otherwise stated.

Dated at Newcastle this 24th day of March 2015.

Signed in accordance with a resolution of the Directors.



M Harvey  
Director



Deloitte Touche Tohmatsu  
ABN 74 490 121 060  
Grosvenor Place  
225 George Street  
Sydney NSW 2000  
PO Box N250 Grosvenor Place  
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[www.deloitte.com.au](http://www.deloitte.com.au)

The Directors  
Port Waratah Coal Services Limited  
Curlew Street  
Kooragang Island  
Newcastle NSW 2294

24 March 2015

**Port Waratah Coal Services Limited**

Dear Sirs

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Port Waratah Coal Services Limited.

As lead audit partner for the audit of the financial statements of Port Waratah Coal Services Limited for the financial year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

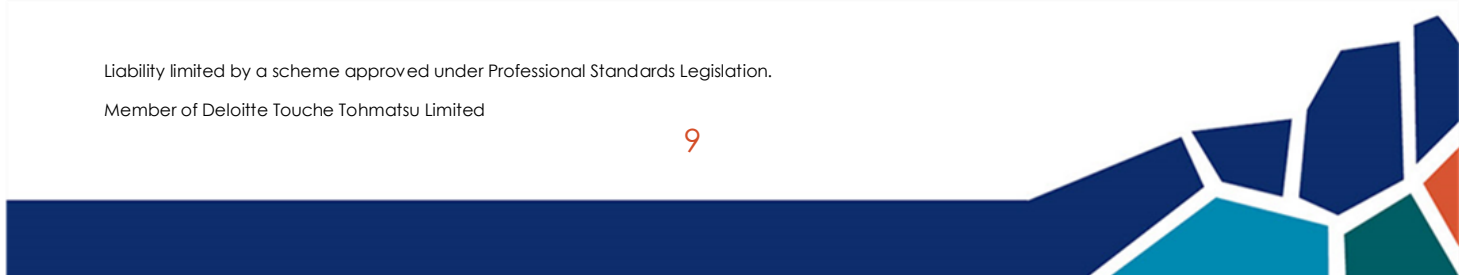
- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

*Deloitte Touche Tohmatsu*

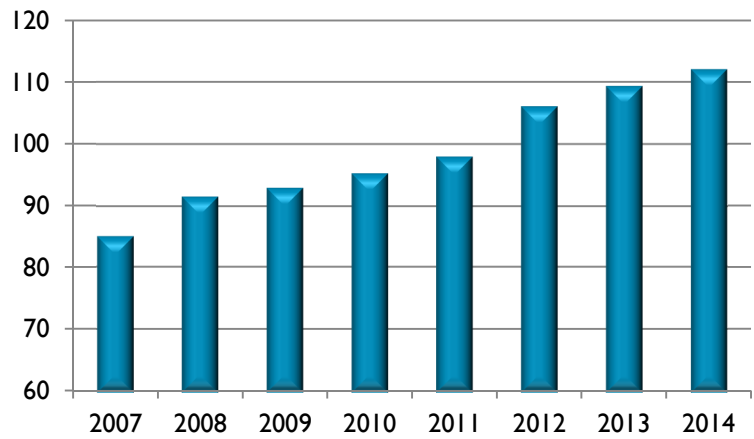
DELOITTE TOUCHE TOHMATSU

Jason Thorne  
Partner  
Chartered Accountants



## Performance Overview

Throughput (Mtpa)



Export Destinations



Japan – 45%



China – 22%



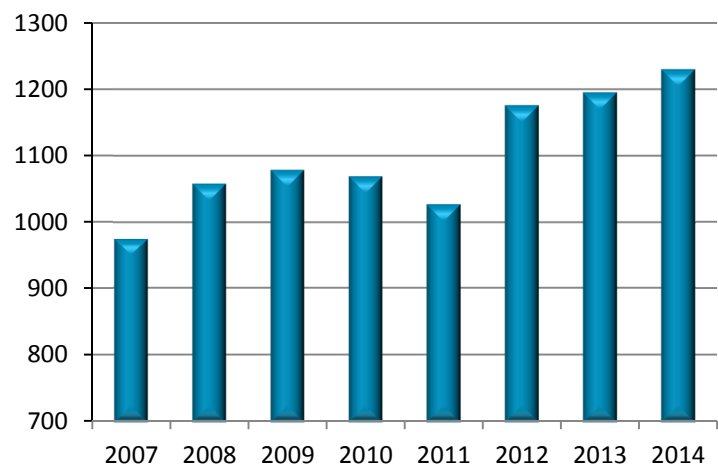
South Korea – 13%



Taiwan – 10%

Other – 10%

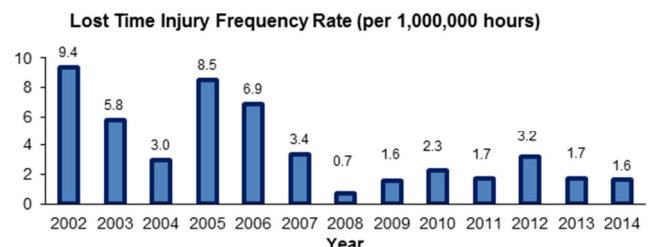
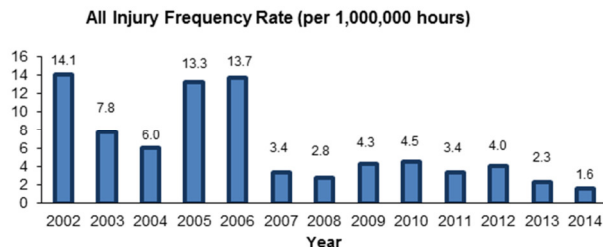
Vessels Loaded



# Year in Review

## Safety

There were two lost time injuries to employees and contractors in 2014. This is an improved safety performance on the results from 2013 (three lost time injuries and one medical treatment injury).



Key Health and Safety highlights and initiatives for 2014 included:

1. Port Waratah was recognised by the National Safety Council of Australia, 2014 National Safety Awards of Excellence, for the quality of our employee health programmes. In October 2014 Port Waratah was announced as category winner for Best Health & Wellbeing Programme. Port Waratah's submission encompassed all of the employee health initiatives in place, including those that were a result of the Health Study Report recommendations published in 2012.
2. Port Waratah implemented a number of safety system improvements through extensive employee consultation including:
  - Simplifying our incident investigations for low and medium risk incidents with the utilisation of the 5-Why investigation process;
  - Introduction of a new guideline for use when conducting on the job inductions; and
  - Revision of our shutdown scheduling process to minimise the conflicts that can occur during multiple jobs and tasks being undertaken on machinery and equipment.
3. The Health, Safety & Environment Committee undertook a redesign of our Planned Job Safety Observation process to focus more on an engaging safety conversation rather than an observation or audit.
4. Port Waratah updated its Semi Quantitative Risk Analysis, a process that quantifies the fatality risks for workers undertaking jobs and tasks on site. This process results in a number of improvement actions that will be implemented in 2015.
5. Port Waratah implemented a new electronic Health, Safety and Environment reporting and recording system. This system will allow all employees to directly enter incidents in addition to providing on-line Key Performance Indicator measurement and monitoring.
6. Port Waratah worked with the Newcastle Fire Brigade to undertake emergency drills across all Fire Brigade Shifts and provide opportunity for site familiarisation.
7. Port Waratah undertook a number of key auditing functions that assist with quality assurance of our systems. These included:
  - An external legal audit of our rail compliance against the new National Rail Legislation;
  - Two external surveillance audits of our certification to OHSAS 18001;
  - An external audit of our Maritime Security Plan for compliance with the Maritime Security Act; and
  - 160 internal audits assessing implementation and compliance of our safety systems.



## Environment

Throughout 2014, Port Waratah continued its significant investment to improve the water management systems at both the Kooragang and Carrington Terminals with the aim of reducing the risk of water pollution incidents. Implementation of this work is ongoing and will continue into 2015.

A number of key water management projects were completed during 2014. At the Kooragang Terminal this included upgrading settling lagoons and constructing additional stormwater catchments in the wharf area. At the Carrington Terminal, the water management system was further integrated into the Port Waratah process control system with the aim of improving response to alarm conditions.

Improvements were also made to dust management, with enhancements to forecast weather data which better reflect actual site conditions. This information is utilised by Port Waratah's 'Intelligent Dust Management System' installed at both the Carrington and Kooragang Terminals.

Port Waratah's ISO14001:2004 certified Environmental Management System was maintained throughout 2014, with no non-conformances reported from a comprehensive three day independent surveillance audit.

Improved waste reporting and the implementation of new recycling initiatives saw Port Waratah increase the municipal recycling rate by 6.2% across operations.

Port Waratah's 2014 National Greenhouse and Energy Report saw the company's total greenhouse gas emissions reduce by 2% from the previous reporting period. In addition, vehicle and wastewater emissions were reduced by over 21% from the previous reporting period.

The company was prosecuted by the EPA on 28 March 2014, in relation to the contravention of Section 120 of the Protection of the Environment Operations Act 1997 (Pollution of Waters), following a small overflow of water containing coal fines from a sump at the Carrington Terminal Wharf, which occurred on 3 October 2012. Measures to prevent a recurrence of such an incident are included in the water improvement programme.

The EPA also issued the company a Penalty Infringement Notice on 11 July 2014 in relation to surface water runoff draining offsite following a rainfall event at the Kooragang Coal Terminal on 14 April 2014. Measures to prevent a repeat of this type of incident have been identified and capital expenditure to implement these has been approved.

## People

During 2014 Port Waratah management conducted a review of the organisation with the aim of adapting the structure to take account of the change to a no-growth environment and to identify efficiencies across the business. In implementing the results of this review, a number of roles were identified as excess to requirements, resulting in 44 redundancies, both voluntary and involuntary. The total number of employees reduced from 404 at January 2014 to 356 in December 2014.

Employee turnover rate for 2014 was 15.5% (55 employees). This turnover rate includes employees leaving Port Waratah as a result of resignation, completion of fixed term engagements and the organisation review.



Port Waratah commenced negotiations for a new Enterprise Agreement in July 2012 and reached in principle agreement with the SBU during December 2014. Employees voted in favour of the proposed agreement on 10 February 2015 and the Fair Work Commission approved the Agreement on 12 March 2015.

In accordance with the Workplace Gender Equality Act 2012, Port Waratah is required to report to the Workplace Gender Equality Agency (WGEA) annually on its Workplace Profile as at 31 March 2014. The Workplace Profile reports on employee numbers by category, gender and the percentage of females in each category. Port Waratah lodged its Workplace Profile with the WGEA on 26 May 2014. The Workplace Profile is available on the Port Waratah website for employees and shareholders to access and provide comment on.

A number of employee effectiveness and cultural initiatives were implemented at Port Waratah during 2014, which included:

- The introduction and roll out of the “It’s Who We Are” programme aimed at developing leadership skills and an engaging leadership style;
- The introduction of the “What’s Next Embedding” programme that resulted in the development of 30 internally skilled AcdB facilitators; and
- The transition of the e-learning system into a fully capable Learning Management System.

Port Waratah was the host employer of 17 apprentices at the end of 2014. Port Waratah also continued providing traineeships, scholarships and other vacation work experience throughout 2014.

## Community

Port Waratah continued the implementation of its Community Stakeholder Engagement Strategy in 2014. Community engagement continued through Community Newsletters and Community Terminal Meetings – key tools to promote communication with local residents and businesses. Radio and billboard advertising was also undertaken during 2014 to update the Community on Port Waratah initiatives and achievements.

The Community Investment and Partnership Programme continued in 2014, with Port Waratah partnering with over 85 organisations in the Newcastle community. Key initiatives included the launch of a three year partnership with Hunter Medical Research Institute and the University of Newcastle supporting the DADEE programme, establishing partnerships with each of the six city surf clubs and ongoing support for local schools. Port Waratah provided grants and donations to local community organisations including Throsby Big Brunch, Newcastle Society of Artists and school Breakfast Clubs.

## Commercial

The coal industry continued to face a challenging economic environment during 2014. Port Waratah has focused its efforts on reducing costs and its coal handling charge to support its Customers. Port Waratah also continues to work through contractual alignment challenges that present obstacles in the coal chain.

## Operations

Throughput for 2014 was 111.9 mtpa, against a budget of 139.0 mtpa and nameplate capacity of 145 mtpa. This result represented an increase of 2.4% on the 2013 year. Demand and Hunter Valley Coal Chain performance issues and constraints were the primary causes of the difference between actual throughput and budgeted capacity. Operations achieved a favourable result in train cancellations, with the actual cancellations attributable to the Terminals being 0.3%, an improvement on the prior year and well below the target of 1.4%.

### Kooragang Terminal

Favourable operational performance measures for the Kooragang Terminal were achieved throughout 2014, with many terminal records achieved. The Kooragang Terminal achieved daily, weekly and monthly records for rail receipt and shiploading. The Gross Load Rate reached 5,666 tonnes per hour for 2014 at the Kooragang Terminal, representing a 3.2% improvement on 2013. The Kooragang Terminal also recorded an improvement in reliability of 27% in comparison to 2013.

The Kooragang Terminal achieved 805 days Serious Injury Free in 2014, with the record continuing into 2015. This safety milestone means the Kooragang Terminal has now beaten the best ever Serious Injury Free run of either Terminal.

### Carrington Terminal

The Carrington Terminal continued to maintain a strong focus on environmental performance throughout 2014. There were no reportable environmental incidents and no community complaints attributable to the Carrington Terminal for 2014.

Favourable operational performance measures for the Carrington Terminal were achieved throughout the year with notable improvement in the reliability of the rail receipt systems.

The Carrington Terminal sustained two Lost Time Injuries during 2014. It is pleasing that at the end of 2014, the Carrington Terminal had achieved 214 days Lost Time Injury and Medical Treatment Injury free.

A project is underway to replace the three shiploaders at the Carrington Terminal with two new shiploaders. This equipment will be operational in 2016.

## Service Assurance

Service Assurance continues to work closely with Customers, the Hunter Valley Coal Chain Coordinator and co-service providers to ensure equity for Port Waratah and its customers in the planning and delivery of coal to the port. This has included participating in a number of industry improvement initiatives to maximise the delivery of coal. Initiatives include enhancing the 'Slot management' process to drive further improvement in the rail delivery process.



## Development

Work associated with obtaining the environmental approval for the proposed T4 Terminal continued throughout 2014. During the year the project proceeded through the Planning and Assessment Commission (PAC) public hearing and project review stage. The PAC completed their review report and advised the project is approvable subject to certain conditions. Whilst this is an extremely positive result, there remain a number of project conditions which require further clarification and negotiation. It is anticipated the project will proceed to a second PAC in early 2015 with the hope of final approval determination in the first half of 2015.

The development team also completed early studies to identify further inbound system opportunities to increase nameplate capacity at the Kooragang Terminal. This work supports the work completed in 2013 on the Kooragang Terminal's outbound system capacity, and provides the basis for future expansion opportunities independent of the proposed T4 Terminal.



**HENNIE DU PLOOY**  
**CHIEF EXECUTIVE OFFICER**





# Statement of Profit or Loss and other Comprehensive Income

for the financial year ended 31 December 2014

		Consolidated	
	Note	31-Dec-14 \$'000	31-Dec-13 \$'000
<b>Continuing operations</b>			
Revenue	2	397,424	466,558
Other income	2	2,605	2,139
Employee benefit expenses		(71,516)	(67,380)
Depreciation and amortisation expenses	2	(109,209)	(104,918)
Finance costs	2	(48,145)	(44,495)
Materials and services		(76,576)	(94,263)
Other expenses		<u>(27,228)</u>	<u>(28,878)</u>
<b>Profit before income tax expense</b>		67,355	128,763
Income tax expense	3	<u>(19,585)</u>	<u>(37,675)</u>
<b>Profit for the year</b>	18	<u>47,770</u>	<u>91,088</u>
<b>Other comprehensive income, net of income tax</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Net fair value gain/(loss) on fair value equity instruments	17	<u>923</u>	<u>553</u>
<b>Total comprehensive income for the year</b>		<u>48,693</u>	<u>91,641</u>

Notes to the financial statements are included on pages 21 to 45.

# Statement of Financial Position

for the financial year ended 31 December 2014

		Consolidated	
	Note	31-Dec-14 \$'000	31-Dec-13 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	37,611	6,483
Trade and other receivables	5	17,322	16,916
Inventories	6	7,774	6,808
Other	7	2,112	2,433
<b>TOTAL CURRENT ASSETS</b>		<b>64,819</b>	<b>32,640</b>
<b>NON-CURRENT ASSETS</b>			
Other financial assets	8	17,226	16,303
Property, plant and equipment	9	1,745,348	1,827,268
Other	10	8,628	9,223
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,771,202</b>	<b>1,852,794</b>
<b>TOTAL ASSETS</b>		<b>1,836,021</b>	<b>1,885,434</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	19,165	17,605
Borrowings	12	292,048	348,787
Current tax payables	3	6,699	16,166
Provisions	13	23,202	24,764
<b>TOTAL CURRENT LIABILITIES</b>		<b>341,114</b>	<b>407,322</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	14	711,668	717,176
Deferred tax liabilities	3	103,630	102,179
Provisions	15	58,016	53,857
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>873,314</b>	<b>873,212</b>
<b>TOTAL LIABILITIES</b>		<b>1,214,428</b>	<b>1,280,534</b>
<b>NET ASSETS</b>		<b>621,593</b>	<b>604,900</b>
<b>EQUITY</b>			
Issued capital	16	139,868	139,868
Reserves	17	1,800	877
Retained earnings	18	479,925	464,155
<b>TOTAL EQUITY</b>		<b>621,593</b>	<b>604,900</b>

Notes to the financial statements are included on pages 21 to 45.

# Statement of Changes in Equity

for the financial year ended 31 December 2014

		Consolidated			
	Note	Share Capital	Reserves	Retained Earnings	Total
		\$'000	\$'000	\$'000	\$'000
Balance at 31 December 2013	16, 17, 18	<u>139,868</u>	<u>877</u>	<u>464,155</u>	<u>604,900</u>
Profit for the period		-	-	47,770	47,770
Fair value of equity instruments movement for the year	17	-	923	-	923
Dividends paid	19	<u>-</u>	<u>-</u>	<u>(32,000)</u>	<u>(32,000)</u>
Balance at 31 December 2014	16, 17, 18	<u><u>139,868</u></u>	<u><u>1,800</u></u>	<u><u>479,925</u></u>	<u><u>621,593</u></u>

		Consolidated			
		Share Capital	Reserves	Retained Earnings	Total
		\$'000	\$'000	\$'000	\$'000
Balance at 31 December 2012	16, 17, 18	<u>139,868</u>	<u>324</u>	<u>404,267</u>	<u>544,459</u>
Profit for the period		-	-	91,088	91,088
Fair value of equity instruments movement for the year	17	-	553	-	553
Dividends paid	19	<u>-</u>	<u>-</u>	<u>(31,200)</u>	<u>(31,200)</u>
Balance at 31 December 2013	16, 17, 18	<u><u>139,868</u></u>	<u><u>877</u></u>	<u><u>464,155</u></u>	<u><u>604,900</u></u>

Notes to the financial statements are included on pages 21 to 45.



# Statement of Cash Flows

for the financial year ended 31 December 2014

Consolidated			
	Note	31-Dec-14 \$'000	31-Dec-13 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		437,111	523,587
Payments to suppliers and employees		(217,810)	(233,847)
Dividends received		1,060	1,034
Interest received		1,080	714
Interest and other costs of finance paid		(39,738)	(54,606)
Net Income tax paid		(27,600)	(45,434)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	(iii)	<u>154,103</u>	<u>191,448</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for property, plant and equipment		(27,363)	(123,239)
Proceeds from sale of property, plant and equipment		<u>175</u>	<u>257</u>
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<u>(27,188)</u>	<u>(122,982)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings		(63,787)	(76,230)
Proceeds from borrowings		-	40,000
Dividends paid	19	<u>(32,000)</u>	<u>(31,200)</u>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<u>(95,787)</u>	<u>(67,430)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		31,128	1,036
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>		<u>6,483</u>	<u>5,447</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	(i)	<u><u>37,611</u></u>	<u><u>6,483</u></u>

Notes to the statement of cashflows are included on page 20.

Notes to the financial statements are included on pages 21 to 45.



# Notes to the Statement of Cash Flows

for the financial year ended 31 December 2014

## Consolidated

31-Dec-14 \$'000	31-Dec-13 \$'000
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### (i) CASH AT THE END OF THE FINANCIAL YEAR

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments for the parent entity only, net of outstanding bank overdrafts.

Cash and cash equivalents at the end of the financial year as shown in the cashflow statement is reconciled to the related items in the Statement of Financial Position as follows:

Cash and cash equivalents	37,611	6,483
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### (ii) FINANCING FACILITIES

The parent entity has access to:

Secured bank loan facilities with various maturity dates

Amount used	1,007,898	1,071,685
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Amount unused	-	110,000
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1,007,898	1,181,685
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### (iii) RECONCILIATION OF PROFIT FOR THE PERIOD TO NET CASH FLOWS FROM OPERATING ACTIVITIES

Profit for the period	47,770	91,088
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Depreciation expense	109,209	104,918
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Amortisation of deferred borrowing costs	(61)	1,594
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Loss/(Gain) on sale of plant & equipment	(101)	41
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Capitalised interest	-	(8,116)
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Interest unwinding on rehabilitation provision	4,081	3,645
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#### Changes in assets & liabilities:

(Decrease)/increase in income tax payable	(9,467)	(10,072)
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(Increase)/decrease in trade debtors	(406)	9,197
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Decrease/(increase) in deferred borrowing costs	1,601	(1,555)
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Decrease/(increase) in other assets and prepayments	916	(359)
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(Increase)/decrease in inventory	(966)	378
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Increase in deferred taxes	1,451	2,313
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(Decrease)/increase in employee entitlement provisions	(1,484)	2,373
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Increase/(decrease) in trade creditors	1,560	(3,997)
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Net cash flows from operating activities	154,103	191,448
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# Notes to the Financial Statements

for the financial year ended 31 December 2014

## NOTE I SUMMARY OF ACCOUNTING POLICIES USED IN THE FINANCIAL STATEMENTS

### Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being Port Waratah Coal Services Limited (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 'Separate Financial Statements'. A list of subsidiaries appears in Note 26 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The consolidated financial statements include the information and results of each subsidiary from the date on which the parent entity obtains control and until such time as the parent entity ceases to control such entity. Control is achieved where the parent entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

### Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial statements comprise the consolidated financial statements of the parent entity and the entity it controls. For the purposes of preparing the consolidated financial statements, the consolidated entity is a for-profit entity.

In the current year, the consolidated entity has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the consolidated entity's annual reporting period.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the consolidated entity comply with International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the Directors on 24 March 2015.

### Basis of Preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. 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.

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## NOTE I SUMMARY OF ACCOUNTING POLICIES USED IN THE FINANCIAL STATEMENTS (continued)

### Basis of Preparation (continued)

The consolidated entity is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. There were no material accounting estimates and judgements applied in preparing the financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The principal accounting policies adopted in preparing the financial report of the consolidated entity comprising the parent entity, and the entity it controls, are stated to assist in a general understanding of these financial reports. These policies have been consistently applied by entities in the consolidated entity except as otherwise noted.

### Application of New and Revised Accounting Standards

Standard/Interpretation	Application
AASB 1031 'Materiality'	The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework for the Preparation and Presentation of Financial Statements (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations, and once all these references have been removed, AASB 1031 will be withdrawn. The adoption of AASB 1031 does not have any material impact on the amounts recognised in the Company's financial statements.
AASB 2013-9 'Amendments to Australian Accounting Standards – Part B: Materiality'	This amending standard makes amendments to particular Australian Accounting Standards to delete references to AASB 1031, at the same time it makes various editorial corrections to Australian Accounting Standards as well. The adoption of the amending standard does not have any material impact on the amounts recognised in the Company's financial statements.



# Notes to the Financial Statements

for the financial year ended 31 December 2014

## NOTE I SUMMARY OF ACCOUNTING POLICIES USED IN THE FINANCIAL STATEMENTS (continued)

### Early adoption of Standards and Interpretations

In the reporting period beginning 1 January 2011, Directors elected under s.334(5) of the Corporations Act 2001 to apply AASB 9 'Financial Instruments', and the relevant amending standards in advance of its effective date. The effective date has been revised to be effective for annual reporting periods beginning on or after 1 January 2018.

### Standards and Interpretations in issue not yet adopted

Initial application of the following Standard and Interpretation is not expected to have any material impact to the financial report of the consolidated entity:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 15 'Revenue from contracts with customers'	1 January 2017	31 December 2017

The Directors anticipate that the adoption of the above Standard and Interpretation in future periods will have no material financial impact on the financial statements of the consolidated entity, as the issue of the above noted Interpretation does not affect the consolidated entity's present policies and operations.

The Standard and Interpretation will be first applied in the consolidated financial statements that relate to the annual reporting period beginning after the effective date of the pronouncement, which will be the consolidated entity's annual reporting period beginning on 1 January 2017 or later.

### Financial Assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in subsidiaries are measured at fair value. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the parent entity.

Other financial assets are classified into the following specified categories:

- loans and receivables; and
- shares at fair value.

#### Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

#### Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the Statement of Financial Position classification of the related debt or equity instruments.



# Notes to the Financial Statements

for the financial year ended 31 December 2014

## NOTE I SUMMARY OF ACCOUNTING POLICIES USED IN THE FINANCIAL STATEMENTS (continued)

### Financial Assets (continued)

#### Shares at fair value

The parent entity has an investment in an unlisted entity whose shares are not traded in an active market. This investment has been classified as 'shares at fair value - other corporations' (because the Directors consider that the fair value can be reliably measured). Fair value has been determined in accordance with generally accepted pricing models based on discounted cashflows. In determining the fair value, an earnings growth factor of 3% (2013: 3%) and a discount factor of 8% (2013: 8%) are used.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value of equity instruments reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the fair value of equity instruments reserve is not reclassified to profit or loss.

Dividends on shares held at fair value are recognised in profit or loss when the parent entity's right to receive dividends is established.

### Income Tax

#### Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax is accounted for using the Statement of Financial Position liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the Statement of Financial Position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.



# Notes to the Financial Statements

for the financial year ended 31 December 2014

## NOTE I SUMMARY OF ACCOUNTING POLICIES USED IN THE FINANCIAL STATEMENTS (continued)

### Income Tax (continued)

#### Deferred tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

#### Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the Statement of Profit or Loss and other Comprehensive Income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

#### Tax consolidation

The parent entity and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Port Waratah Coal Services Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the parent entity (as head entity in the tax-consolidated group).

### Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

### Borrowings

Borrowings are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

### Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the profit and loss in the period in which they are incurred.

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## NOTE I SUMMARY OF ACCOUNTING POLICIES USED IN THE FINANCIAL STATEMENTS (continued)

### Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash in banks (including short term deposits) and investments in money market instruments, net of outstanding bank overdrafts.

### Property, Plant and Equipment

Land is recognised at cost.

Buildings, plant and equipment and leasehold improvements are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

Buildings	10 – 25 years
Plant and equipment	3 – 25 years

Property, plant and equipment consolidated lives are limited to 25 years reflecting commercial obsolescence.

### Inventories

Maintenance stores are valued at the lower of cost and net realisable value. Costs are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis. Inventory consists of maintenance stores and supplies to be consumed in the rendering of coal handling services.

Major spares purchased specifically for particular items of plant and equipment are included in the cost of plant and equipment.

### Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, short term incentive payments, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.



# Notes to the Financial Statements

for the financial year ended 31 December 2014

## NOTE I SUMMARY OF ACCOUNTING POLICIES USED IN THE FINANCIAL STATEMENTS (continued)

### Employee Benefits (continued)

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

#### Defined contributions plans

Contributions to defined contribution superannuation plans are expensed when employees have rendered service entitling them to the contributions.

### Revenue Recognition

Revenue from operating activities represents revenue from coal handling and related activities and includes accrued income in relation to coal remaining on stockpiles at the end of the financial year. Revenue from outside the operating activities includes dividends received from other corporations, interest income, and proceeds from the disposal of property, plant and equipment.

Revenue from operating activities is recognised when the services are provided and includes accrued income in relation to coal remaining on stockpiles and partly loaded coal at the end of the financial year.

Revenue from Ship or Pay charges received is recognised when the Long Term Ship or Pay Agreement conditions for qualification are met.

Prepaid revenue is not recognised as revenue until the coal handling services have been performed.

#### Dividend and interest revenue

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

### Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the Statement of Cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## NOTE I SUMMARY OF ACCOUNTING POLICIES USED IN THE FINANCIAL STATEMENTS (continued)

### Impairment of Assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value (in which case the impairment loss is treated as a revaluation decrease).

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

### Leased Assets

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### Provisions

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.



# Notes to the Financial Statements

for the financial year ended 31 December 2014

## NOTE I SUMMARY OF ACCOUNTING POLICIES USED IN THE FINANCIAL STATEMENTS (continued)

### Provision for Restoration and Rehabilitation

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of port operations undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of removing facilities and restoring the affected areas at the expiry of the relevant land operating leases. The provision for the future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on independent cost estimates.

The present value calculations utilise a growth forecast of 3% (2013: 3%) and a discount rate of 8% (2013: 8%). Future restoration estimates are reviewed periodically and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date.

The initial estimate of the restoration and rehabilitation provision relating to removing facilities and restoring the affected areas is capitalised into the related asset and amortised over the expected life of plant. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

### Reserves

The parent entity has an investment in an unlisted entity whose shares are not traded in an active market. This investment has been classified as 'shares at fair value - other corporations' (because the directors consider that the fair value can be reliably measured). Fair value has been determined in accordance with generally accepted pricing models based on discounted cashflows. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value of equity instruments reserve, with the exception of impairment losses which are recognised in the profit or loss.

Dividends on shares held at fair value are recognised in profit or loss when the parent entity's right to receive dividends is established.

### Foreign Currency

The financial statements are presented in the entity's functional currency, being Australian dollars. Transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each Statement of Financial Position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the Statement of Financial Position date.

# Notes to the Financial Statements

for the financial year ended 31 December 2014

	31-Dec-14 \$'000	31-Dec-13 \$'000
<b>NOTE 2 PROFIT FROM OPERATIONS</b>		
<b>(a) Revenue</b>		
Revenue from continuing operations consisted of the following items:		
Revenue from the rendering of Coal Handling Services	397,424	466,558
<b>(b) Other Income</b>		
Dividends from other corporations	1,060	1,034
Interest received	1,125	752
Other	319	394
Gain/(Loss) on disposal of property, plant and equipment	101	(41)
	<u>2,605</u>	<u>2,139</u>
<b>Total Revenue and Other Income</b>	<u>400,029</u>	<u>468,697</u>
<b>(c) Profit before income tax</b>		
Profit before income tax has been arrived at after charging the following expenses. The line items below combine amounts attributable to continuing operations:		
Depreciation of property, plant and equipment	109,209	104,918
Borrowing costs:		
Interest and finance charges paid/payable	41,104	38,824
Amortisation of capitalised borrowing costs	2,960	2,026
Interest unwinding on rehabilitation provision	4,081	3,645
	<u>48,145</u>	<u>44,495</u>
Defined contribution superannuation expense	6,584	5,946
Rental expense relating to operating leases and access agreements	<u>6,567</u>	<u>6,077</u>



# Notes to the Financial Statements

for the financial year ended 31 December 2014

## Consolidated

31-Dec-14	31-Dec-13
\$'000	\$'000

### NOTE 3 INCOME TAX

#### (a) Income tax recognised in profit or loss

Tax expense comprises:

Current tax expense	18,134	35,361
Deferred tax expense relating to the origination and reversal of temporary differences	1,451	2,314

Total tax expense	<u>19,585</u>	<u>37,675</u>
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The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

Profit from continuing operations	67,355	128,763
Income tax expense calculated at 30%	20,207	38,629
Add/(Less): Non-deductible expenses	175	170
Research and development tax rebate	(213)	(510)
Franking credits	(454)	(443)
Adjustments recognised in the current year in relation to current tax of prior years	(130)	(171)
	<u>19,585</u>	<u>37,675</u>

#### (b) Current tax payable

Income tax payable attributable to:

Parent entity and entities in the tax consolidated group	<u>6,699</u>	<u>16,166</u>
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#### (c) Deferred tax balances

Deferred tax assets comprise:

Temporary differences	25,541	18,864
Setoff to deferred tax liabilities	(25,541)	(18,864)
	<u>-</u>	<u>-</u>

Deferred tax liabilities comprise:

Temporary differences	(129,171)	(121,043)
Setoff from deferred tax assets	25,541	18,864
	<u>(103,630)</u>	<u>(102,179)</u>

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## NOTE 3 INCOME TAX (continued)

Taxable and deductible temporary differences arise from the following:

	Balance at 31-Dec-12 \$'000	Charged to income \$'000	Consolidated Balance at 31-Dec-13 \$'000	Charged to income \$'000	Balance at 31-Dec-14 \$'000
<b>Gross deferred tax liabilities:</b>					
Inventories	(2,156)	114	(2,042)	(290)	(2,332)
Work in progress	(1,490)	801	(689)	44	(645)
Other receivables	(17)	(1)	(18)	12	(6)
Property, plant and equipment	(105,805)	(3,650)	(109,455)	(7,564)	(117,019)
Other assets	(2,437)	(218)	(2,655)	23	(2,632)
Research and development tax incentive	(4,411)	(1,773)	(6,184)	(353)	(6,537)
	<u>(116,316)</u>	<u>(4,727)</u>	<u>(121,043)</u>	<u>(8,128)</u>	<u>(129,171)</u>
<b>Gross deferred tax assets:</b>					
Provisions	8,616	887	9,503	(1,470)	8,033
Other accruals	42	1	43	935	978
Rehabilitation depreciation and interest unwinding	7,792	1,526	9,318	7,212	16,530
	<u>16,450</u>	<u>2,413</u>	<u>18,864</u>	<u>6,677</u>	<u>25,541</u>
	<u>(99,866)</u>	<u>(2,314)</u>	<u>(102,179)</u>	<u>(1,451)</u>	<u>(103,630)</u>

### Relevance of tax consolidation to the consolidated entity

The parent entity and its wholly-owned Australian resident entity have formed a tax-consolidated group with effect from 1 January 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Port Waratah Coal Services Limited. The members of the tax-consolidated group are identified at Note 26 and Note 27.

As a consequence, Port Waratah Coal Services Limited, as the head entity in the tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances.

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## Consolidated

31-Dec-14 \$'000	31-Dec-13 \$'000
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### NOTE 4 CASH AND CASH EQUIVALENTS

Cash on hand and short term deposits	<u>37,611</u>	<u>6,483</u>
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### NOTE 5 TRADE AND OTHER RECEIVABLES

Trade debtors and accrued income	17,147	16,780
Other debtors	<u>175</u>	<u>136</u>
	<u>17,322</u>	<u>16,916</u>

The average credit period for customers is 14 days. No interest is charged on trade debtors for the first 14 days from the date of invoice. Thereafter, interest is charged at an appropriate overdraft indicator rate on the outstanding balance. In determining the recoverability of trade debtors the company considers any change in the credit quality of the trade debtor from the date credit was initially granted up to the reporting date. The Directors believe that there is no doubtful debt provision required for trade debtors.

### NOTE 6 INVENTORIES

Maintenance stores and supplies	<u>7,774</u>	<u>6,808</u>
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### NOTE 7 OTHER CURRENT ASSETS

Prepayments	<u>2,112</u>	<u>2,433</u>
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### NOTE 8 NON-CURRENT FINANCIAL ASSETS

Shares at fair value - other corporations	<u>17,226</u>	<u>16,303</u>
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Shares at fair value represent investment in:

Newcastle Coal Shippers Pty Limited (NCS), a company which is not quoted on a stock exchange. The principal activity of NCS during the year was investment in Port Waratah Coal Services Limited.

At 31 December 2014 the parent entity held 2,835,000 (31 December 2013: 2,835,000) ordinary shares in NCS which represented 8.964% of the issued capital of NCS.

For the year ended 31 December 2014 NCS contributed an amount of \$1.1 million in dividends (31 December 2013: \$1 million) to the pre tax profit of the parent entity and the consolidated entity.

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## NOTE 9 PROPERTY, PLANT AND EQUIPMENT

Consolidated	Land \$'000	Buildings \$'000	Plant and Equipment \$'000	Total \$'000
<b>Gross carrying amount</b>				
Balance at 1 January 2013	30,859	20,426	2,758,791	2,810,076
Additions	-	-	254,155	254,155
Under construction at cost	-	-	(139,718)	(139,718)
Disposals	-	(256)	(6,763)	(7,019)
<b>Balance at 1 January 2014</b>	<b>30,859</b>	<b>20,170</b>	<b>2,866,465</b>	<b>2,917,494</b>
Additions	-	-	13,841	13,841
Under construction at cost	-	-	13,522	13,522
Disposals	-	-	(1,330)	(1,330)
<b>Balance at 31 December 2014</b>	<b>30,859</b>	<b>20,170</b>	<b>2,892,498</b>	<b>2,943,527</b>
<b>Accumulated depreciation</b>				
Balance at 1 January 2013	-	12,321	974,527	986,848
Disposals	-	(66)	(1,474)	(1,540)
Depreciation expense	-	694	104,224	104,918
<b>Balance at 1 January 2014</b>	<b>-</b>	<b>12,949</b>	<b>1,077,277</b>	<b>1,090,226</b>
Disposals	-	-	(1,256)	(1,256)
Depreciation expense	-	678	108,531	109,209
<b>Balance at 31 December 2014</b>	<b>-</b>	<b>13,627</b>	<b>1,184,552</b>	<b>1,198,179</b>
<b>Net book value</b>				
As at 31 December 2013	30,859	7,221	1,789,188	1,827,268
<b>As at 31 December 2014</b>	<b>30,859</b>	<b>6,543</b>	<b>1,707,946</b>	<b>1,745,348</b>

### Consolidated

31-Dec-14  
\$'000

31-Dec-13  
\$'000

Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:

Buildings	678	694
Plant and Equipment	108,531	104,224
	<u>109,209</u>	<u>104,918</u>

# Notes to the Financial Statements

for the financial year ended 31 December 2014

	Consolidated	
	31-Dec-14 \$'000	31-Dec-13 \$'000
<b>NOTE 10 NON-CURRENT ASSETS - OTHER</b>		
Capitalised borrowing costs	10,084	10,084
Less: Accumulated amortisation	(1,456)	(861)
	<u>8,628</u>	<u>9,223</u>
<b>NOTE 11 CURRENT TRADE AND OTHER PAYABLES</b>		
Trade payables	7,654	7,037
Accruals	11,511	10,568
	<u>19,165</u>	<u>17,605</u>
The average credit period on purchases of goods and services is 45 days.		
<b>NOTE 12 CURRENT BORROWINGS</b>		
Bank loans - secured (i)	<u>292,048</u>	<u>348,787</u>
(i) Bank loans are fully secured by a first ranking fixed and floating charge over all the assets and undertakings of the parent entity.		
<b>NOTE 13 CURRENT PROVISIONS</b>		
Employee benefits	<u>23,202</u>	<u>24,764</u>
<b>NOTE 14 NON-CURRENT BORROWINGS</b>		
Bank loans - secured (i)	<u>715,850</u>	<u>722,898</u>
Deferred borrowing costs	(8,507)	(10,108)
Accumulated amortisation	<u>4,325</u>	<u>4,386</u>
	<u>(4,182)</u>	<u>(5,722)</u>
	<u>711,668</u>	<u>717,176</u>

(i) Bank loans are fully secured by a first ranking fixed and floating charge over all the assets and undertakings of the parent entity.

The loans mature in December 2015, September 2016, December 2016, September 2017, August 2018 and September 2018 and bear a weighted average floating rate of interest as set out in Note 28.

All loans are denominated in Australian dollars.

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## Consolidated

	31-Dec-14 \$'000	31-Dec-13 \$'000
<b>NOTE 15 NON-CURRENT PROVISIONS</b>		
Provision for restoration and rehabilitation	55,099	51,018
Employee benefits	2,917	2,839
	<u>58,016</u>	<u>53,857</u>
<i>Employee benefits</i>		
Balance at beginning of the year	27,603	25,232
Additional employee provisions recognised	7,842	8,193
Reductions arising from payments of employee provisions	(9,326)	(5,822)
	<u>26,119</u>	<u>27,603</u>
Balance at 31 December 2014	<u>26,119</u>	<u>27,603</u>
Current (Note 13)	23,202	24,764
Non-current (Note 15)	2,917	2,839
	<u>26,119</u>	<u>27,603</u>
<i>Provision for restoration and rehabilitation</i>		
Balance at beginning of the year	51,018	52,556
Unwinding of discount	4,081	3,645
Provision movement for the year	-	(5,183)
	<u>55,099</u>	<u>51,018</u>
Balance at 31 December 2014	<u>55,099</u>	<u>51,018</u>
Non-current (Note 15)	<u>55,099</u>	<u>51,018</u>
<b>NOTE 16 ISSUED CAPITAL</b>		
93,376,250 Coal Exporter class shares	98,663	98,663
39,241,250 Coal Importer class shares	41,205	41,205
	<u>139,868</u>	<u>139,868</u>

Effective 1 July 1998, the Corporations legislation abolished the concepts of authorised capital and par value shares. Accordingly the Company does not have authorised capital nor par value in respect of its issued capital.

Each class of share has equal voting and dividend rights.



# Notes to the Financial Statements

for the financial year ended 31 December 2014

## Consolidated

31-Dec-14      31-Dec-13  
\$'000          \$'000

### NOTE 17 RESERVES

*Fair value of equity instruments reserve*

Opening balance	877	324
Fair value of equity instruments movement for the year	923	553
Reserves at the end of the financial year	1,800	877

The fair value of equity instruments reserve represents the cumulative gains and losses arising on the revaluation of shares held at fair value that have been recognised in other comprehensive income, net of amounts reclassified to profit and loss when those assets have been disposed of or are determined to be impaired.

### NOTE 18 RETAINED EARNINGS

Retained earnings at the beginning of the financial year	464,155	404,267
Net profit attributable to members	47,770	91,088
Dividends provided for or paid (Note 19)	(32,000)	(31,200)
Retained earnings at the end of the financial year	479,925	464,155

### NOTE 19 DIVIDENDS

	2014		2013	
	Cents per share	31-Dec-14 \$'000	Cents per share	31-Dec-13 \$'000
<b>Recognised amounts</b>				
<b>Fully paid ordinary shares</b>				
Final 2013 dividend and first interim 2014 dividend:				
Franked to 30% (Prior year: 30%)	12.06	16,000	11.76	15,600
Second interim 2014 dividend:				
Franked to 30% (Prior year: 30%)	12.06	16,000	11.76	15,600
	24.12	32,000	23.52	31,200

## Consolidated

31-Dec-14      31-Dec-13  
\$'000          \$'000

Adjusted franking account balance	139,933	125,593
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# Notes to the Financial Statements

for the financial year ended 31 December 2014

## NOTE 20 KEY MANAGEMENT PERSONNEL

### Remuneration of Key Management Personnel

The aggregate compensation made to key management personnel of the company and the consolidated entity is set out below:

	Consolidated	
	31-Dec-14	31-Dec-13
	\$	\$
Short-term employee benefits	1,918,106	2,220,737
Post-employment benefits	198,500	354,570
Termination benefits	-	200,212
	<u>2,116,606</u>	<u>2,775,519</u>

## NOTE 21 RELATED PARTY DISCLOSURES

### (a) Other Directors Compensation Disclosures

There is no scheme for the payment of bonuses, options, additional retirement benefits, loans or any other form of incentive payment to Directors.

### (b) Other Transactions and Balances With Directors

There were no other transactions by the company with Directors during the period.

### (c) Transactions with other related parties

The parent entity received services from Coal & Allied Operations Pty Limited for which Coal & Allied Operations Pty Limited was paid a fee of \$1.5 million pursuant to an agreement between the parent entity and Coal & Allied approved by the Board of Directors of the parent entity. In addition, the parent entity reimbursed Coal & Allied \$1.0 million in respect of the secondment of employees to PWCS.

Included in the balance of Trade and Other Receivables (Note 5) is \$1.9 million receivable from Coal & Allied Operations Pty Limited in respect of coal handling services provided by the parent entity.

Included in the balance of Trade and Other Payables (Note 11) is \$0.1 million payable to Coal & Allied Operations Pty Limited in respect of services provided to the parent company.

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## NOTE 21 RELATED PARTY DISCLOSURES (continued)

### (d) Ownership interests

Ownership interests are contained in Note 26.

### (e) Directors

The Directors named in the attached Directors' Report each hold office as a Director of the parent entity as at the date of this report. In addition, the following persons held office as a Director at various times during the year.

Directors	Resigned
H M Newell	4 July 2014
K Usuda	9 July 2014
Y Nakata	22 July 2014
<b>Alternate Directors</b>	
C Robertson	4 June 2014
H Kimura	9 January 2015

#### Consolidated

31-Dec-14	31-Dec-13
\$	\$

## NOTE 22 REMUNERATION OF AUDITORS

### Remuneration of Auditors

Amounts received or due and receivable by the auditors for audit services:

Auditing the financial report	80,200	77,500
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Amounts received or due and receivable by the auditors for other services:

Safety culture, business strategy and governance services	99,290	1,502,210
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<u>179,490</u>	<u>1,579,710</u>
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The auditors received no benefits other than amounts shown.

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## NOTE 23 COMMITMENTS FOR EXPENDITURE

		Consolidated	
Capital expenditure commitments		31-Dec-14 \$'000	31-Dec-13 \$'000
Various contracts in respect of plant and equipment for which no provision has been made in the financial statements at the end of the financial year.			
Payable within one year		25,837	2,365
Payable later than one year but not later than five years		12,567	-
		<u>38,404</u>	<u>2,365</u>
<b>Operating Lease Commitments</b>			
Minimum lease payments in relation to land lease rentals and office equipment are as follows:			
Due within 1 year		5,682	4,295
Due within 1-5 years		19,834	858
Due after 5 years		28,176	1,510
Total		<u>53,692</u>	<u>6,663</u>
	Completion Date	Renewal Option	Option Period
Operating Leases			
Land - Kooragang Conveyor Corridor and Berth Area	Dec 2032	Yes	10 Years
Land - Carrington Stockpile Area	Dec 2024	No	-
Land - Carrington Berth Area	Dec 2024	No	-
<b>Other Commitments</b>			
Other commitments include access fees payable for land subject to an agreement for lease for the parent entity's Terminal 4 and electricity contracts.			
Due within 1 year		7,650	14,757
Due within 1-5 years		18,248	20,117
Due after 5 years		-	3,572
Total		<u>25,898</u>	<u>38,446</u>

## Foreign Currency Commitments

The parent entity has no foreign currency commitments at year end (2013: \$Nil).

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## NOTE 24 SUPERANNUATION COMMITMENTS

The parent entity contributes to superannuation funds which provide accumulated benefits to employees who are members of the funds on their retirement, resignation, disability or death. The rights of members and/or their dependants are protected by the rules of the funds.

## NOTE 25 SEGMENT INFORMATION

The consolidated entity operates in the coal handling industry in New South Wales, Australia. The consolidated entity operates in one geographic and operating segment.

## NOTE 26 CONTROLLED ENTITY INFORMATION

The parent entity holds a 100% interest in PWCS Refinancing Pty Limited, a company incorporated in Australia. The book value of the parent entity's investment in the controlled entity is \$2.

## NOTE 27 PARENT ENTITY INFORMATION

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to Note 1 for a summary of significant accounting policies relating to the Group.

	<b>Consolidated</b>	
	<b>31-Dec-14</b>	<b>31-Dec-13</b>
	<b>\$'000</b>	<b>\$'000</b>
<b><u>FINANCIAL POSITION</u></b>		
<b>ASSETS</b>		
Current assets	64,819	32,640
Non-current assets	1,771,202	1,852,794
<b>TOTAL ASSETS</b>	<b>1,836,021</b>	<b>1,885,434</b>
<b>LIABILITIES</b>		
Current liabilities	341,114	407,322
Non-current liabilities	873,314	873,212
<b>TOTAL LIABILITIES</b>	<b>1,214,428</b>	<b>1,280,534</b>
<b>EQUITY</b>		
Issued capital	139,868	139,868
Retained earnings	1,800	877
Reserves	479,925	464,155
<b>TOTAL EQUITY</b>	<b>621,593</b>	<b>604,900</b>
<b><u>FINANCIAL PERFORMANCE</u></b>		
Profit for the year	47,770	91,088
Other comprehensive income	923	553
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>48,693</b>	<b>91,641</b>
<b><u>COMMITMENTS FOR THE ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT BY THE PARENT ENTITY</u></b>		
Payable within one year	25,837	2,365
Payable later than one year but not later than five years	12,567	-
<b>TOTAL CAPITAL EXPENDITURE COMMITMENTS</b>	<b>38,404</b>	<b>2,365</b>

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## NOTE 28 FINANCIALS INSTRUMENTS

### (i) Interest Rate Risk

The parent entity's exposure to interest rate risk and the effective interest rates on financial instruments at balance date are:

	Weighted average effective interest rate %	Floating interest rate \$'000	Fixed interest rate maturities 1 year or less \$'000	2 to 5 years \$'000	over 5 years \$'000	Non- interest bearing \$'000	Total \$'000
<b>31 December 2014</b>							
<i>Assets</i>							
Cash	3.1%	3,611	34,000	-	-	-	37,611
Trade Debtors	-	-	-	-	-	17,147	17,147
Other receivables	-	-	-	-	-	175	175
Shares at fair value - other corporations	-	-	-	-	-	17,226	17,226
<i>Total financial assets</i>		3,611	34,000	-	-	34,548	72,159
<i>Liabilities</i>							
Trade and other payables	-	-	-	-	-	19,165	19,165
Secured bank loans	4.1%	1,007,898	-	-	-	-	1,007,898
<i>Total financial liabilities</i>		1,007,898	-	-	-	19,165	1,027,063
Net financial assets/(liabilities)		(1,004,287)	34,000	-	-	15,383	(954,904)
<b>31 December 2013</b>							
<i>Assets</i>							
Cash	2.3%	6,483	-	-	-	-	6,483
Trade Debtors	-	-	-	-	-	16,780	16,780
Receivables	-	-	-	-	-	136	136
Shares at cost - other corporations	-	-	-	-	-	16,303	16,303
<i>Total financial assets</i>		6,483	-	-	-	33,219	39,702
<i>Liabilities</i>							
Trade and other payables	-	-	-	-	-	17,605	17,605
Secured bank loans	3.8%	1,071,685	-	-	-	-	1,071,685
<i>Total financial liabilities</i>		1,071,685	-	-	-	17,605	1,089,290
Net financial assets/(liabilities)		(1,065,202)	-	-	-	15,614	(1,049,588)

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## **NOTE 28 FINANCIALS INSTRUMENTS (continued)**

### **(ii) Credit Risk Management**

The carrying amounts of financial assets included in the consolidated Statement of Financial Position represent the parent entity's maximum exposure to credit risk in relation to these assets. The parent entity holds no security in relation to financial assets. The consolidated entity continues to adopt a policy of only dealing with creditworthy counterparties.

Ongoing credit evaluation is performed on the financial condition of trade debtors and where appropriate, services are not performed until payment in advance of services to be rendered occurs.

### **(iii) Net Fair Values**

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values, unless stated expressly.

### **(iv) Capital risk management**

The capital structure of the consolidated entity consists of debt, which includes borrowings disclosed in Notes 12 and 14, cash and cash equivalents, disclosed in Note 4 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 16, 17 and 18.

### **(v) Financial risk management objectives**

Management provides treasury support to the business, co-ordinates access to financial markets and manages financial risks relating to the consolidated entity. These risks include market risk (including currency risk, fair value interest rate risk and price risk), liquidity risk and cashflow interest rate risk.

The consolidated entity seeks to minimise these risks by using a number of financial institutions, fixed interest rate periods and borrowings in Australian dollars only. The parent entity has a Treasury Policy Statement which is Board approved and provides written procedures over borrowing limits, payments, cash management and approvals. Compliance to the Treasury Policy Statement is reviewed by the internal auditors on a continuous basis. Management reports bi-monthly to the Board on borrowings.

The consolidated entity has no hedge or derivative financial instruments at the date of reporting.

### **(vi) Foreign currency risk management**

The parent entity enters certain supplier agreements denominated in foreign currencies from time to time, hence exposure to exchange rate fluctuations arise. Exchange rate exposures are managed within Board approved policies.

The consolidated entity has no carrying amount of foreign currency denominated assets and liabilities at year end (2013: Nil).

# Notes to the Financial Statements

for the financial year ended 31 December 2014

## NOTE 28 FINANCIALS INSTRUMENTS (continued)

### (vii) Interest rate management

The consolidated entity is exposed to interest rate risk as the consolidated entity borrows funds at floating rates.

A 1% increase or decrease is used when reporting interest rate sensitivity risk to key management and the Board. At reporting date, if interest rates had been 1% higher or lower and all other variables were held constant, the consolidated entity's net profit after tax would decrease/increase \$7.1 million (2013: \$7.5 million) based on the level of borrowings at 31 December 2014, mainly due to the consolidated entity's exposure on its variable rate borrowings.

### (viii) Liquidity risk management

Ultimate responsibility for the liquidity risk management rests with the Board, who have built an appropriate liquidity risk management framework for the management of the consolidated entity's short, medium and long term funding requirements. The consolidated entity manages liquidity risk by maintaining adequate reserves, banking facilities and by continuously monitoring forecast and actual cashflows. Management report to the Board on a monthly basis for cashflow forecasting.

All of the consolidated entity's borrowings excluding repayments are subject to interest rate repricing in the next 12 months. The Board considers that the carrying amounts of the financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

The table below includes the weighted average effective interest rate and a reconciliation to the carrying amount in the Statement of Financial Position for borrowings.

	Weighted average interest rate	Less than 6 months	Greater than 6 months and less than 1 year	1 - 6 years	Total
	%	\$'000	\$'000	\$'000	\$'000
<b>2014</b>					
Borrowings	4.1%	19,187	272,861	715,850	<u>1,007,898</u>
<b>2013</b>					
Borrowings	3.8%	31,947	316,840	722,898	<u>1,071,685</u>



# Notes to the Financial Statements

for the financial year ended 31 December 2014

## **NOTE 29 SUBSEQUENT EVENTS DISCLOSURE**

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the entity, the results of those operations, or the state of affairs of the entity in future financial years.

## **NOTE 30 ADDITIONAL COMPANY INFORMATION**

Port Waratah is an unlisted public company, incorporated and operating in Australia.

### **Registered office**

Port Waratah Coal Services Limited  
Kooragang Island, Newcastle  
NSW Australia

### **Principal places of business**

Port Waratah Coal Services Limited  
Carrington & Kooragang Island, Newcastle  
NSW Australia

## Directors' Declaration

The Directors declare that the financial statements and notes set out on pages 16 to 45:

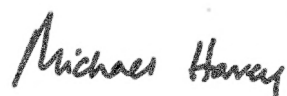
- (a) comply with the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and
- (c) comply with International Financial Reporting Standards, as stated in Note 1 to the financial statements.

In the Directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

Dated this 24th day of March 2015.

Signed in accordance with a resolution of the Directors made pursuant to s295(5) of the Corporations Act 2001.



M Harvey  
Director

## **Independent Auditor's Report to the members of Port Waratah Coal Services Limited**

We have audited the accompanying financial report of Port Waratah Coal Services Limited, which comprises the statement of financial position as at 31 December 2014, the statement of profit or loss and comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 16 to 46.

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

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design

audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Port Waratah Coal Services Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

#### Opinion

In our opinion,

- a) The financial report of Port Waratah Coal Services Limited is 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 year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU



Jason Thorne  
Partner  
Chartered Accountants  
Sydney, 24 March 2015



**PORT WARATAH COAL  
SERVICES LIMITED**

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**REGISTERED OFFICE**

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