



**SAKARI RESOURCES LIMITED**  
391B Orchard Road #17-01  
Ngee Ann City Tower B Singapore 238874  
Tel : +65 6499 4100  
[www.sakariresources.com](http://www.sakariresources.com)

SAKARI RESOURCES LIMITED



**SAKARI RESOURCES LIMITED**  
**ANNUAL REPORT**  
**2014**

Annual Report 2014



# CONTENTS

## Page

1	CORPORATE DIRECTORY
2	FIVE YEAR FINANCIAL SUMMARY
3	CHAIRMAN'S STATEMENT
5	BOARD OF DIRECTORS
7	CHIEF EXECUTIVE OFFICER'S REVIEW
10	FINANCE REVIEW
12	OPERATIONS' REVIEW
14	MARKETING AND SALES REVIEW
16	SUSTAINABILITY REPORT
26	DIRECTORS' REPORT
29	STATEMENT BY DIRECTORS
30	INDEPENDENT AUDITOR'S REPORT
32	CONSOLIDATED INCOME STATEMENT
33	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
34	BALANCE SHEETS
36	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
37	CONSOLIDATED STATEMENT OF CASH FLOWS
38	NOTES TO THE FINANCIAL STATEMENTS
103	GLOSSARY

## CORPORATE DIRECTORY

### Directors

Mr Surong Bulakul	Chairman
Mr Peerachat Pinprayong	Chief Executive Officer
Mr Pitipan Teparitimargorn	Non-Executive Director
Ms Julie Therese Hall	Independent Director
Mr Han Eng Juan	Independent Director
Mr Thanakorn Poolthavee	Independent Director

### Audit, Risk and Compliance Committee

Mr Han Eng Juan	Chairman
Mr Thanakorn Poolthavee	Member

### Remuneration Committee and Nomination Committee

Mr Pitipan Teparitimargorn	Chairman
Ms Julie Therese Hall	Member

### Company Secretaries

Seow Han Chiang Winston  
Lee Sock Wei

### Registered and Head Office

391B Orchard Road  
Ngee Ann City Tower B 17-01  
Singapore 238874  
Tel (65) 6499 4100  
Fax (65) 6327 4222

### Website

[www.sakariresources.com](http://www.sakariresources.com)

### Share Register

Boardroom Corporate & Advisory Services Pte. Ltd.  
50 Raffles Place #32-01  
Singapore Land Tower,  
Singapore 048623

### Independent Auditors

PricewaterhouseCoopers  
8 Cross Street  
PWC Building  
Singapore 0484245

Audit Partner: Graham Lee

## SAKARI RESOURCES LIMITED

FIVE YEAR SUMMARY					
Y/E 31 Dec (\$M)	2010	2011	2012	2013	2014
Coal sales volume (Mt)	10.7	10.7	10.8	11.2	9.8
Coal revenue	779.4	1,010.4	924.0	811.2	632.7
Other revenue	2.6	3.1	3.2	1.7	2.2
COGS	(598.5)	(696.7)	(759.9)	(746.0)	(568.5)
Gross Profit	183.5	316.8	167.3	66.9	66.4
Other operating income/(expense)	(7.7)	13.1	6.2	(7.6)	4.6
Administrative, Corp & Technical	(36.5)	(57.2)	(31.0)	(27.4)	(21.7)
<b>Operating Profit</b>	<b>139.3</b>	<b>272.8</b>	<b>142.5</b>	<b>31.9</b>	<b>49.3</b>
Financial expenses	(13.6)	(13.4)	(13.5)	(11.9)	(8.2)
PBT	125.7	259.4	129.0	20.0	41.1
Tax	(37.5)	(69.1)	(20.5)	(10.6)	(34.2)
<b>Net Profit</b>	<b>88.2</b>	<b>190.3</b>	<b>108.5</b>	<b>9.4</b>	<b>7.0</b>
Dividend	(52.9)	(114.2)	(65.1)	-	(1.7)
<b>Dividend Payout %</b>	<b>60%</b>	<b>60%</b>	<b>60%</b>	<b>0%</b>	<b>25%</b>
EBITDA	178.0	321.2	230.4	187.5	145.7
Balance Sheet					
Total current assets	259.1	317.6	318.3	269.0	215.7
Total long-term assets	838.9	869.7	902.3	855.2	819.8
Total current liabilities	167.9	178.6	290.4	337.3	261.6
Total long-term liabilities	406.3	377.7	274.3	163.0	143.5
Total equity	523.8	631.0	656.0	624.0	630.4
Net debt	232.5	128.6	157.6	214.4	154.6

## CHAIRMAN'S STATEMENT

### Dear Shareholders

International prices in the seaborne thermal coal markets continued their declines in 2014 for a third, consecutive year. This provided a backdrop to 2014 that gave Sakari and all thermal coal peer companies significant challenges. Once again, management rose to the increasing threats to profitability and their efforts, coupled with the resilience of our assets to the downturn, resulted in a very creditable performance for the year.

### Sakari in 2014

As far back as 2013, Sakari began working on strategic plans to face a prolonged period of weakness in coal prices and it was because of this work that Sakari was able to face the problem of margin erosion in 2014 as well as being able to react quickly to any price upturns.

This vital planning work continued throughout 2014 and is still being undertaken. The Group's cost cutting initiatives mean that our cost drivers are now in parity with major producers and we have been able to survive the downturn in the market. We will continue to implement those plans that we feel are necessary to ensure or improve the Group's profitability and preserve our coal reserves. We are prepared for further pressure on margins as, even today, new supplies continue to enter the seaborne thermal coal market.

One strategy that we have not followed is to make major changes to the long-term mine plans and extract "easy coal" with a consequent loss of reserves, which would damage the long-term value of

the Group's assets. Instead, we have focussed on efficiencies, cost reduction and customer satisfaction to give us competitive advantages.

Sakari ended 2014 in a stronger position financially and operationally than we began the year and I am pleased that your Board has been able to recommend a first and final aggregate dividend payment for 2014 of 25 per cent of the Group's net profit for the year, which, if approved by shareholders at the upcoming Annual General Meeting to be held on 7 May 2015, will be paid in approximately June 2015.

### Shareholder Developments

Following the clear request from minority shareholders that your Board should raise with PTT the question of liquidity for their shares, I can assure you that I have done this at the highest levels. PTT is aware of the request and is not ignoring your calls. Like all commercial enterprises, PTT has to evaluate the benefits of further investments and justify its decisions to its shareholders. I am grateful for your patience whilst PTT considers the position.

### Directorate

Dr Chitrapongse, who had served as Sakari's Chairman since 2010, stood down as Chairman following last year's AGM and I was elected to Chair the Board.

## CHAIRMAN'S STATEMENT (cont'd)

Mr Peerachat Pinprayong was appointed as Acting Chief Executive Officer in August 2014, having been a non-executive Director since 2010. He has taken over the role in a very difficult period and I know he is excellently qualified to steer the Group through the many challenges that we are facing and to prepare the Group for the eventual upturn in the market.

Dr Chua Yong Hai did not offer himself for re-election at last year's AGM and consequently left the Board. Other Directors who stood down from their office in 2014 are Mr Chatchawal Eimsiri, Mr Supattanapong Punmeechaow and Mr Apisit Rujikeatkamjorn. In May 2014 Mr Thanakorn Poolthavee joined as an Independent Director and Mr Pitipan Tepartimagorn, a nominee of PTT, joined as a Non-executive Director. Please join me in welcoming them to Sakari and also in thanking all those who left the Board for their contributions.

### Conclusion

Producers in the seaborne thermal coal industry are still facing headwinds, mainly in the shape of continuing high levels of supply, reducing rates of demand growth and calls for greater focus on sustainability in the use of coal for electricity generation. Sakari as one of the strongest producers in the industry, with its solid balance sheet, committed shareholders and quality assets, can face the challenges and has prepared itself to do so.

With challenge comes opportunity and we see the current market situation as a window for strengthening our position in the industry so that, when the market improves, we will be able to enjoy greater advantages in the future. This is one of our Group strategic targets.

We remain very positive about demand for thermal coal in ASEAN, where Sakari has a special advantage, and we will be working towards benefiting from the potential for long-term supplies to customers in the region. We also intend that our high quality coals will ensure that Tiger Energy will maintain a premium brand with high quality customers throughout Asia. To develop the business and to offer greater choice to our customers, the marketing team will be working more closely with PTT Trading group to expand the scale and scope of the business with higher contributions to revenue and profit. This work will involve greater emphasis in areas such as trading third party coal.

In closing I would like to offer my appreciation to the many public officers and communities that we deal with in Indonesia and elsewhere for their diligent approach to the issues that arise in the course of Sakari's daily business, to my fellow Directors for their support and to Sakari's staff for the commitment and loyalty that they have shown.

**Mr Surong Bulakul**  
Chairman

## BOARD OF DIRECTORS

### **Surong Bulakul** Chairman

Mr Surong was appointed to the Board of Sakari in February 2013, became Acting CEO in September 2013 and Chairman in May 2014. He holds a BSc in Industrial Engineering and Operations Research, a Master of Engineering in Operations Research and an MBA from Cornell University, USA. He joined PTT Group in 1973 where he has held senior management positions including Chief Operating Officer Infrastructure, PTT Public Company Limited. In addition to being Chairman of Sakari, he is also the Chairman of Global Power Synergy Company Limited, PTT Power Group's flagship, a Director of IRPC Public Company Limited, other PTT group companies and the Provincial Electricity Authority of Thailand.

### **Peerachat Pinprayong** Acting Chief Executive Officer

Mr Peerachat Pinprayong, aged 59, holds a Bachelor of Sciences in Geology and a Masters of Management from the SASIN Graduate Institute of Business Administration of Chulalongkorn University in Bangkok, Thailand. He is currently the Acting President of PTT Energy Resources Company Limited. Mr Peerachat was appointed Acting CEO in August 2014. He has worked in Indonesia and France for a number of years and brings to the Board significant commercial and technical experience in the natural resources industry. Mr Peerachat has been a Director of Sakari since May 2010.

### **Pitipan Teparthimagnorn** Non-Executive

Mr Pitipan holds a Bachelor of Engineering from King Mongkut's Institute of Technology Ladkrabang and is a Master of Political Science in Public Administration from Thammasat University. He is a Senior Executive Vice President of PTT Group's Human Resources & Organization Excellence and is Chairman of two PTT group subsidiaries, PTT ICT Solutions Company Limited and PTT Polymer Logistics Company Limited. Mr Pitipan was appointed as a Director of Sakari in May 2014. He has vast experience in human resources development and enhancing benefits from cross-cultures in organisations.

## BOARD OF DIRECTORS (cont'd)

### **Julie Therese Hall**

#### **Independent**

Ms Hall is a qualified geologist and also holds several diplomas in corporate directorship and financial planning. She is a Senior Fellow of the Corporate Directors Association, a member of the Australian Institute of Directors and a Senior Fellow of the Financial Securities Institute. Ms Hall has almost 30 years' experience in mining projects in Australia and Asia, including 13 years at BHP Ltd. She is an Executive Director of Far East Energy Corporate Pty Limited and its subsidiaries, and a Director of Pegnel Resources Pty Limited, a private resources consultancy company.

### **Han Eng Juan**

#### **Independent**

Mr Han is a qualified accountant. He is a Director of the Singapore Deposit Insurance Corporation Limited, a member of the Citizenship Committee of Inquiry and Treasurer of the Singapore Red Cross Society. Mr Han has been awarded the Public Administration Medal (Silver) for service in the public sector and the Public Service Medal for community work. In the public sector, Mr Han has held senior positions in the Board of Commissioners of Currency Singapore and the Monetary Authority of Singapore. His last position in the private sector was as Senior Managing Director and Singapore Country Head of Dexia Banque Internationale à Luxembourg.

### **Thanakorn Poolthavee**

#### **Independent**

Mr Thanakorn holds a B. Eng. in Mining from Chulalongkorn University, Thailand. He has extensive experience in the energy industry in a career that has included his holding the position of Deputy Governor, Fuel for The Electricity Generating Authority of Thailand (EGAT). He was formerly a Director of EGAT International Co. Ltd and Ratchaburi Electricity Generating Holding PLC. Mr Thanakorn was appointed to Sakari's Board in May 2014.



## CHIEF EXECUTIVE OFFICER'S REVIEW

### Dear Shareholders

Economic downturn and coal oversupply resulted in lower selling prices and lower oil prices in 2014, which directly impacted the Group's revenue and mining costs. Coal prices are driven by market conditions that are beyond Sakari's control, but the lower oil price gave a benefit to mining costs. Therefore Sakari had to concentrate on cost control and efficiency improvements in this environment.

One of the outstanding key achievements of 2014 was the manner in which management, staff and our main contractors combined their expertise to develop and implement efficiencies in our processes to ensure that we produced and sold our coal profitably. The positive impact of this teamwork is emphasised in the Group's ability to absorb the 17 per cent. drop in the average Newcastle price in 2014. This severe decline, combined with lower levels of production, translated into a revenue reduction for Sakari of nearly \$180 million: despite this, the Group's pre-tax profit substantially increased and its balance sheet has strengthened.

The achievements of 2014 have allowed your Board to recommend that Sakari should resume dividend payments to shareholders.

### Sakari's Performance in 2014

An important strategy that the Group followed in 2014 after analysing the demand-supply and coal price forecast was to optimize coal production and minimize costs. In the past it has been relatively easy to sell surplus production but, as prices continued to fall,

there was a very real risk of high production rates resulting in over-stocking or Sakari being forced to accept low and, possibly, unprofitable prices. This balance meant we needed, and received, close cooperation from PAMA, our main contractor, and other key service providers such as barge operators.

We controlled production to 9.8Mt in total from the two mines (2013: 11.0Mt) with a contribution of 6.7Mt from Jembayan and 3.1Mt from Sebuk. ASP declined year-on-year by \$9.46/t to \$63.48/t (2014: \$72.94/t), but the Group's consolidated net profit before taxation more than doubled to \$41.1 million (2013: \$20.0million). Our focus on costs and efficiencies can also be seen in the reduced costs of sales of \$568.5 million (2013: \$746.0 million) and the 21 per cent. reduction in expenses related to corporate and technical support.

The principle sources of these savings have been mining efficiencies through reduced dumping distances and contractor concessions coupled with reductions in overheads as we closed some departments and jobs that were more appropriate in a higher coal price environment.

The Group's result for 2014 would have been more impressive but for the high tax rate, which mainly attributable to under provisioning in prior years, and reorganisation expenses.

## CHIEF EXECUTIVE OFFICER'S REVIEW (cont'd)

### Exploration

The substantial data that we have accumulated on our mines through the extensive exploration of recent years is sufficient for our organic growth and we therefore closed our exploration team that was based in our Balikpapan office and transferred some of the employees to mining sites as part of a plan to increase effectiveness through organization restructuring. We retain a capability to undertake infill drilling, which was the focus for 2014. We have not updated our Resource and Reserves statements for 2014.

### Business Development

We continued to review plans for a short-cut haul road from the Eastern side of Jembayan to the coast and concluded that the project is best developed in tandem with other mines in the area and by a group that has the capability of consolidating the various competing interests as well as assuming the significant construction and land acquisition costs. We have therefore started discussions with some dedicated infrastructure funds to consider allowing them to take the lead on this project.

It was difficult to make any visible progress on the Western Leases licence applications at Sebuk in the election year in Indonesia. We have ensured that our interests in the concession are secure but will need to consider new approaches in 2015.

As part of our cost reduction initiatives, Sakari's Business Development team has been redeployed and we will in future be working closely with PTT group on any review of new opportunities. PTT Group maintains its intention to grow coal production to 38Mt by 2025, with Indonesia a priority for investment especially assets creating value-added to Sakari's existing operations

### Sustainability

The calls for faster adoption of sustainable practices by all participants in the coal industry are increasing. Sustainability and risk management has been an important part of Sakari's business practices since we began production in 1997 at Sebuk. We continue to keep sustainability and risk management as a core objectives.

Sakari's Sustainability Report for 2014 is included in this Annual Report.

## CHIEF EXECUTIVE OFFICER'S REVIEW (cont'd)

### Marketing

Sakari's ASP for 2014 was \$63.48/t (2013: \$72.94/t), which we estimate to be a 9% premium to the mark-to-market level when compared against the Newcastle Index.

Our customer list comprises many of the premier power producers in the region. Competition for sales to these names is high and intensified in 2014. Tiger Energy Trading, Sakari's wholly-owned subsidiary dedicated to marketing and sales of our products, kept its priority to ensure the satisfaction of these customers and that they receive a premier service and quality from our Group.

Cooperation between our mine sites and the marketing team enabled us to control coal quality, which is important to our customers. It has also helped us to keep production to levels that we knew would be in line with our customers' requirements, thus avoiding distressed sales and high stocks.

Once again Tiger Energy earned net despatch on its annual shipments.

### Outlook

There are no expectations of a significant upturn in thermal coal prices in 2015 or 2016. We are still witnessing new mines starting business and adding to the industry's supply problems. There are, however, signs that some of the major producers are leading the way in production cuts and asset divestment, which suggests that costs of production are nearing their break-even limits for some countries. Indonesia's government's moves to extract more income from coal and other natural resources may help to reduce the rates of production and, ultimately, begin to give some respite to the pressure on margins. None of these initiatives are likely to help prices in the short-term however.

Sakari will continue to mine as efficiently as possible and to build on its reputation for reliability. The combination of efficiency and customer-focused reliability has helped Sakari remain profitable during the downturn and will leave us stronger for the longer-term. We will also keep reviewing threats that may occur, consider our Group's response to them and prepare for better prices when they arrive.

**Peerachat Pinprayong**  
Chief Executive Officer

## FINANCIAL REVIEW

### Revenue and Profit

(US\$m)	2014	2013	YoY Change
Revenue	634.9	812.9	-21.9%
EBITDA	145.7	187.5	-22.3%
Net Profit After Tax	7.0	9.4	-25.5%

The most significant impact on the Group's 2014 profits was the reduced level of international coal prices, and a resultant lower ASP for the Group. The lower ASP, combined with the controlled rate of production from our mines, resulted in a fall in revenues by 21.9% from 2013.

Despite these items, the Group produced another strong EBITDA of \$145.7m (23% of revenue, which is the same rate as 2013), demonstrating the fundamental operational strength that underlies the Group's business

and the manner in which management has controlled its costs. Without the measured response to the pressure on margins caused by reduced revenue, the Group's operating profit and EBITDA would have been substantially lower.

The Group's effective tax rate increased primarily caused by under-provisions in prior years taxes.

## FINANCIAL REVIEW (cont'd)

### Balance Sheet

(US\$m)	2014	2013
Total current Assets	215.7	269.0
Total long-term Assets	819.8	855.2
Total current Liabilities	261.6	337.3
Total long-term Liabilities	143.5	163.0
Total equity	630.4	624.0

The Group's balance sheet remains strong with cash and cash equivalents of \$60.4m at year end 2014.

In 2014 we were active in considering the necessity of all our capital expenditure requirements and future plans. By a thorough review of the necessity for certain programmes that had been based on a different coal price environment, we reduced capital expenditure to \$65.0m for 2014 (2013: \$99.7m). The cash saving has helped Sakari to reduce debts.

In 2014, Sakari fully repaid the remaining \$190m of the five-year club financing facility of \$380m that was signed in 2010. The financing, which was arranged through our holding company, PTT, improved our borrowing terms and assisted in lowering the financing cost for the Group to \$8.2m (2013: \$11.9m). The new finance consists of a \$200m three-year term facility and \$100m short-term facility.

**Wantana Kanoksuttiwong**  
Chief Financial Officer

## OPERATIONS' REVIEW

### Production and Sales Volumes

Kt	Year Ended 31 December	
	2014	2013
<b>Sebuku</b>		
Coal mined	3,568	3,858
Product coal	3,132	2,958
Sales	3,074	2,991
<b>Jembayan</b>		
Coal mined	6,636	8,093
Product coal	6,882	8,019
Sales	6,779	8,198
<b>Total</b>		
Coal mined	10,204	11,951
Product coal	10,014	11,032
Sales	9,853	11,188

### Focus of Operations

In response to the continuing soft coal market in 2014, the Group's operations continued to focus on existing and new cost improvement initiatives to ensure both mines maximized returns in terms of profitability and cash flow whilst preserving coal reserves.

Whilst many mining companies adopted a strategy to increase production by targeting low stripping ratio (SR) pits to compensate for the drop in margin, Sakari instead adopted a more efficient mining approach whereby we preserved valuable reserves by reducing overall mining costs of our high SR pits. Many new cost cutting initiatives were implemented jointly with our business partners resulting in a significant drop in key cost drivers. We are pleased to report

that despite the soft and tough coal market, combined total cash costs from both operations reduced by over \$6 per tonne, which was an outstanding achievement given the market situation. Today, our operation cost structure is comparable to most of the major mines in Indonesia.

We are also pleased to report that we have successfully opened two new pits at Jembayan with access to significant mineable reserves. With these pits, Jembayan is in an excellent position to ramp up production when coal prices improve in the future; it also provides more flexibility in our mine plan that should lead to improved mining efficiency and control over mining costs.

## OPERATIONS' REVIEW (cont'd)

The operational strategy has, and will, remain focused on achieving our Group aspiration of operational excellence in terms of production reliability, efficiency and cost. We will continue to work internally and with our partners to improve our mine plan and mining methods so that we can optimize the utilization of our mines' infrastructure and assets.

### Jembayan

Jembayan's production for 2014 was nearly 1.1Mt (or 14%) below that of 2013. This reduction was a deliberate decision based on our strategy of managing production at optimum levels without compromising coal reserves.

As part of Jembayan's continuous improvement initiatives, we have successfully concluded a joint mining arrangement with one neighbouring mine, PT. Kutai Makmur Insan Abadi (KMIA). The joint mining arrangement gives Jembayan access to an additional 1Mt of coal reserves along our boundary which would not have been minable under normal circumstances and also access to 4Mt of KMIA's coal. Under this arrangement, Jembayan also benefits commercially from the utilization of our assets through sharing of costs. In view of the vast benefits, we will extend our cooperation with KMIA into 2015 and beyond.

### Sebuku

Sebuku has now completely mined out the southern part of the Northern Leases (the KM area) and a substantial portion of the resources in the next area (the MBR area). As we move northward the mining area reduces

in size, which reduces our mining flexibility and puts pressure on our production costs. Furthermore the coal in MBR north has a different quality to coal mined from KM and MBR south. Management in Sebuku is therefore focusing our resources on developing an efficient mine plan with special focus on reducing overall mining costs in areas such as mud mining and dumping distances.

### QSSHE

Sakari always places special focus on QSSHE with improvement programs running parallel with the Group's operational cost and efficiency improvement programs. We are committed to continue pursuing and complying with OHSE and ISO certification for health, safety and environmental protection. During 2014, BCS joined Jembayan as ISO14001 certified for environmental protection. At the same time, both Sebuku and Jembayan continued to receive recognition from the government through the PROPER awards, culminating with Jembayan being awarded the PROPER Gold Certificate.

For information on Sakari's QSSHE and other Sustainable business initiatives, please see our Sustainability Report later in this Annual Report.

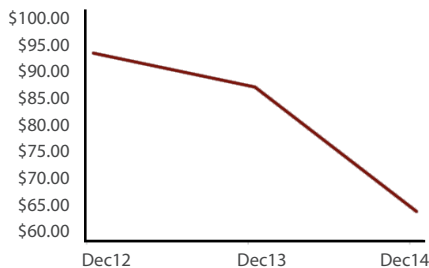
**David Lim**  
Chief Operating Officer

## MARKETING AND SALES REVIEW

In the intense competitive conditions that prevailed in 2014, Tiger Energy kept a strong focus on providing the highest quality level of service for its clients, controlling costs in the logistics for coal deliveries and finding opportunities for trading that would add to Group profits. The work has provided a significant contribution to Group profits for 2014.

### 2014 Coal Markets

International thermal coal prices continued their steep decline in 2014. Average prices from Newcastle were \$70.82/t, a 16.9% drop from 2013's average of \$85.26/t. Similar falls were seen on all other major indices. Since December 2012, prices have fallen by over 31.8%



The reasons for this poor market condition began with a significant oversupply, as many concession owners foresaw easy profits when coal prices were at high levels in 2010-2012. The opening of new mines and expansion by existing producers lifted supply at a time when demand growth from the world's major importer, China, began to slow.

Exasperating the problem for seaborne supplies, China's domestic producers have managed to achieve levels of production and prices that have made imports less attractive, which has diverted coal from China into other markets.

India, despite increasing imports by 31Mt in 2014 to 174Mt, has not provided the outlet for surplus supplies that many producers had hoped, leaving a general oversupply available worldwide.

Australia was been assisted by a 6.8% decline of the A\$ against US\$ in 2014, which has effectively reduced costs against revenue for many producers and enabled them to maintain operations and supplies despite the downturn in prices.



## MARKETING AND SALES REVIEW (cont'd)

Towards the second half of 2014, we witnessed some major producers announcing production cuts and smaller, privately-owned mines closing as their business became unsustainable. This helped to alleviate some of the oversupply problems as we entered 2015.

### *Tiger Energy's Performance*

The Group ASP in 2014 was \$63.48/t, which includes contributions (positive and negative) from out-out trades and derivative transactions. We estimate that, on a mark-to-market basis, this is a premium of 9% to the Newcastle average (the comparative premium in 2013 was 3%). The ASP declined 12.3% year-on-year whilst the Newcastle average declined 16.9% year-on-year.

The shipping and logistics team had another good year, achieving a net despatch for the year and avoiding the potential problems that demurrage can cause for our customers. We also increased our level of CFR cargoes in 2014, which provided another good source of additional revenue for the Group.

All major producers in Indonesia have been required to fulfil a domestic market obligation. Although the regulation was lifted towards the end of 2014, Tiger Energy supplied 1.06Mt to Indonesian buyers, which was equivalent to its expected 2014 quota requirement.

### *Coal Trading*

As coal prices decline and competition for customers intensifies, we have noticed that some producers are struggling to place their production. We have therefore worked with some mines that are local to our own mines at Jembayan and Sebuku and laid the foundations for a coal trading business that we expect will increase in importance in future years. This business has gone hand-in-hand with our operations team in some cases, in that we are proposing to supervise mining operations in some mines to help their development. In 2014 we sold a total of 0.24Mt of coal that we sourced from 3rd party mines.

### **Surong Bulakul**

**Acting Managing Director  
Tiger Energy Trading Pte Ltd**

## SUSTAINABILITY

### Overview

Sakari aspires to conduct business in line with the principles of sustainable development through providing leadership, building trust and creating a sustainable future for society and the environment through innovation, excellence and transparency.

We encourage stakeholders to actively share information with us to provide feedback on any issues affecting our relationships.

This Sustainability Report covers the period 1 January 2014 to 31 December 2014 and has been prepared in accordance with the principles set out in ISO26000.

### Community

Sakari is integrally involved with, and sees itself as part of, the local communities in the area of our mines who are key stakeholders in Sakari's operations. An objective of our work with communities is to offer development opportunities, education and training so that they may be more self-sufficient after mining in their area (with its consequential benefits) has finished. We recognize the rights of community members and treat them with respect and equality.

Each of our mines has a Community, Government and Land Management (CGLM) department, whose purpose is to ensure that we implement our Community Social Responsibility (CSR) programs to achieve the goal of enriching the lives of local community members who are affected by, or interact with, our operations.

To ensure engagement with communities is effective, social mapping programs have been undertaken at both Jembayan and Sebuku in prior years: the data obtained has greatly assisted us to identify areas where our sustainability efforts may best be applied. Regular meetings are held with community members, village leaders and local politicians to discuss current and potential programmes. During 2014 Sakari staff also participated in local government strategic planning sessions to ensure our efforts are synchronized with those of local government bodies.

Below is a summary of the major initiatives that Sakari supported during 2014:

1. **To build on prior years' work to reduce infant mortality and improve maternal health:** Sakari regularly donated food supplements to infants and pregnant mothers in our local communities.

## SUSTAINABILITY (cont'd)

2. **Farming:** We continued to devote resources to the Integrated Farming System (IFS) programmes that we have promoted and we have increased the self-sufficiency of many local community members. The farms are starting to generate modest amounts of regular income. During 2014 we helped to establish new micro-farms and demonstration plots, with many training sessions provided, focusing on growing dragon fruit, rice, beans and chickens. Sakari also facilitated the creation of drains to bring water to the farms. The programme for development of rice paddy fields links with the government's Food Defence Program, which is in its initial stages.

At Sebuku, we participated in the local government's Project Cetak Sawah (create new rice paddy fields), which created 32 hectares of floodable rice paddy fields, some of which use our land that we have rehabilitated after mining. The harvest in late 2014 resulted in an average yield of 4.5 tons per hectare.

3. **Education** remains in our focus: in 2014 we provided training for school children to become computer-literate and donated several computers to increase the availability of the programme. We provided many books to local libraries and encouraged reading. We provided several scholarships to a range of educational institutions for outstanding achievers. We also undertook several projects have been undertaken to build new schools or facilitate repairs to existing schools.
4. **Health awareness was** again promoted in many villages by having regional doctors provide health screening and training on general health and hygiene. Sakari also donated and helped improve infrastructure such as roads, bridges, sewers and drains in an effort to improve the living conditions in villages around our mine sites.
5. Sakari staff provided general ad-hoc **disaster relief** assistance to victims of fires, floods and volcanos on a wider basis than just those living near our mines. This ranged from giving blood to donating food, small household items and care packages.
6. **Social activities and community bonding** have been made by sponsoring local community cultural, religious, sporting and educational activities. In this programme, Sakari contributes food and household items and our staff volunteer to assist the community organizers who host these events. Another way we support this goal is by building community halls for general use by villagers.

Staff participated in a mass blood donation program which resulted in approximately 70 liters of blood being made available for members of the public.

7. **Livestock farming:** At Jembayan, we partnered with local government to participate in the Two Million Cows project. We donated 50 cows and 20 hectares and built some cow-sheds for the well-being of the animals. Goat breeding was also targeted as a way for community members to create a sustainable source of food and income.

## SUSTAINABILITY (cont'd)

### Consumer

We have considered our coal products carefully and concluded that nothing we sell is inherently dangerous to customers in the form in which it is sold. It is organically and chemically stable and can be handled, stored and stockpiled safely with low risk to the environment and people, provided normal industry safety standards are followed.

Sakari discloses specifications for its products in a clear and transparent manner. Independent analysis of the products prior to sale ensures that customers are certain about quality and that a fair price is achieved for each sale. Any discrepancies between quoted and actual specifications are openly resolved with customers.

Many of Sakari's customers request multi-year contracts so that they can enjoy stable supplies and a long-term relationship with Sakari. These long-term relationships evidence the value we place on consumer service, support and responsibility when making sales.

### Environment

Minimizing the effect our operations have on the environment is another of the Sakari's sustainability focuses. Our goal is to reduce the impact of our footprint on the local flora and fauna so as to preserve the eco-system and protect biodiversity in areas under our care. Ensuring that our impact is minimal will contribute to the long-term livelihoods of local communities who rely on a well-balanced environment for their day to day living. We ensure that we are achieving our goals through diligent monitoring of air and water quality and look to the future targets through ongoing environmental impact assessments.

Both mines are regularly visited by staff from the Department of Mines and Energy and other state and local government agencies that undertake environmental audits and reviews. The results of the 2014 audits and reviews were positive, with only minor items raised, most of which have been rectified at the date of this report.

During 2014 we continued to work with an independent third-party consultant, Environment Resource Management (ERM), to perform independent audits of our Environmental Management Systems. The matters arising from the audits were not significant, are in the progress of being rectified and will be re-checked by ERM in 2015.

Jembayan continued feasibility studies and environmental impact assessments in order to proactively manage and minimize the impact on areas being prepared for future mining. The outcome of these reviews has been favourable and all relevant environmental approvals are in progress. Jembayan also focused on water management with the enhancement of ponds used to improve the quality of pit run-off water prior to it being released into the local waterways. In

## SUSTAINABILITY (cont'd)

2014, 176 hectares were re-vegetated with plants grown by Jembayan, bringing the total area rehabilitated over life of mine to 675 hectares as at December 2014.

During the year Sebuku focused on rehabilitation of areas which were previously used as intermediate coal stockpiles, with topsoil being spread and seedlings planted to ensure the return of native vegetation. Work was also completed on improving the weirs used for allowing pit run-off water to settle prior to being released into local waterways. In 2014, 22 hectares were re-vegetated, bringing the total rehabilitated over life of mine to 664 hectares as at December 2014.

### *Awards and Certifications*

Jembayan received the Ministry for the Environment Green National PROPER Award for environmental excellence. This award recognizes outstanding performance in areas such as air, water and marine pollution management, hazardous waste recycling and management, implementation of Environmental Impact Assessments and compliance with all relevant environmental permits. Jembayan was one of only four mines to achieve this level of award during 2014. This represents the culmination of several years of concerted efforts of striving for environmental excellence, evidencing our enduring commitment to nurture the environments in which Sakari's businesses operate.

Jembayan also achieved the Gold Provincial PROPER Award. Under the Mine Environment Management Award 2013/2014 program, Jembayan was awarded the rank of UTAMA (second place).

Sebuku retained the level of Blue National PROPER Award, as achieved in prior years, and was awarded the rank of PRATAMA (third place) under the Mine Environment Management Award 2013/2014 program.

Both mines remained certified under ISO 14001:2004 Environmental Management Systems throughout the year.

### **Fair Operating Practices**

Fair Operating Practices (**FOP**) relates to Sakari applying ethical practices in dealings with all other entities. FOP consists of five key areas; anti-corruption, responsible political involvement, fair competition, promoting social responsibility and respect for property rights. FOP is a core area that Sakari monitors at the corporate level and reports upon annually.

Sakari has a long history of conducting its operations in accordance with principles of FOP and during 2014 we operated all business units with the ethics and transparency expected by our

## SUSTAINABILITY (cont'd)

Corporate Code of Conduct. Each year, all staff are required to confirm they have read the code and agree to comply with its terms.

A central contracts register has been established to assist in confirming that Sakari has complied with FOP in the negotiation of key contracts.

### Human Rights

Sakari has a solid reputation for upholding international human rights principles. Supporting Sakari's adherence to these principles are our Corporate Code of Conduct, our Whistleblower Policy, policies for equal opportunity of employment, training procedures, our Occupational Health and Safety Policy, anti-discrimination procedures, local community procedures, purchasing procedures, marketing procedures and our Legal and Anti-Corruption Policy.

A statement on human rights has been adopted by senior management and our staff has been made aware of this statement. Ongoing business operations with communities, suppliers and customers have not revealed any indication of possible breaches of the commitment to human rights. Should Sakari become aware that a breach may have occurred, Sakari would immediately review the matter and determine appropriate remedial action.

### Labour

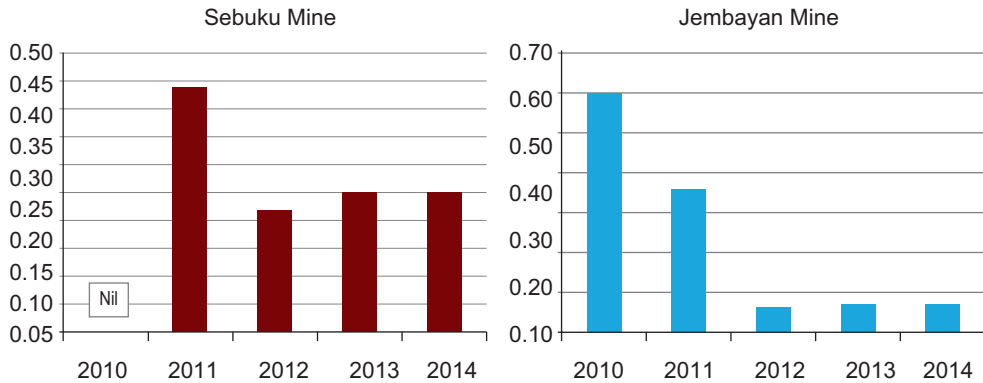
#### Safety

Unfortunately a fatality of a key contractor's staff occurred at the Sebuku mine during waste mud removal prior to exposing coal. As a direct result of this incident a new Mud Mining Team has been created comprised of staff from Sakari and our main contractor, PAMA, that meets twice weekly to monitor conditions, discuss procedures, oversee safety and ensure that standard operating procedures are being properly observed.

Safety of all personnel is of paramount importance to Sakari. Management is fully committed to creating a workplace that places safety as the primary objective, striving to achieve zero injuries. Occupational health and safety is an integral part of employee culture at all levels of the Group. A comprehensive framework of health and safety policies and procedures has been implemented to protect our staff and ensure Sakari complies with all relevant laws and regulations. Sakari encourages our key stakeholders to exercise the highest levels of safety standards relevant to their area of operations. Personal safety equipment is readily available for all persons.

The primary indicator of safety is the Lost Time Injury Frequency Rate (LTIFR), which is set out below for the two mines for the last five years.

## SUSTAINABILITY (cont'd)



During 2014 Jembayan was awarded Silver (second place) in the safety standards awards from the Department of Mines and Energy. This was an improvement over the third place received in prior years, indicating a tangible improvement in safety at the operation. Jembayan's Lost Time Injury Severity Rates and LTIFR were both kept under thresholds set for 2014, showing dedication to achieving safety targets. We started a new safety award, The CEO Award, during the year. Four employees received the award for displaying outstanding safety performance.

Sebuku is also formalising its safety standards with a view to receiving a similar award in the near future.

## SUSTAINABILITY (cont'd)

### Employees

An analysis of Sakari's employees is set out in the table below.

As at 31 December 2014	Indonesia			Singapore	
	JMB Mine	Sebuku Mine	Technical & Support	Head Office	Tiger Energy
Direct Headcount	347	284	90	26	5
Contractor (PAMA) Headcount	2,641	947	0	0	0
Other Contractors' Headcount	131	144	4	0	1
Group: Local Employment	89%	75%	65%	73%	80%
Group: Women Employed (%)	6%	5%	29%	54%	60%
Group: Disabled Employed (%)	0%	0%	1%	0%	0%
<b>During 2014</b>					
Average Training per Employee (Hours)	36	32	29	28	13
Whistleblower Complaints	0	0	0	0	0
Other Formal Complaints	0	0	0	0	0
Employees With Written Contracts (%)	100%	100%	100%	100%	100%
Unionized Employees (%)	82%	33%	0%	0%	0%

In order to motivate staff and provide them with enhanced capabilities, training is an integral part of our human resources' focus. Courses attended by employees during 2014 were both internally organized or run externally. Some types of the courses that we required relevant employees to attend were:

- Safety programmes
- First aid
- Defensive driving
- Crisis and emergency management
- Mining certification
- Technical improvement
- Advanced geology certification
- Coal industry forums, such as Coaltrans conferences
- Management and leadership
- Taxation and financial workshops
- Information technology



## SUSTAINABILITY (cont'd)

### Employee Social Dialogue

During 2014, we aligned the expectations that we hold for all Sakari employees with those of our major shareholder. Whilst most expectations were consistent, we have changed the acronym from TREE to PTT's preferred acronym - SPIRIT:

**S**YNERGY  
**P**ERFORMANCE EXCELLENCE  
**I**NNOVATION  
**R**ESPONSIBILITY FOR SOCIETY  
**I**NTEGRITY AND ETHICS  
**T**RUST AND RESPECT

The SPIRIT values and expectations have started to be emphasised throughout the Group.

Group Operation Meetings are convened by the COO, normally quarterly after Board meetings, to allow direct communication of strategic objectives to relevant local managers and staff.

Safety improvements are a primary focus of employee communications, with daily and weekly site "Toolbox meetings" being held to provide timely feedback on recent events in relation to safety. Safety performance is reported to senior management in a formal monthly operational report.

Informal communication is facilitated by staff attending Family Days that we arrange regularly. This encourages an environment of trust and openness in relationships between employees and their supervisors. We have notice boards at all sites to keep employees informed of general announcements, especially topical safety campaigns.

Sakari Focus is our internal staff newsletter used to communicate business as well as social items.

Union representatives and management hold regular bipartite sessions, which serve to keep communication channels open and avoid surprise conflicts and misunderstandings.

## SUSTAINABILITY (cont'd)

### Organisation Governance

As stakeholders become more aware of global issues, corporate performance is not only measured at the financial level but also in terms of governance, social and environmental performance. Sakari strives to ensure that good governance is present at all levels of the Group's business, encouraging fair, equitable and ethical decision making with transparency.

During 2014 Sakari continued aligning our governance framework with that of PTT. This resulted in the adoption of the Sakari Group Governance Policy, consisting of 14 key governance policies, which can be read or downloaded through our website <http://www.sakariresources.com>. We have also begun a systematic review of all the Group's policies and standard operating procedures to align them with our Governance Policies and ensure that all items are up to date.

We have created a Sakari Management Committee (MC) that meets weekly to review all aspects of Sakari's business and make appropriate recommendations to management or the Board.

**SAKARI RESOURCES LIMITED**  
(Incorporated in Singapore)  
**AND ITS SUBSIDIARIES**

**ANNUAL REPORT**  
For the financial year ended 31 December 2014

# Contents

Page

26	Directors' Report
29	Statement by Directors
30	Independent Auditor's Report
32	Consolidated Income Statement
33	Consolidated Statement of Comprehensive Income
34	Balance Sheets
36	Consolidated Statement of Changes in Equity
37	Consolidated Statement of Cash Flows
38	Notes to the Financial Statements

## DIRECTORS' REPORT

For the financial year ended 31 December 2014

The directors present their report to the members together with the audited financial statements of Sakari Resources Limited and its subsidiaries (the "Group") for the financial year ended 31 December 2014 and the balance sheet of Sakari Resources Limited (the "Company") as at 31 December 2014.

### Directors

The directors of the Company in office at the date of this report are as follows:

Mr Surong Bulakul	Non-executive Chairman
Mr Peerachat Pinprayong	Chief Executive Officer / Executive Director
Mr Han Eng Juan	Independent Director
Ms Julie Therese Hall	Independent Director
Mr Thanakorn Poolthavee	Independent Director
Mr Pitipan Teparatimargorn	Non-executive Director

### Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share options" in this report.

### Directors' interests in shares or debentures

- (a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

Holdings registered in name of director or nominee		Holdings in which a director is deemed to have an interest	
At 31.12.2014	At 1.1.2014 or date of appointment, if later	At 31.12.2014	At 1.1.2014 or date of appointment, if later

#### PTT Public Company Limited

#### Ultimate holding corporation

(No. of ordinary shares)

Mr Pitipan Teparatimargorn	4,334	-	-	-
Mr Surong Bulakul	118,183	-	-	-

## DIRECTORS' REPORT

For the financial year ended 31 December 2014

### Directors' interests in shares or debentures (continued)

(a)

	Holdings registered in name of director or nominee		Holdings in which a director is deemed to have an interest	
	At <u>31.12.2014</u>	At 1.1.2014 or date of appointment, if later	At <u>31.12.2014</u>	At 1.1.2014 or date of appointment, if later
<b>PTT Exploration and Production Public Company Limited</b>				
<b>Related corporation</b> <u>(No. of ordinary shares)</u>				
Mr Surong Bulakul	14,349	-	-	-
Mr Peerachat Pinprayong	9,571	-	-	-
Mr Pitipan Teparatimargorn	3,000	-	-	-
<b>PTT Global Chemical Plc</b>				
<b>Related corporation</b> <u>(No. of ordinary shares)</u>				
Mr Pitipan Teparatimargorn	4,081	-	-	-
Mr Surong Bulakul	26,651	-	-	-
<b>IRPC Public Company Limited</b>				
<b>Related corporation</b> <u>(No. of ordinary shares)</u>				
Mr Pitipan Teparatimargorn	450,000	-	-	-
Mr Surong Bulakul	35,000	-	-	-
<b>Thai Oil Public Company Limited</b>				
<b>Related corporation</b> <u>(No. of ordinary shares)</u>				
Mr Surong Bulakul	64,700	-	-	-
<b>Dhipaya Insurance Public Company Limited</b>				
<b>Related corporation</b> <u>(No. of ordinary shares)</u>				
Mr Surong Bulakul	7,500	-	-	-

(b) According to the register of directors' shareholdings, certain directors holding office at the end of the financial year do not hold any interests in options to subscribe for ordinary shares of the Company.

## DIRECTORS' REPORT

For the financial year ended 31 December 2014

### Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this report, and except that certain directors have employment relationships with related corporations and have received remuneration in that capacity.

### Share options

Information regarding the Company's Employee Share Option Plan ("ESOP") and Executive Share Acquisition Plan ("ExSAP") are disclosed on pages 60 to 61 of the Company's Financial Statements. At the annual general meeting of the Company held on 9 May 2014, the shareholders of the Company approved the termination of the ExSAP in respect of further issues of ExSAP shares and the Company shall continue to administer any outstanding ExSAP shares. Options under the ESOP Scheme which have not been exercised or surrendered for cancellation by the Company shall lapse and become null and void. As at 31 December 2014, all share options have been cancelled by the Group.

### Options issued to directors

There were no options granted during the period by the Company to any person to take up unissued shares in the Company.

No options have been granted during the financial year ended 31 December 2014 to subscribe for unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

On behalf of the directors

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Mr Peerachat Pinprayong  
Director

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Mr Surong Bulakul  
Director

3 March 2015

## STATEMENT BY DIRECTORS

For the financial year ended 31 December 2014

In the opinion of the directors,

- (i) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 32 to 102 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors

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Mr Peerachat Pinprayong  
Director

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Mr Surong Bulakul  
Director

3 March 2015

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAKARI RESOURCES LIMITED

### Report on the Financial Statements

We have audited the accompanying financial statements of Sakari Resources Limited (the "Company") and its subsidiaries (the "Group") set out on pages 32 to 102 which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give 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 management, as well as evaluating the overall presentation of the financial statements.

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

#### *Opinion*

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.



**Report on other Legal and Regulatory Requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore, of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers LLP  
Public Accountants and Chartered Accountants

Singapore, 3 March 2015

## CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2014

	Note	Group	
		2014 US\$'000	2013 US\$'000
Revenue	4	634,867	812,942
Cost of sales	7	(568,465)	(746,024)
Gross profit		66,402	66,918
Other income	5	480	706
Other gains/(losses) - net	6	4,064	(8,288)
Expenses			
- Finance	9	(8,157)	(11,874)
- Corporate and technical support	7	(21,673)	(27,470)
Profit before income tax		41,116	19,992
Income tax expense	10	(34,156)	(10,611)
<b>Net profit after tax</b>		<b>6,960</b>	<b>9,381</b>
<b>Profit attributable to:</b>			
Equity holders of the Company		6,971	9,513
Non-controlling interests		(11)	(132)
		<b>6,960</b>	<b>9,381</b>
<b>Earnings per share attributable to equity holders of the Company</b>			
(US\$ per share):			
- Basic	11	0.01	0.01

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2014

	Note	Group	
		2014 US\$'000	2013 US\$'000
<b>Profit for the year</b>		<b>6,960</b>	9,381
<b>Other comprehensive (loss)/income:</b>			
Item that will not be reclassified to profit or loss:			
Remeasurement of defined benefit plans		(957)	33
Item that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
- Fair value gain	17	912	230
<b>Other comprehensive (loss)/income, net of tax</b>		<b>(45)</b>	263
<b>Total comprehensive income</b>		<b>6,915</b>	9,644
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		6,926	9,776
Non-controlling interests		(11)	(132)
		<b>6,915</b>	9,644

The accompanying notes form an integral part of these financial statements.

**BALANCE SHEETS**

As at 31 December 2014

Note	Group		Company		
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000	
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	12	60,358	52,888	19,005	16,699
Trade and other receivables	13	79,012	106,141	486,083	556,892
Inventories	14	31,360	41,754	-	-
Tax receivables	15	44,985	67,554	-	-
Derivative financial instruments	23	-	668	-	-
		<b>215,715</b>	<b>269,005</b>	<b>505,088</b>	<b>573,591</b>
<b>Non current assets</b>					
Other receivables	16	4,992	5,688	-	-
Available-for-sale financial assets	17	2,005	1,093	-	-
Investments in subsidiaries			-	67,202	42,208
Property, plant and equipment	18	711,937	743,674	213	674
Exploration and evaluation	19	13,543	17,734	-	-
Intangible assets	20	78,540	78,540	-	-
Deferred income tax assets	21	8,796	8,497	-	-
		<b>819,813</b>	<b>855,226</b>	<b>67,415</b>	<b>42,882</b>
<b>Total assets</b>		<b>1,035,528</b>	<b>1,124,231</b>	<b>572,503</b>	<b>616,473</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	22	98,583	144,339	3,733	6,767
Current income tax liabilities		19,658	13,888	2,009	350
Derivative financial instruments	23	-	659	-	-
Borrowings	26	140,000	174,500	140,000	170,000
Provisions	24	3,357	3,898	1,230	2,055
		<b>261,598</b>	<b>337,284</b>	<b>146,972</b>	<b>179,172</b>
<b>Non current liabilities</b>					
Borrowings	26	75,000	92,751	75,000	89,751
Deferred income tax liabilities	27	54,980	58,599	3,039	2,058
Provisions	25	13,549	11,621	-	214
		<b>143,529</b>	<b>162,971</b>	<b>78,039</b>	<b>92,023</b>
<b>Total liabilities</b>		<b>405,127</b>	<b>500,255</b>	<b>225,011</b>	<b>271,195</b>
<b>Net assets</b>		<b>630,401</b>	<b>623,976</b>	<b>347,492</b>	<b>345,278</b>

The accompanying notes form an integral part of these financial statements.

**BALANCE SHEETS**

As at 31 December 2014

Note	Group		Company		
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000	
<b>EQUITY</b>					
<b>Capital and reserves attributable to equity holders of the Company</b>					
Share capital	28	328,558	327,687	328,558	327,687
Treasury shares	28	(286)	-	(286)	-
Other reserves	29	(12,119)	(10,999)	8,612	9,687
Retained profits	30	314,391	307,420	10,608	7,904
		<b>630,544</b>	<b>624,108</b>	<b>347,492</b>	<b>345,278</b>
<b>Non-controlling interests</b>		<b>(143)</b>	<b>(132)</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>		<b>630,401</b>	<b>623,976</b>	<b>347,492</b>	<b>345,278</b>

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

		← Attributable to equity holders of the Company →					Non-	Total
		Share capital	Treasury shares	Other reserves	Retained profits	Total	controlling interests	equity
Note		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>2014</b>								
	<b>Beginning of financial year</b>	<b>327,687</b>	-	<b>(10,999)</b>	<b>307,420</b>	<b>624,108</b>	<b>(132)</b>	<b>623,976</b>
	Profit for the year	-	-	-	6,971	6,971	(11)	6,960
	Other comprehensive loss for the year	-	-	(45)	-	(45)	-	(45)
	<b>Total comprehensive (loss)/ income for the financial year</b>	<b>-</b>	<b>-</b>	<b>(45)</b>	<b>6,971</b>	<b>6,926</b>	<b>(11)</b>	<b>6,915</b>
	Transferred to share capital	28	871	-	(871)	-	-	-
	Purchase of treasury shares	28	-	(286)	-	(286)	-	(286)
	Share option buy-back		-	-	(104)	(104)	-	(104)
	Share-based compensation expense	29(a)	-	-	(100)	(100)	-	(100)
	<b>Total transactions with owners, recognised directly in equity</b>		<b>871</b>	<b>(286)</b>	<b>(1,075)</b>	<b>-</b>	<b>(490)</b>	<b>(490)</b>
	<b>End of financial year</b>	<b>328,558</b>	<b>(286)</b>	<b>(12,119)</b>	<b>314,391</b>	<b>630,544</b>	<b>(143)</b>	<b>630,401</b>
<b>2013</b>								
	<b>Beginning of financial year</b>	<b>327,509</b>	-	<b>(11,733)</b>	<b>340,205</b>	<b>655,981</b>	-	<b>655,981</b>
	Profit for the year	-	-	-	9,513	9,513	(132)	9,381
	Other comprehensive income for the year	-	-	263	-	263	-	263
	<b>Total comprehensive income/(loss) for the financial year</b>	<b>-</b>	<b>-</b>	<b>263</b>	<b>9,513</b>	<b>9,776</b>	<b>(132)</b>	<b>9,644</b>
	Transferred to share capital	28	178	-	(178)	-	-	-
	Share-based compensation expense	29(a)	-	-	468	468	-	468
	Share plan loan repayment	29(a)	-	-	181	181	-	181
	Dividends paid	31	-	-	(42,298)	(42,298)	-	(42,298)
	<b>Total transactions with owners, recognised directly in equity</b>		<b>178</b>	<b>-</b>	<b>471</b>	<b>(42,298)</b>	<b>-</b>	<b>(41,649)</b>
	<b>End of financial year</b>	<b>327,687</b>	<b>-</b>	<b>(10,999)</b>	<b>307,420</b>	<b>624,108</b>	<b>(132)</b>	<b>623,976</b>

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2014

	Note	Group	
		2014 US\$'000	2013 US\$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		661,677	797,893
Payments to suppliers and employees		(515,776)	(644,357)
(Payments)/proceeds from derivative financial instruments		(2,572)	5,706
		<b>143,329</b>	<b>159,242</b>
Interest received		319	706
Income taxes paid		(28,015)	(54,597)
Income tax refunded		21,365	-
<b>Net cash provided by operating activities</b>	37	<b>136,998</b>	<b>105,351</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(64,967)	(99,718)
Proceeds from sale of property, plant and equipment		238	32
Payments for exploration and evaluation		(474)	(7,403)
Loan to related corporation		(750)	-
<b>Net cash used in investing activities</b>		<b>(65,953)</b>	<b>(107,089)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of shares		-	181
Purchase of treasury shares		(286)	-
Payments for cancellation of share options		(111)	-
Proceeds from borrowings		290,000	165,000
Repayment of borrowings		(342,500)	(177,500)
Interest paid		(10,492)	(12,362)
Dividends paid to equity holders of the Company	31	-	(42,298)
<b>Net cash used in financing activities</b>		<b>(63,389)</b>	<b>(66,979)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>7,656</b>	<b>(68,717)</b>
Cash and cash equivalents at beginning of the financial year		52,888	121,721
Effect of exchange rate movements on cash and cash equivalents		(186)	(116)
<b>Cash and cash equivalents at end of the financial year</b>	12	<b>60,358</b>	<b>52,888</b>

The accompanying notes form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 1. General information

On 15 February 2013, Sakari Resources Limited (the "Company") delisted from the Main Board of the Singapore Exchange Securities Trading Limited. The Company is incorporated and domiciled in Singapore. The address of its registered office is 391B Orchard Road, Ngee Ann City, Tower B #17-01, Singapore 238874. Sakari Resources Limited and its subsidiaries together are referred to in these financial statements as the Group.

The principal activity of the Company is that of investment holding. The Group is principally engaged in the exploration for and mining and marketing of coal.

The Company's immediate parent company is PTT Mining Ltd, a company incorporated in Hong Kong.

The Company's ultimate parent company is PTT Public Company Limited, a company incorporated in Thailand. The address of PTT Public Company Limited is 555 Vibhavadi Rangsit Road, Chatuchak, Thailand.

## 2. Summary of significant accounting policies

### (a) Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

### ***Interpretations and amendments to published standards effective in 2014***

On 1 January 2014, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years except for the following:



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 2. Summary of significant accounting policies (continued)

### (a) Basis of preparation (continued)

#### *FRS 110 Consolidated Financial Statements*

The Group has adopted the above new FRS on 1 January 2014. The amendment is applicable for annual periods beginning on or after 1 January 2014. It replaces all of the guidance on control and consolidation in FRS 27 Consolidated and Separate Financial Statements.

The Group has applied FRS 110 retrospectively in accordance with the transitional provisions (as amended subsequent to the issuance of FRS 110 in September 2011) in FRS 110 and amended for consolidation exceptions for 'investment entity' from 1 January 2014. The Group has incorporated the additional required disclosures into the financial statements.

### (b) Group accounting

#### (i) *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated income statement, consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 2. Summary of significant accounting policies (continued)

#### (b) Group accounting (continued)

##### (i) Subsidiaries (continued)

###### Acquisitions

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously-held equity interest in the acquiree over the (b) fair values of the identifiable assets acquired net of the fair values of the liabilities and any contingent liabilities assumed, is recorded as goodwill. Please refer to the paragraph "Intangible assets" for the accounting policy on goodwill subsequent to initial recognition.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 2. Summary of significant accounting policies (continued)

### (b) Group accounting (continued)

#### (i) Subsidiaries (continued)

##### Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained profits if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investment in subsidiaries" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

#### (ii) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

### (c) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in United States Dollars, which is the functional currency of the Company.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 2. Summary of significant accounting policies (continued)

#### (c) Foreign currency translation (continued)

##### (ii) Transactions and balances

Transactions in a currency other than the functional currency (“foreign currency”) are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance date are recognised in profit or loss.

Foreign exchange gains and losses impacting profit or loss are presented in the income statement within other gains/(losses) – net.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

##### (iii) Translation of Group entities’ financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the closing exchange rates at the reporting date;
- (ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 2. Summary of significant accounting policies (continued)

### (c) Foreign currency translation (continued)

#### (iii) Translation of Group entities' financial statements (continued)

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

### (d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of value added tax, rebates, discounts and penalties.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

#### (i) Sale of goods – Coal

Revenue from these sales are recognised when a Group entity has delivered the products to locations specified by its customers and the customers have accepted the products in accordance with the sales contract and the collectability of the related receivable is reasonably assured.

#### (ii) Provisional pricing

Revenue from the sale of coal where the coal is provisionally priced pending a renegotiation of the sales contract is initially recognised at the invoiced provisional price. Subsequently, a best estimate based on the final benchmark price adjustment using an appropriate benchmark calculation is made. The difference between the carrying amount of the revenue recognised for the sale and the estimated price adjustment is recognised in revenue. This adjustment will continue until the contract price is negotiated.

#### (iii) Rendering of services

Revenue from logistic services is recognised over the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be performed.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 2. Summary of significant accounting policies (continued)

#### (d) Revenue recognition (continued)

##### (iv) Interest income

Interest income is recognised using the effective interest method.

##### (v) Dividend income

Dividends are recognised as revenue when the right to receive payment is established.

#### (e) Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 2. Summary of significant accounting policies (continued)

### (e) Income taxes (continued)

Current and deferred income taxes are recognised as income or expenses in the income statement, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

### (f) Leases

The Group leases office space, residential properties and office equipment under operating leases from non related parties. Leases of office space, residential properties and office equipment where substantially all the risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight line basis over the period of the lease.

### (g) Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

### (h) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet.

Cash and cash equivalents which are restricted as to usage are excluded from the amounts reported in the statement of cash flows.

### (i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 14 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 2. Summary of significant accounting policies (continued)

### (i) Trade receivables (continued)

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in cost of sales. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other gains/(losses) - net in profit or loss.

### (j) Inventories

Run of mine coal and finished product coal is valued at the lower of cost and net realisable value. The cost of coal inventories is determined using the weighted average cost method. Costs includes direct material, deferred stripping, mining, processing, labour incurred in the extraction process and an appropriate proportion of variable and fixed overhead costs directly related to mining activities. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

Inventories are classified as follows:

- (i) Run of mine: This is material extracted through the mining process.
- (ii) Finished product coal: These are products that have passed through all stages of the production process.
- (iii) Consumables: These are goods or supplies to be either directly or indirectly consumed in the production process.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 2. Summary of significant accounting policies (continued)

### (k) Financial assets

#### *Classification*

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss (including derivative financial instruments), loans and receivables and available for sale financial assets. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### (i) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

#### (ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 13) and other receivables (note 16) in the balance sheet.

#### (iii) *Available for sale financial assets*

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period.

#### *Recognition and de-recognition*

Regular way purchases and sales of financial assets are recognised on the trade date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in other comprehensive income relating to that asset is reclassified to profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 2. Summary of significant accounting policies (continued)

#### (k) Financial assets (continued)

##### *Initial measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

##### *Subsequent measurement*

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in profit or loss within other gains/(losses) - net in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of other income when the Group's right to receive payments is established. Interest income from these financial assets is included in other income.

Changes in the fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences.

##### *Impairment*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 2. Summary of significant accounting policies (continued)

### (k) Financial assets (continued)

#### *Impairment (continued)*

##### (i) *Assets carried at amortised cost*

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

##### (ii) *Assets classified as available-for-sale*

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

### (l) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 2. Summary of significant accounting policies (continued)

#### (m) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes in fair value arise.

The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than 12 months and as a current asset or liability if the remaining expected life of the hedged item is less than 12 months. The fair value of the trading derivative is presented as a current asset or liability.

#### (n) Property, plant and equipment

##### (i) Measurement

All items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

##### (ii) Components of cost

The cost of an item of property, plant and equipment initially recognised includes its purchase price (including import duties and non-refundable purchase taxes) any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the estimated future costs of dismantling and removing the asset. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 2. Summary of significant accounting policies (continued)

#### (n) Property, plant and equipment (continued)

##### (iii) Mining properties

Mining properties are classified as an asset under property, plant and equipment. Once a mining project has been established as commercially viable, expenditure other than that on buildings, plant and equipment or land rights is capitalised under mining properties together with any amount transferred from exploration and evaluation.

*Mining properties comprise:*

- Capitalised exploration and evaluation assets for properties now in production
- Development expenditure (including pre-production stripping)
- Acquisition costs and mineral rights acquired
- Production stripping (as described below in "deferred stripping costs")

*Development expenditure*

Development activities commence after project sanctioning by the appropriate level of management. Judgement is applied by management in determining when a project is economically viable. Development expenditure is capitalised and classified as mining properties. Costs associated with commissioning new assets, in the period before they are capable of operating in the manner intended by management are capitalised. Development costs incurred after the commencement of production are capitalised to the extent they are expected to give rise to a future economic benefit. Interest on borrowings related to construction or development projects is capitalised until the point when substantially all the activities that are necessary to make the asset ready for its intended use are complete.

*Deferred stripping costs*

Overburden and other mine waste materials are often removed during the initial development of a mine site in order to access the mineral deposit. This activity is referred to as development stripping. The directly attributable costs are capitalised under mining properties. Capitalisation of development stripping costs ceases at the time that saleable material begins to be extracted from the mine.

Production phase stripping commences once saleable material is extracted from the mine.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 2. Summary of significant accounting policies (continued)

#### (n) Property, plant and equipment (continued)

##### (iii) Mining properties (continued)

##### *Deferred stripping costs (continued)*

Production stripping commences from the point saleable materials are being extracted from the mine. Stripping costs incurred during the production phase might benefit current period production and improve access to ore bodies in future periods. Where benefits are realised in the form of inventory produced in the current period, these costs are accounted for as part of the cost of producing inventory. Where a benefit of improved access exists, the costs are recognised as part of mine properties when the following criteria are met:

- (a) it is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the entity;
- (b) the component of the ore body for which access has been improved can be accurately identified; and
- (c) the costs relating to the stripping activity associated with that component can be measured reliably.

In identifying the components of the ore body, mining operations personnel will analyse the Group's mine plans. Generally a component will be subset of the total ore body and a mine may have several components, for example, certain quantities of coal within separate mining pits.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable overhead costs. This is accounted for as an addition to an existing asset, which the Group has determined to be "Mining Properties".

When the costs of stripping to improve access to an ore body are not clearly distinguishable from the costs of producing current inventories, i.e., there is a mixture of waste and ore being removed, the stripping costs are allocated based on a relevant measure of production. This production measure is calculated for the identified component of the ore body. The Group uses the expected volume of waste extracted compared with the actual volume for a given volume of ore production.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 2. Summary of significant accounting policies (continued)

### (n) Property, plant and equipment (continued)

#### (iii) Mining properties (continued)

##### *Deferred stripping costs (continued)*

The stripping activity asset is subsequently amortised using the units of production method over the life of the identified component of the ore body for which access has been improved. Economically recoverable reserves, which comprise proven and probable reserves, are used to determine the expected useful life of the identified component of the ore body. The stripping activity asset is then carried at cost less depreciation and impairment losses, if any.

#### (iv) Depreciation of plant, property and equipment

The depreciable amount of items of property, plant and equipment are depreciated over their useful lives, or over the remaining life of the mine if shorter. Depreciation commences when an asset is available for use. The major categories of property, plant and equipment are depreciated either on a units-of-production and/or straight-line basis as follows:

##### *Units of production basis*

For mining properties and land rights and certain mining equipment, the economic benefits from the asset are consumed in a pattern which is linked to the production level. Except as noted below, such assets are depreciated on a units-of-production basis.

##### *Straight line basis*

Assets which have a physical life shorter than the related mine or whose usage is not directly related to production levels, are depreciated on a straight line basis as follows:

- Buildings 3 – 10 years
- Plant and equipment 3 – 15 years
- Capital work in progress Not depreciated

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 2. Summary of significant accounting policies (continued)

#### (n) Property, plant and equipment (continued)

##### (iv) Depreciation of plant, property and equipment (continued)

Residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Changes to the estimated residual values or useful lives are accounted for prospectively. In applying the units of production method, depreciation/amortisation is normally calculated using the quantity of material extracted from the mine in the period as a percentage of the total quantity of material to be extracted in current and future periods based on proved and probable reserves. Non-reserve material may be included in depreciation/amortisation calculations where there is a high degree of confidence in its economic extraction. Reserves/resources and life of mine estimates are reviewed on an annual basis and depreciation calculations are adjusted accordingly where necessary.

##### (v) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in the income statement when incurred.

##### (vi) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss.

#### (o) Exploration and evaluation expenditure

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of the commercial viability of an identified resource. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the income statement. Exploration and evaluation expenditure are capitalised in respect of each area of interest for which the rights to tenure are current and where:

- (i) The exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest; or alternatively, by its sale; or



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 2. Summary of significant accounting policies (continued)

### (o) Exploration and evaluation expenditure (continued)

- (ii) Exploration and evaluation activities in the area of interest have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas of interest are continuing.

Exploration and evaluation expenditure comprises costs that are directly attributable to: acquisition of rights to explore, researching and analysing existing exploration data, gathering exploration data through topographical, geochemical and geophysical studies, exploratory drilling, trenching and sampling, determining and examining the volume and grade of the resource, examining and testing extraction and treatment methods, surveying transportation and infrastructure requirements, compiling pre-feasibility and feasibility studies and/or gaining access to areas of interest including occupancy and relocation compensation.

General and administration costs are allocated to, and included in, the cost of an exploration and evaluation asset only to the extent that those costs can be related directly to operational activities in the area of interest to which the exploration and evaluation asset relates. In all other cases, these costs are expensed as incurred.

Exploration and evaluation assets are transferred to mining properties, a component of property, plant and equipment, when the technical feasibility and commercial viability of extracting the mineral resource are demonstrable and sanctioned by the Board.

Capitalised exploration and evaluation expenditure is written off where the above conditions are no longer satisfied.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. Where a potential impairment is indicated, assessment is performed for each area of interest in conjunction with the group of operating assets (representing a cash generating unit) to which the exploration and evaluation asset is attributable. To the extent that capitalised exploration and evaluation expenditure is not expected to be recovered it is charged to the income statement.

Cash flows associated with exploration and evaluation expenditure are classified as investing activities in the consolidated statement of cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 2. Summary of significant accounting policies (continued)

### (p) Intangible assets

Goodwill on acquisitions of subsidiaries and businesses on or after 1 January 2010 represents the excess of (i) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired.

Goodwill on acquisition of subsidiaries and businesses prior to 1 January 2010 represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets and contingent liabilities of the acquired subsidiaries at the date of acquisition.

Goodwill on subsidiaries is recognised separately as an intangible asset and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the entity sold, except for goodwill arising from acquisitions prior to 1 January 2001. Such goodwill was adjusted against retained profits in the year of acquisition and is not recognised in profit or loss on disposal.

### (q) Impairment of non-financial assets

#### (i) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 2. Summary of significant accounting policies (continued)

#### (q) Impairment of non-financial assets (continued)

- (ii) *Intangible assets*  
*Property, plant and equipment*  
*Investment in subsidiaries*

Intangible assets, property, plant and equipment and investments in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and the recoverable amount is recognised as an impairment loss in profit and loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset other than goodwill is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss.

#### (r) Trade and other payables

Trade payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method. These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year, which are unpaid.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 2. Summary of significant accounting policies (continued)

#### (s) Borrowings

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date in which case they are presented as non-current liabilities.

#### (t) Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to borrowings acquired specifically for the construction or development of property, plant and equipment. This includes those costs on borrowings acquired specifically for the construction or development of property, plant and equipment, as well as those in relation to general borrowings used to finance construction or development of property, plant and equipment.

#### (u) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

##### *Provision for rehabilitation and dismantling*

The Group has obligations to dismantle, remove, restore and rehabilitate certain items of property, plant and equipment and mining pits. The Group recognises the estimated costs of dismantlement, removal or restoration of items of property, plant and equipment arising from the acquisition or use of assets. The provisions are estimated based on the best estimate of the expenditure required to settle or transfer the obligation, taking into consideration the time value of money.

The estimated costs are measured at the present value of the expenditure expected to be required to settle the obligation using the pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the income statement under finance expenses. Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

## 2. Summary of significant accounting policies (continued)

### (v) Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

#### (i) *Wages and salaries*

Liabilities for wages and salaries expected to be settled within 12 months of the reporting date are recognised under Trade and other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

#### (ii) *Other long-term employee benefit obligations*

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### (iii) *Termination benefits*

Termination benefits are those benefits which are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

#### (iv) *Defined contribution plans*

Defined contribution plans are post employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund of Singapore on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 2. Summary of significant accounting policies (continued)

#### (v) Employee compensation (continued)

##### (v) *Defined benefit plans*

Defined benefit plans are post-employment benefit pension plans other than defined contribution plans, which the Group pays to an employee on termination of employment, whether the termination is voluntary or not. These benefits are mandatory under certain jurisdictions the Group operates within.

The liability recognised in the balance sheet in respect of a defined benefit pension plan is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and have tenures approximating to that of the related post-employment benefit obligations.

Actuarial gains and losses arising from changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period when they arise.

Past service costs are recognised immediately in profit or loss.

##### (vi) *Share-based compensation*

In 2013, the Group operated equity settled share-based compensation plans. Share-based payment benefits were provided to employees via the Executive Share Acquisition Plan ("ExSAP") and Employee Share Option Plan ("ESOP").

The fair value of the employee services received in exchange for the grant of options under the ESOP was recognised as an expense with a corresponding increase in the share-based payment reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions were included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each balance sheet date, the Group revised its estimates of the number of shares under option that are expected to become exercisable on the vesting date and recognised the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share-based payment reserve over the remaining vesting period.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 2. Summary of significant accounting policies (continued)

#### (v) Employee compensation (continued)

##### (vi) Share-based compensation (continued)

Upon the exercise of options, the proceeds received (net of transaction costs) and the balance previously recognised in the share-based payment reserve relating to those options was transferred to the share capital account.

Share-based compensation benefits were also provided to employees via the ExSAP by allowing participants to purchase shares in the Company at a price approved by the Board by way of a Company provided interest free loan. The subscription price of an award under ExSAP was the last traded share price of the Company on the Singapore Exchange before the date of grant of the award, rounded to nearest whole cent. A holding lock was placed over the shares in the Company until the loan is repaid in full. The fair value of the employee services received in exchange for the grant of shares under the ExSAP was recognised as an expense with a corresponding increase in the share based payment reserve. When the loan under the ExSAP was fully repaid, the proceeds received (net of transaction costs) and the related balance previously recognised in the share based payment reserve were credited to the share capital account when the ordinary shares were paid up.

At the annual general meeting of the Company held on 9 May 2014, the shareholders of the Company approved the termination of the ExSAP in respect of further issues of ExSAP shares and the Company shall continue to administer any outstanding ExSAP shares. Options under the ESOP Scheme which have not been exercised or surrendered for cancellation by the Company shall lapse and become null and void. As at 31 December 2014, all share options have been cancelled by the Group.

##### (vii) Profit-sharing and bonus plans

The Group recognises a liability and an expense for profit-sharing based on a specified formula. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

#### (w) Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 2. Summary of significant accounting policies (continued)

#### (w) Share capital and treasury shares (continued)

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained profits of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to an employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve.

#### (x) Dividends

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

#### (y) Earnings per share

##### (i) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit after income tax attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

##### (ii) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of dilutive potential ordinary shares.

#### (z) Rounding of amounts

The Board has determined that the financial reports of the Group are more clearly presented when rounded to the nearest thousand dollars. Amounts reported in the financial statements have been rounded on this basis.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

(i) *Estimation for the provision for rehabilitation and dismantling*

Provisions for rehabilitation and dismantling of property, plant and equipment and mining pits are estimated taking into consideration facts and circumstances of the Group's mining properties available at the balance sheet date. These estimates are based on the expenditure required to transfer or settle the obligation for rehabilitation and dismantling, taking into consideration the time value of money. Cost estimates can vary in response to many factors including changes to the relevant legal or local/national government ownership requirements, the Group's environmental policies, the emergence of new restoration techniques, the timing of the expenditures and the effects of inflation. Experience gained at other mine or production sites is also a significant consideration. Cost estimates are updated throughout the life of the operation.

The expected timing of expenditure included in cost estimates can also change, for example in response to changes in ore reserves, production rates, operating license or economic conditions. Cash flows are discounted if this has a material effect. The selection of appropriate sources on which to base calculation of the risk free discount rate used for this purpose also requires judgement.

Changes in these estimates and assumptions may impact the carrying value of the provision for rehabilitation and dismantling of property, plant and equipment and mining pits. The provision recognised is reviewed at each reporting date and updated based on the facts and circumstances available at that time.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 3. Critical accounting estimates, assumptions and judgements (continued)

#### (ii) *Estimated impairment of non financial assets*

Goodwill is tested for impairment annually and whenever there is an indication that goodwill may be impaired. Property, plant and equipment, exploration and evaluation and investment in subsidiaries, are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. The recoverable amounts of assets and where applicable, cash generating units, are determined based on value in use calculations which require the use of estimates.

The determination of fair value and value in use requires management to make estimates and assumptions about expected production and sales volumes, commodity prices (considering current and historical prices, price trends and related factors), reserves, operating costs, closure and rehabilitation costs and future capital expenditure. These estimates and assumptions are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in profit or loss. Management expects that any reasonable change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of goodwill to exceed its recoverable amount.

#### (iii) *Uncertain tax positions*

The Group is subject to income taxes in Singapore and Indonesia. The Group operates in jurisdictions where legislative applications can give rise to uncertain tax positions. Management believe that the current tax positions taken by the Group are appropriate and supportable by expert advice where relevant. In determining the income tax liabilities, management is required to estimate the amount of capital allowances and the deductibility of certain expenses ("uncertain tax positions") at each jurisdiction. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 3. Critical accounting estimates, assumptions and judgements (continued)

(iv) *Determination of coal reserves*

Judgement is required in determining the Group's coal reserves taking into account various assumptions regarding mining costs and the sale price of the particular resource concerned. The Group's economically recoverable coal reserves are sensitive to the cost and revenue assumptions used due to the geological structure of the deposits, which means that, all other factors remaining the same, if the cost assumption is higher or the price assumption is lower, the Group estimates lower reserves, and if the cost assumption is lower or the price assumption is higher, the Group estimates more reserves. The Group bases all assumptions on geological reports and uses only measured reserves.

Additional geological data is gathered during the course of mining operations and this, in conjunction with the various assumptions used, could result in a change in estimated coal reserves from period to period. Changes in estimated coal reserves could affect the Group's financial results in a number of ways, including the rate of depreciation and amortisation of plant, property and equipment as well as the carrying value of certain mine assets due to change in estimates of mine life and future discounted cash flows.

(v) *Deferred stripping costs*

Certain mining costs, principally those that relate to the stripping of waste and which relate to future economically recoverable coal to be mined, are capitalised and included in mining properties, which is classified in the balance sheet under property, plant and equipment. These costs are deferred and subsequently taken to the cost of production through the amortisation of mining properties. The waste to ore ratio and the remaining life of the mine are regularly assessed by the Board and senior management to ensure the carrying value and rate of deferral is appropriate taking into consideration the available facts and circumstances from time to time.

(vi) *Capitalisation and impairment of exploration and evaluation assets*

Exploration and evaluation expenditures are capitalised on the balance sheet, in respect of areas of interest for which the rights of tenure are current and where such costs are expected to be recouped or exploration and/or evaluation activities in the area have not yet reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves. The carrying value of assets within each area of interest are reviewed regularly taking into consideration the available facts and circumstances, and to the extent to which the capitalised value exceeds its recoverable value, the excess is provided for or written off in the year in which this is determined.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 4. Revenue

	Group	
	2014 US\$'000	2013 US\$'000
Coal sales	632,726	811,179
Logistics service revenue	2,061	1,648
Other revenue	80	115
	<b>634,867</b>	<b>812,942</b>

### 5. Other income

	Group	
	2014 US\$'000	2013 US\$'000
Interest income	480	706

### 6. Other gains/(losses) – net

	Group	
	2014 US\$'000	2013 US\$'000
Fair value (losses)/gains on financial assets at fair value through profit or loss	(2,966)	6,349
Foreign exchange gains/(losses) – net	9,875	(12,453)
Impairment of available-for-sale financial assets	-	(1,182)
Loss on sale of property, plant and equipment	(7)	(12)
Write off of property, plant and equipment	(450)	(628)
Write off of exploration and evaluation	(589)	(99)
Allowance for impairment of exploration and evaluation	(4,076)	-
Gain on disposal of subsidiary	1,405	-
Others	872	(263)
	<b>4,064</b>	<b>(8,288)</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 7. Expenses by nature

	Group	
	2014	2013*
	US\$'000	US\$'000
Depreciation and amortisation (note 18)	<b>96,639</b>	155,984
Mining	<b>274,022</b>	379,218
Processing	<b>21,120</b>	27,591
Movement in inventories	<b>25,985</b>	1,130
Barging and shipping	<b>52,065</b>	67,364
Agency fees and royalties	<b>57,111</b>	68,958
Direct site support	<b>12,764</b>	11,592
Employee compensation (note 8)	<b>27,242</b>	36,166
Corporate, consulting and technical services fees	<b>6,338</b>	5,553
Operating leases rentals	<b>707</b>	839
Allowance for impairment of other receivables	<b>(95)</b>	2,497
Write off of bad debt	<b>692</b>	13
Other expenses	<b>15,548</b>	16,589
Total cost of sales and corporate and technical support expenses	<b>590,138</b>	773,494

\* Certain comparative figures have been reclassified to reflect the allocation of value added tax to the respective expense items.

### 8. Employee compensation

	Group	
	2014	2013
	US\$'000	US\$'000
Wages and salaries	<b>17,633</b>	24,746
Share-based compensation expense (note 29)	<b>(100)</b>	468
Termination benefits	<b>7,268</b>	7,177
Employer's contributions to defined contribution plans	<b>660</b>	1,046
Other staff benefits	<b>1,781</b>	2,729
	<b>27,242</b>	36,166

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 9. Finance expenses

	Group	
	2014 US\$'000	2013 US\$'000
Interest expense	7,900	11,504
Bank charges	257	370
	<b>8,157</b>	11,874

### 10. Income taxes

	Group	
	2014 US\$'000	2013 US\$'000
<b>Income tax expense</b>		
Tax expense attributable to profit is made up of:		
Current income tax	25,764	21,359
Deferred income tax benefit	(4,289)	(16,177)
Withholding tax paid	-	2,668
	<b>21,475</b>	7,850
Under provision in prior financial year:		
Current income tax	12,591	3,404
Deferred income tax	90	(643)
Total income tax expense	<b>34,156</b>	10,611
Deferred income tax included in income tax expense comprises:		
Increase in deferred tax assets (note 21)	(1,667)	(3,798)
Decrease in deferred tax liabilities (note 27)	(2,532)	(13,022)
	<b>(4,199)</b>	(16,820)

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 10. Income taxes (continued)

The tax expense on profit differs from the amount that would arise using the Singapore standard rate of income tax as explained below:

	Group	
	2014 US\$'000	2013 US\$'000
Profit before income tax	41,116	19,992
Tax calculated at tax rate of 17% (2013: 17%)	6,990	3,399
Effects of:		
Expenses not deductible for tax purposes	9,056	5,339
Income subject to tax incentive	481	(685)
Different tax rates in other countries	4,948	3,129
Movement in deferred withholding tax on foreign retained profits	-	(3,332)
Under provision in prior years	12,681	2,761
Income tax expense	34,156	10,611

### 11. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2014	2013
<b>Basic earnings per share</b>		
Net profit attributable to equity holders of the Company (US\$'000)	6,971	9,513
Weighted average number of ordinary shares outstanding	1,137,052,220	1,137,052,220
Basic earnings per share (US\$)	0.01	0.01

The diluted earnings per unit is the same as the basic earnings per unit for the years ended 31 December 2014 and 2013.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 12. Cash and cash equivalents

	Group		Company	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
Cash at bank and on hand	49,316	52,888	19,005	16,699
Short term bank deposits	11,042	-	-	-
	<b>60,358</b>	52,888	<b>19,005</b>	16,699

### 13. Trade and other receivables

	Group		Company	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
<b>Trade receivables</b>				
Non-related parties	57,976	88,406	-	-
Less: Allowance for impairment	(178)	(273)	-	-
Trade receivable - net	<b>57,798</b>	88,133	-	-
<b>Other receivables</b>				
-Related corporation	766	-	504	-
- Subsidiaries	-	-	490,667	562,826
- Non-related parties	11,633	13,474	863	920
	<b>12,399</b>	13,474	<b>492,034</b>	563,746
Less: Allowance for impairment	-	(634)	(6,460)	(7,453)
Other receivables - net	<b>12,399</b>	12,840	<b>485,574</b>	556,293
Accrued Income	5,972	1,592	-	-
Prepayments	2,843	3,576	509	599
	<b>8,815</b>	5,168	<b>509</b>	599
	<b>79,012</b>	106,141	<b>486,083</b>	556,892

Other receivables include loans to subsidiaries from the Company which are unsecured, interest-bearing at the London Interbank Offered Rate ("LIBOR") plus 4.50%-6.00% (2013: LIBOR plus 4.50%-6.00%) and are repayable at call.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 14. Inventories

	Group	
	2014	2013
	US\$'000	US\$'000
Run of mine stockpiles	10,084	20,532
Finished product coal	17,022	17,560
Consumables	4,254	3,662
	31,360	41,754

### 15. Current tax receivables

Current tax receivables represent advance tax payments made by the Group which can be credited against the Group's future corporate income tax payable.

### 16. Other receivables

	Group	
	2014	2013
	US\$'000	US\$'000
Third party	-	1,590
Security deposits	4,992	5,688
Less: Allowance for impairment	-	(1,590)
	4,992	5,688

These receivables include long term security bonds and deposits placed with various agencies, which will be settled on completion of certain governmental or legal requirements. Receivable due from a third party in regard to the construction of property, plant and equipment which had been fully provided for was written off as at 31 December 2013.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 17. Available for sale financial assets

Available-for-sale financial assets are analysed as follows:

	<b>Group</b>	
	<b>2014</b>	2013
	<b>US\$'000</b>	US\$'000
Beginning of financial year	<b>1,093</b>	2,045
Fair value gain recognised in other comprehensive income (note 29)	<b>912</b>	230
Impairment loss	-	(1,182)
End of financial year	<b>2,005</b>	1,093

	<b>Group</b>	
	<b>2014</b>	2013
	<b>US\$'000</b>	US\$'000
<b>Listed securities</b>		
Equity securities – Australia	<b>2,005</b>	1,093

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 18. Property, plant and equipment

	Capital work in progress US\$'000	Mining properties US\$'000	Buildings US\$'000	Plant and equipment US\$'000	Land rights US\$'000	Total US\$'000
<b>Group</b>						
<b>2014</b>						
Beginning of financial year	20,794	596,789	930	71,598	53,563	743,674
Additions	10,934	46,007	-	1,769	7,350	66,060
Transfers (to)/from other classes	(9,199)	-	-	492	8,707	-
Depreciation/amortisation charge (note 7)	-	(44,090)	(184)	(9,934)	(4,032)	(58,240)
Deferred stripping amortisation (note 7)	-	(38,399)	-	-	-	(38,399)
Disposal/write off	(241)	(672)	(221)	(24)	-	(1,158)
End of financial year	22,288	559,635	525	63,901	65,588	711,937

#### At 31 December 2014

Cost	22,288	986,070	3,759	139,467	86,529	1,238,113
Accumulated depreciation/ amortisation	-	(426,435)	(3,234)	(75,566)	(20,941)	(526,176)
<b>Net book amount</b>	<b>22,288</b>	<b>559,635</b>	<b>525</b>	<b>63,901</b>	<b>65,588</b>	<b>711,937</b>

	Capital work in progress US\$'000	Mining properties US\$'000	Buildings US\$'000	Plant and equipment US\$'000	Land rights US\$'000	Total US\$'000
<b>Group</b>						
<b>2013</b>						
Beginning of financial year	35,319	631,207	794	80,505	47,779	795,604
Additions	15,568	81,632	-	2,057	4,987	104,244
Transfers (to)/from other classes	(29,910)	24,645	344	1,891	3,512	482
Depreciation/amortisation charge (note 7)	-	(70,618)	(208)	(12,677)	(2,715)	(86,218)
Deferred stripping amortisation (note 7)	-	(69,766)	-	-	-	(69,766)
Disposal/write off	(183)	(311)	-	(178)	-	(672)
End of financial year	20,794	596,789	930	71,598	53,563	743,674

#### At 31 December 2013

Cost	20,794	940,892	3,980	139,883	70,473	1,176,022
Accumulated depreciation/ amortisation	-	(344,103)	(3,050)	(68,285)	(16,910)	(432,348)
<b>Net book amount</b>	<b>20,794</b>	<b>596,789</b>	<b>930</b>	<b>71,598</b>	<b>53,563</b>	<b>743,674</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 18. Property, plant and equipment (continued)

Included within additions for mining properties in the consolidated financial statements are deferred stripping costs amounting to US\$35 million (2013: US\$50 million).

Mining properties are amortised on a units-of-production basis. The units-of-production calculation is based on estimated coal reserves.

Company	Plant and equipment US\$'000	Capital work in progress US\$'000	Total US\$'000
<b>2014</b>			
Beginning of financial year	410	264	674
Additions	135	10	145
Transfers (to)/from other classes	33	(33)	-
Depreciation charge	(364)	-	(364)
Write off	(1)	(241)	(242)
End of financial year	213	-	213
<b>At 31 December 2014</b>			
Cost	2,913	-	2,913
Accumulated depreciation	(2,700)	-	(2,700)
<b>Net book amount</b>	<b>213</b>	<b>-</b>	<b>213</b>
<b>2013</b>			
Beginning of financial year	716	277	993
Additions	106	82	188
Depreciation charge	(412)	-	(412)
Write off	-	(95)	(95)
End of financial year	410	264	674
<b>At 31 December 2013</b>			
Cost	2,841	264	3,079
Accumulated depreciation	(2,431)	-	(2,405)
<b>Net book amount</b>	<b>410</b>	<b>264</b>	<b>674</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 19. Exploration and evaluation

	Group	
	2014 US\$'000	2013 US\$'000
Beginning of financial year	17,734	10,912
Expenditure incurred	474	7,403
Transfers to other classes	-	(482)
Write off	(589)	(99)
	<u>17,619</u>	<u>17,734</u>
Less: allowance for impairment	(4,076)	-
Exploration and expenditure – net	<u>13,543</u>	<u>17,734</u>

### 20. Intangible assets

Group	Goodwill US\$'000
<b>2014</b>	
Beginning and end of financial year	<u>78,540</u>
<b>At 31 December 2014</b>	
Cost	98,103
Accumulated impairment losses	(19,563)
<b>Net book amount</b>	<u>78,540</u>
<b>2013</b>	
Beginning and end of financial year	<u>78,540</u>
<b>At 31 December 2013</b>	
Cost	98,103
Accumulated impairment losses	(19,563)
<b>Net book amount</b>	<u>78,540</u>

As at 31 December 2014, goodwill is allocated to the Group's cash-generating units ("CGUs") as follows:

	2014 US\$'000	2013 US\$'000
<b>Mining operations</b>		
Jembayan	48,074	48,074
Sebuku	30,466	30,466
<b>Total</b>	<u>78,540</u>	<u>78,540</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 20. Intangible assets (continued)

The recoverable amounts of the CGUs were determined based on value-in-use assessments, using discounted cash flows over the period of Life of Mine (“LOM”) of each mining operation. The value-in-use computations were determined by estimating cash flows until the end of the life of each mine operation based on long-term production plans, including closure restoration and environmental clean-up costs. Thermal coal benefits from a global marketplace with substantial barriers to entry. In addition, continued global industrialisation is expected to support demand for thermal coal in the long term. The key assumptions used in the value-in-use calculations are the thermal coal price, operating costs, and a discount rate of 10%. Key assumptions: Thermal coal prices are based on the Newcastle forward price curve obtained from market observable prices. Strip Ratios and production profiles of both operations are derived from developed LOM plans. Operating costs are based on developed LOM plans and follow current contractual terms and pricing with an inflationary element included thereafter over the remaining LOM. A pre-tax discount rate of 10 per cent has been applied.

### 21. Deferred income tax assets

	Group		Company	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
To be recovered after one year	16,026	14,535	2,254	3,283
Set-off of deferred tax assets pursuant to set-off provisions (note 27)	(7,230)	(6,038)	(2,254)	(3,283)
Net deferred income tax assets	8,796	8,497	-	-

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 21. Deferred income tax assets (continued)

Movement in deferred income tax assets account is as follows:

Group	Tax losses US\$'000	Depreciation and amortisation US\$'000	Interest payable US\$'000	Provisions US\$'000	Total US\$'000
<b>2014</b>					
Beginning of financial year	3,603	2,664	2,464	5,804	14,535
Tax credited/(charged) to the income statement	3,373	(1,612)	(209)	221	1,773
Under/(over) provision in respect of prior year	2	2,256	-	(2,364)	(106)
Others	(176)	-	-	-	(176)
End of financial year	6,802	3,308	2,255	3,661	16,026

<b>2013</b>					
Beginning of financial year	3,230	1,361	1,910	4,236	10,737
Tax credited to the income statement	808	1,303	554	796	3,461
(Over)/under provision in respect of prior year	(435)	-	-	772	337
End of financial year	3,603	2,664	2,464	5,804	14,535

Company	Tax losses US\$'000	Depreciation and amortisation US\$'000	Interest payable US\$'000	Provisions US\$'000	Total US\$'000
<b>2014</b>					
Beginning of financial year	-	(70)	2,464	889	3,283
Tax credited/(charged) to the income statement	-	33	(209)	(81)	(257)
Over provision in respect of prior year	-	-	-	(772)	(772)
End of financial year	-	(37)	2,255	36	2,254

<b>2013</b>					
Beginning of financial year	-	(108)	1,910	269	2,071
Tax credited/(charged) to the income statement	-	38	554	(152)	440
Under provision in respect of prior year	-	-	-	772	772
End of financial year	-	(70)	2,464	889	3,283

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 22. Trade and other payables

	Group		Company	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
Trade payables	33,947	52,496	-	-
Other payables				
- Subsidiaries	-	-	6	1,379
Related corporation	123	-	86	8
- Non-related parties	5,564	20,811	568	3,562
Accrued expenses	58,949	71,032	3,073	1,818
	<b>98,583</b>	<b>144,339</b>	<b>3,733</b>	<b>6,767</b>

Other payables to the subsidiaries are unsecured, non-interest bearing and repayable at call.

### 23. Derivative financial instruments

The derivatives used by the Group are over-the-counter commodity derivatives in the form of coal swaps which are measured at fair value and which will settle within 12 months of balance sheet date. The Group did not apply hedge accounting in 2013 and 2014.

All derivatives were settled as at 31 December 2014.

### 24. Provisions – current

	Group		Company	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
Employee benefits	3,357	3,898	1,230	2,055



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 24. Provisions – current (continued)

#### Movements in provisions

Movements in provision for employee benefits are as follows:

Group	Employee benefits US\$'000
	<u>                    </u>
<b>2014</b>	
Beginning of financial year	3,898
Provision made	2,145
Provision utilised during the year	(2,686)
End of financial year	<u>3,357</u>
<b>2013</b>	
Beginning of financial year	5,606
Provision made	3,053
Provision utilised during the year	(4,761)
End of financial year	<u>3,898</u>
Company	Employee benefits US\$'000
	<u>                    </u>
<b>2014</b>	
Beginning of financial year	2,055
Provision written back	(113)
Provision utilised during the year	(712)
End of financial year	<u>1,230</u>
<b>2013</b>	
Beginning of financial year	2,370
Provision made	2,508
Provision utilised during the year	(2,823)
End of financial year	<u>2,055</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 25. Provisions – non-current

	Group		Company	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
Employee benefits (a)	5,189	4,196	-	214
Rehabilitation and dismantling (b)	8,360	7,425	-	-
	<b>13,549</b>	<b>11,621</b>	<b>-</b>	<b>214</b>

#### (a) Employee benefits

Provision for employee benefits represents the amounts provided for in respect of defined benefit plans required by certain jurisdictions the Group operates in. The Group is required to pay these benefits on termination of employment, whether the termination was voluntary or not. These amounts are disclosed as non-current as they are not expected to be paid within 12 months from the balance sheet date.

#### (b) Rehabilitation and dismantling

Provision for rehabilitation and dismantling represents the expected cost to dismantle and remove or restore and rehabilitate properties and mining pits which the Group utilises. This provision represents the best estimate of the present value of the expenditure required to settle the obligation at the balance sheet date. This amount represents provisions that are expected to be settled more than 12 months from the balance sheet date.

#### (c) Movements in provisions

Movements in each class of provision are as follows:

Group	Employee benefits US\$'000	Rehabilitation and dismantling US\$'000	Total US\$'000
<b>2014</b>			
Beginning of financial year	4,196	7,425	11,621
Provision made	2,362	935	3,297
Provision utilised during the year	(1,369)	-	(1,369)
End of financial year	<b>5,189</b>	<b>8,360</b>	<b>13,549</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 25. Provisions – non-current (continued)

#### (c) Movements in provisions (continued)

Group	Employee benefits US\$'000	Rehabilitation and dismantling US\$'000	Total US\$'000
<b>2013</b>			
Beginning of financial year	4,209	3,200	7,409
Provision made	99	4,225	4,324
Provision utilised during the year	(112)	-	(112)
End of financial year	4,196	7,425	11,621

### 26. Borrowings

	Group		Company	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
<b>Current</b>				
Bank borrowings	-	84,500	-	80,000
Borrowings from a related corporation	140,000	90,000	140,000	90,000
	140,000	174,500	140,000	170,000
<b>Non-current</b>				
Bank borrowings	-	92,751	-	89,751
Borrowings from a related corporation	75,000	-	75,000	-
	75,000	92,751	75,000	89,751
Total borrowings	215,000	267,251	215,000	259,751

The exposure of the borrowings of the Group and of the Company to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	Group		Company	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
6 months or less	215,000	267,500	215,000	260,000
Less: Capitalised borrowing costs	-	(249)	-	(249)
	215,000	267,251	215,000	259,751

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 26. Borrowings (continued)

- (i) As at 31 December 2014, the Group had fully repaid all bank borrowings. Accordingly, all charges under the bank borrowings were extinguished as at 31 December 2014.
- (ii) The Group entered into a US\$100 million working capital facility agreement with PTT Regional Treasury Center (PTTRTC), a related corporation, on 17 October 2013. The facility has a tenor of 12 months from 17 October 2013. This facility was further extended by 12 months from 17 October 2014. As at 31 December 2014, US\$100 million was drawn down under this facility.
- (iii) The Group entered into a US\$180 million working capital facility agreement with PTTRTC on 1 July 2014. The facility has a tenor of 36 months. The facility was undrawn as at 31 December 2014.
- (iv) On 11 December 2014, the Group entered into a US\$200 million loan facility agreement with PTTRTC. The facility has a tenor of 36 months. As at 31 December 2014, US\$115 million was drawn down under this facility.

The borrowings from PTTRTC as at 31 December 2014 are unsecured.

#### Security of borrowings

The carrying amount of assets pledged as security for the bank borrowings are:

	Group		Company	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
Cash and cash equivalents	-	36,820	-	16,692
Investment in subsidiaries	-	-	-	42,208
Total assets pledged as security	-	36,820	-	58,900

As the shares in the subsidiaries of the Company are pledged as security, the net tangible assets of the subsidiaries are considered pledged as security for the Group's borrowings as at 31 December 2013.

#### Fair value of borrowings

	Group		Company	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
<b>Fair value of borrowings</b>				
Bank borrowings	-	177,500	-	170,000
Borrowings from a related corporation	215,000	90,000	215,000	90,000

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 27. Deferred income tax liabilities

	Group		Company	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
To be settled after one year	62,210	64,637	5,293	5,341
Set-off of deferred tax liabilities pursuant to set-off provisions (note 21)	(7,230)	(6,038)	(2,254)	(3,283)
Net deferred income tax liabilities	54,980	58,599	3,039	2,058

Movement in deferred income tax liabilities account is as follows:

Group	Mining properties	Other	Total
	US\$'000	US\$'000	US\$'000
<b>2014</b>			
Beginning of financial year	59,251	5,386	64,637
Tax credited to the income statement	(2,453)	(63)	(2,516)
Over provision in respect of prior year	-	(16)	(16)
Other	105	-	105
End of financial year	56,903	5,307	62,210
<b>2013</b>			
Beginning of financial year	67,782	9,877	77,659
Tax credited to the income statement	(8,225)	(4,491)	(12,716)
Over provision in respect of prior years	(306)	-	(306)
End of financial year	59,251	5,386	64,637
<b>Company</b>			
		Other	Total
		US\$'000	US\$'000
<b>2014</b>			
Beginning of financial year		5,341	5,341
Tax credited to the income statement		(48)	(48)
End of financial year		5,293	5,293
<b>2013</b>			
Beginning of financial year		3,868	3,868
Tax charged to the income statement		1,473	1,473
End of financial year		5,341	5,341

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 28. Share capital and treasury shares

	← No. of ordinary shares →		← Amount →	
	Issued share capital	Treasury shares	Share capital US\$'000	Treasury shares US\$'000
<u>Group &amp; Company</u>				
<b>2014</b>				
Beginning of financial year	1,137,052,220	-	327,687	-
Treasury shares purchased	-	5,270,195	-	(286)
Transfer from share-based compensation reserve (note 29)	-	-	871	-
End of financial year	<u>1,137,052,220</u>	<u>5,270,195</u>	<u>328,558</u>	<u>(286)</u>
<b>2013</b>				
Beginning of financial year	1,137,052,220	-	327,509	-
Transfer from share-based compensation reserve (note 29)	-	-	178	-
End of financial year	<u>1,137,052,220</u>	<u>-</u>	<u>327,687</u>	<u>-</u>

All issued ordinary shares are fully paid except for 2,637,906 shares issued under the ExSAP. There is no par value for ordinary shares.

Fully paid ordinary shares including those issued under the ExSAP carry one vote per share and carry a right to dividends as and when declared by the Company.

#### (a) Share cancellation

On 9 May 2014, the shareholders of the Company approved the purchase or acquisition of up to 7,908,101 ExSAP shares which were outstanding. 5,270,195 of the ExSAP shares were cancelled as at 31 December 2014.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 28. Share capital and treasury shares (continued)

#### (b) Share options

Movement in the number of unissued ordinary shares under option and their exercise prices are as follows:

	Beginning of financial year	Granted during financial year	Exercised during financial year	Forfeited/ lapsed during financial year	End of financial year	Exercise price	Exercise period
<b>2014</b>							
2012 Options	346,154	-	-	(346,154)	-		27.04.2014 – 27.04.2017
2012 Options	492,615	-	-	(492,615)	-		31.01.2014 – 31.01.2017
2011 Options	274,390	-	-	(274,390)	-		21.04.2013 – 21.04.2016
2011 Options	429,260	-	-	(429,260)	-		23.02.2013 – 23.02.2016
2010 Options	383,750	-	-	(383,750)	-		23.06.2011 – 23.06.2015
	<b>1,926,169</b>	-	-	<b>(1,926,169)</b>	-		

	Beginning of financial year	Granted during financial year	Exercised during financial year	Forfeited/ lapsed during financial year	End of financial year	Exercise price	Exercise period
<b>2013</b>							
2012 Options	346,154	-	-	-	346,154	S\$1.99	27.04.2014 – 27.04.2017
2012 Options	502,226	-	-	(9,611)	492,615	S\$2.23	31.01.2014 – 31.01.2017
2011 Options	274,390	-	-	-	274,390	S\$2.66	21.04.2013 – 21.04.2016
2011 Options	449,006	-	-	(19,746)	429,260	S\$2.30	23.02.2013 – 23.02.2016
2010 Options	383,750	-	-	-	383,750	S\$2.27	23.06.2011 – 23.06.2015
2008 Options	310,000	-	-	(310,000)	-	S\$3.14	24.03.2009 – 24.03.2014
2008 Options	250,000	-	-	(250,000)	-	S\$3.67	30.04.2009 – 30.04.2014
	<b>2,515,526</b>	-	-	<b>(589,357)</b>	<b>1,926,169</b>		

The fair value at grant date is independently determined using a Binomial Option Pricing Model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

There were no share options granted to key management and employees under the Employee Share Option Plan ("ESOP") for 2014.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 28. Share capital and treasury shares (continued)

#### (b) Share options (continued)

In 2014, all share options under the ESOP scheme that were not exercised or surrendered for cancellation had lapsed and became null and void.

### 29. Other reserves

	Group		Company	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
Share-based compensation reserve (a)	8,612	9,687	8,612	9,687
Capital reserve (b)	(13,526)	(13,526)	-	-
General reserve (c)	329	329	-	-
Merger reserve (d)	(7,752)	(7,752)	-	-
Fair value reserve(e)	1,142	230	-	-
Remeasurement of defined benefit plans	(924)	33	-	-
	<b>(12,119)</b>	<b>(10,999)</b>	<b>8,612</b>	<b>9,687</b>

Other reserves are non-distributable.

#### (a) Share-based compensation reserve

	Group		Company	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
Beginning of financial year	9,687	9,216	9,687	9,216
Transferred to share capital (note 28)	(871)	(178)	(871)	(178)
Share option buy- back	(104)	-	(104)	-
Share-based compensation expense (note 8)	(100)	468	(100)	468
Share plan loan repayment	-	181	-	181
End of financial year	<b>8,612</b>	<b>9,687</b>	<b>8,612</b>	<b>9,687</b>



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 29. Other reserves (continued)

#### (b) Capital reserve

In January 2005, the Group acquired the remaining 20% equity interest of PT Bahari Cakrawala Sebuku ("PT BCS") for a consideration of US\$15,821,000. The acquisition consideration was satisfied by the allotment and issuance of 6,145,537 shares of S\$1 each at a premium of S\$3.18 per share. This reserve of US\$13,526,000 represents the difference between the value of the consideration paid for the acquisition of the 20% minority interest in PT BCS prior to 2006 and the amount that these minority interests were recognised in the financial statements.

#### (c) General reserve

	Group	
	2014	2013
	US\$'000	US\$'000
Beginning and end of financial year	329	329

The revised Indonesian Limited Company Law No. 40/2007 dated 16 August 2007 requires Indonesian companies to set up a general reserve amounting to 20% of the company's issued and paid up share capital.

#### (d) Merger reserve

Merger reserve arising from a restructuring exercise representing the excess of cash consideration paid over the subsidiaries capital acquired and accounted for using the pooling of interest method.

#### (e) Fair value reserve

	Group	
	2014	2013
	US\$'000	US\$'000
Beginning of financial year	230	-
Fair value gain on available-for-sale financial assets (note 17)	912	230
End of financial year	1,142	230

The available-for-sale reserve represents the mark to market over the cost of the investment (note 17).

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 30. Retained profits

	Group		Company	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
Beginning of financial year	307,420	340,205	7,904	8,628
Net profit after tax	6,971	9,513	2,704	41,574
Dividends paid (note 31)	-	(42,298)	-	(42,298)
End of financial year	314,391	307,420	10,608	7,904

Retained profits of the Group and Company are distributable.

### 31. Dividends

	2014 US\$'000	2013 US\$'000
Final dividend paid in respect of 2012 of 3.72 cents per share	-	42,298

### 32. Capital commitments

Capital expenditures contracted for at the balance sheet dates but not recognised in the financial statements are as follows:

	Group		Company	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
Property, plant and equipment	1,426	1,328	18	26

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 33. Operating lease commitments

The Group leases office space, residential properties and certain office equipment from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet dates but not recognised as liabilities are as follows:

	Group		Company	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
Not later than one year	1,384	1,750	608	586
Between one and five years	1,174	474	816	93
	<b>2,558</b>	<b>2,224</b>	<b>1,424</b>	<b>679</b>

### 34. Financial risk management

#### *Financial risk factors*

The Group's operations are exposed to market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial and commodity markets on the Group's financial performance. The Group uses financial instruments such as over-the-counter commodity swaps to hedge certain market risk exposures.

The Board is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Treasury Committee then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and principles set by the Board.

Financial risk management is carried out by a central treasury department, trading department and reporting department and these teams evaluate and hedge financial risks in co-operation with the Group's operating units. Regular reports are also submitted to management and the Board.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 34. Financial risk management (continued)

#### (a) Market risk

##### (i) Currency risk

The Group operates in Singapore and Indonesia. Entities in the Group regularly transact in their respective functional currency, which is the United States dollar ("USD"). Currency risk arises when transactions are denominated in foreign currencies such as the Singapore dollar ("SGD"), Australian dollar ("AUD") and Indonesia rupiah ("IDR").

The Group's exposure to foreign currencies is not significant. The Group does not use any financial instruments such as forward exchange contracts to mitigate the currency risks which is consistent with the Group's Treasury Risk Management policy.

The Group's foreign currency exposure based on the information provided to key management is as follows:

	SGD US\$'000	IDR US\$'000	AUD US\$'000	Total US\$'000
<b>At 31 December 2014</b>				
<b>Financial assets</b>				
Cash and cash equivalents	541	14,307	382	15,230
Trade and other receivables	331	863	43	1,237
Available-for-sale financial assets	-	-	2,005	2,005
	<b>872</b>	<b>15,170</b>	<b>2,430</b>	<b>18,472</b>
<b>Financial liabilities</b>				
Trade and other payables	2,036	2,264	570	4,870
	<b>2,036</b>	<b>2,264</b>	<b>570</b>	<b>4,870</b>
<b>At 31 December 2013</b>				
<b>Financial assets</b>				
Cash and cash equivalents	680	4,243	280	5,203
Trade and other receivables	392	833	529	1,754
Available-for-sale financial assets	-	-	1,093	1,093
	<b>1,072</b>	<b>5,076</b>	<b>1,902</b>	<b>8,050</b>
<b>Financial liabilities</b>				
Trade and other payables	1,272	4,165	2,993	8,430
	<b>1,272</b>	<b>4,165</b>	<b>2,993</b>	<b>8,430</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 34. Financial risk management (continued)

#### (a) Market risk (continued)

##### (i) Currency risk (continued)

The Company's foreign currency exposure based on the information provided to key management is as follows:

	← 2014 →			← 2013 →		
	SGD USD\$'000	AUD USD\$'000	Total USD\$'000	SGD USD\$'000	AUD USD\$'000	Total USD\$'000
<b>Financial assets</b>						
Cash and cash equivalents	299	141	440	418	25	443
Trade and other receivables	187	33	220	261	15	276
	<b>486</b>	<b>174</b>	<b>660</b>	<b>679</b>	<b>40</b>	<b>719</b>
<b>Financial liabilities</b>						
Trade and other payables	1,936	60	1,996	1,342	1,018	2,360
	<b>1,936</b>	<b>60</b>	<b>1,996</b>	<b>1,342</b>	<b>1,018</b>	<b>2,360</b>

There are no foreseeable movements in the relevant exchange rates that are likely to have a material impact on the Groups' results.

##### (ii) Price risk

The Group is exposed to thermal coal price risk generated by its mining activities. The Group sells coal either on a contracted or spot basis, with prices either fixed or index linked. Coal price risk is managed through contractual arrangements negotiated directly with customers, usually for a period of 12 months and through the use of derivative financial instruments.

Fuel is a major component of the Group's operating costs. The Group's exposure to changes in fuel prices is ultimately based on reference to a USD Mean of Platts Singapore ("MOPS") Gas Oil assessment price. This benchmark reference is used to determine diesel fuel prices in Indonesia, which are primarily passed through to the Group by mine contractors through rise and fall adjustment clauses. Historically, as sources of energy generation, there is a positive correlation between coal and oil prices, and this has served as a natural hedge to the Group's exposure to changing fuel prices.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 34. Financial risk management (continued)

#### (a) Market risk (continued)

##### (ii) Price risk (continued)

The Group uses derivative financial instruments in the form of coal and gas-oil swaps to hedge adverse movements in coal prices received by customers and gas-oil prices paid as part of the Group's mining costs. These instruments are over-the-counter derivative contracts referenced to indices and therefore underlying commodity prices of coal and gas-oil. If the referenced price had increased/decreased by 10% (2013: 10%) with all other variables including tax rate being held constant, the profit after tax would have been higher/lower by US\$Nil (2013:US\$180,000) as all derivatives were settled as at 31 December 2014.

The Group has an equity investment which is classified as available-for-sale on the balance sheet that is exposed to equity securities price risk. If price for the equity security listed on the Australian Securities Exchange had changed by 10% (2013: 10%) with all other variables including tax rate being held constant, the other comprehensive income would have been higher/lower by US\$200,500 (2013: US\$109,000).

##### (iii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest bearing assets, the Group's income is substantially independent of changes in market interest rates.

The Group's main interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group's borrowings are at fixed and variable rates and are denominated in USD. If the USD interest rates had increased/decreased by 0.50% (2013: 0.50%) with all other variables including tax rate being held constant, the profit after tax would have been lower/higher by US\$1,125,000 (2013: US\$1,313,000) as a result of higher/lower interest expense on these borrowings.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 34. Financial risk management (continued)

#### (b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions and derivative financial instruments, as well as credit exposures to trade customers, including outstanding receivables and contracted sales. The Group only deals with banks and financial institutions of good repute and standing. For trade customers, the corporate team assesses and monitors the credit quality of each trade customer, taking into account their financial position, past experience and other relevant factors.

Credit exposure to an individual counterparty is restricted by the corporate team management based on ongoing credit evaluation. Counterparty payment profiles are monitored by management. Generally, the Group only enters into contracts with large counterparties (such as power utilities). Counterparty and payment risk is also managed through the use of letters of credit or telegraphic transfers payable within 30 days from a vessel's bill of lading date.

The Group has a broad customer base with many sales secured by letters of credit. The majority of the Group's customers belong to the power generation sector across various countries which represent some concentration of risk within this market.

The maximum exposure to credit risk for each class of financial instrument is the carrying amount of that class of financial assets presented on the balance sheet.

The credit risk for trade receivables, based on the information provided to key management is as follows:

	Group	
	2014	2013
	US\$'000	US\$'000
<b>By geographical areas:</b>		
Indonesia	26,368	30,472
Singapore	31,430	57,661
	57,798	88,133

#### (i) Financial assets that neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit ratings assigned by international credit rating agencies. Trade receivables that are neither past due nor impaired are substantially with companies with a good collection track record with the Group.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 34. Financial risk management (continued)

#### (b) Credit risk (continued)

##### (ii) Financial assets that are past due and/or impaired

Where financial assets are past due but not impaired, the Group has assessed that the credit quality of these amounts has not changed and the amounts are still considered recoverable.

The age analysis of trade receivables past due but not impaired is as follows:

	Group		Company	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Past due < 3 months	25,405	20,817	-	-
Past due 3 to 6 months	538	36	-	-
Past due > 6 months	789	339	-	-
	<b>26,732</b>	<b>21,192</b>	-	-

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group		Company	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Past due > 6 months	178	273	-	-
Less: Allowance for impairment	(178)	(273)	-	-
	-	-	-	-
Beginning of financial year	(273)	-	-	-
Allowance written back/(made)	95	(273)	-	-
End of financial year	<b>(178)</b>	<b>(273)</b>	-	-

#### (c) Liquidity risk

Prudent liquidity risk management implies maintaining at all times sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities so as to enable the Group to meet its obligations as and when they fall due. At the balance sheet date, assets held by the Group and Company for managing liquidity risk included cash and short-term deposits as disclosed in note 12.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 34. Financial risk management (continued)

#### (c) Liquidity risk (continued)

Liquidity risk management covers daily, short term, and long term needs. The appropriate levels of liquidity are determined by both the nature of the Group's business and its risk profile. The Group monitors its liquidity position on a daily basis and prepares short term weekly cash flows of up to three months, on a monthly basis. In addition to this, the Group looks at cash flows on a medium term (< 12 months) and long term (> 12 months) basis through regular forecasts, annual budgets and long term business plans.

The table below analyses the maturity profile of the Group's and Company's financial liabilities, including derivative financial instruments into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year US\$'000	Between 1 and 2 years US\$'000	Between 2 and 5 years US\$'000	Over 5 years US\$'000
<b>2014</b>				
<b>Group</b>				
Trade and other payables	(98,583)	-	-	-
Derivative financial instruments	-	-	-	-
Borrowings	(142,624)	(76,681)	-	-
	<b>(241,207)</b>	<b>(76,681)</b>	-	-
<b>Company</b>				
Trade and other payables	(3,733)	-	-	-
Borrowings	(142,624)	(76,681)	-	-
	<b>(146,357)</b>	<b>(76,681)</b>	-	-
<b>2013</b>				
<b>Group</b>				
Trade and other payables	(144,339)	-	-	-
Derivative financial instruments	(659)	-	-	-
Borrowings	(179,412)	(93,045)	-	-
	<b>(324,410)</b>	<b>(93,045)</b>	-	-
<b>Company</b>				
Trade and other payables	(6,767)	-	-	-
Borrowings	(174,702)	(90,013)	-	-
	<b>(181,469)</b>	<b>(90,013)</b>	-	-

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 34. Financial risk management (continued)

#### (d) Capital risk

The Group's objectives when managing capital are to maintain an optimal capital structure so as to maximise shareholder value and to safeguard the Group's ability to continue as a going concern. The capital structure of the Group consists of debt, which includes borrowings, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained profits.

In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

The gearing ratio is calculated as net debt divided by the total book value of capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

The Group also evaluates its debt levels by measuring the level of interest expense relative to the Group's net earnings. These covenants include minimum ratios such as interest coverage and leverage ratios.

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2013 and 2014.

	Group		Company	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Net debt	253,225	358,702	199,728	249,819
Total equity	630,401	623,976	347,492	345,278
Total capital	883,626	982,678	547,220	595,097
Gearing ratio	29%	37%	36%	42%

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 34. Financial risk management (continued)

#### (e) Fair value measurement

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

- i. Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- ii. Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- iii. Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
<b>Group</b>				
<b>2014</b>				
<b>Assets</b>				
Available-for-sale financial assets	2,005	-	-	2,005

	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
<b>Group</b>				
<b>2013</b>				
<b>Assets</b>				
Derivative financial instruments	-	668	-	668
Available-for-sale financial assets	1,093	-	-	1,093
<b>Total assets</b>	1,093	668	-	1,761
<b>Liabilities</b>				
Derivative financial instruments	-	659	-	659

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on the quoted market prices at the balance sheet date. The quoted market prices used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 34. Financial risk management (continued)

#### (e) Fair value measurement (continued)

The fair value of financial instruments that are not traded in an active market (e.g. over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at balance sheet date. Quoted market prices and index-linked prices for similar instruments are used to estimate fair value. These investments are classified as Level 2. In infrequent circumstances, where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are classified as Level 3.

#### (f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheets.

### 35. Related party transactions

#### (a) Key management personnel compensation

	Group	
	2014 US\$'000	2013 US\$'000
Salaries and other short-term employee benefits	1,408	7,454
Termination benefits	-	4,031
Share-based expenses	-	187
	<u>1,408</u>	<u>11,672</u>

Included in the total above is compensation provided to directors of the Company amounting to US\$202,549 (2013: US\$814,783).

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 35. Related party transactions (continued)

#### (b) Sales and purchases of goods and services

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

	Group	
	2014	2013
	US\$'000	US\$'000
Consultancy fees paid to related corporation	125	-
Sales of coal to related corporation	3,703	-
Despatch income from related corporation	10	-
Derivatives loss with ultimate holding company	33	-
Interest expense payable to related corporation	3,288	283

Related corporation comprise mainly companies which are controlled or significantly influenced by the Group's ultimate holding company that are not part of the Group or companies which are controlled or significantly influenced by key management personnel and their close family members.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 36. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2(b):

Name of entity	Country of incorporation	Principal activity	Equity holding	
			2014	2013
			%	%
Tiger Energy Trading Pte Ltd (a)	Singapore	Trading	100	100
Sakari Energy Trading Pte Ltd (a)	Singapore	Investment holding	100	100
Sakari Energy Pte Ltd (a)	Singapore	Dormant	100	100
Reyka Wahana Digdjaya Pte Ltd (b)	Singapore	Dormant	100	100
PT Bahari Cakrawala Sebuk (c)	Indonesia	Coal mining	100	100
PT Sinergy Consultancy Services (c)	Indonesia	Management services	100	100
PT Reyka Wahana Digdjaya (b)	Indonesia	Investment holding	100	100
Sakari Marine Infrastructure Pte Ltd (a)	Singapore	Marine Engineering	100	100
Sakari Australia Pty Ltd (b)	Australia	Management services	100	100
PT Bumiborneo Pertiwi Nusantara (c)	Indonesia	Investment holding	100	100
PT Borneo Citrapertiwi Nusantara (c)	Indonesia	Investment holding	100	100
PT Separi Energy (c)	Indonesia	Investment holding	100	100
PT Jembayan Muarabara (c)	Indonesia	Coal mining	100	100
PT Kemilau Rindang Abadi (c)	Indonesia	Coal mining	100	100
PT Arzara Baraindo Energitama (c)	Indonesia	Coal mining	100	100
PT Karbon Mahakam (c)	Indonesia	Coal mining	100	100
PT Metalindo Bumi Raya (c)	Indonesia	Coal mining	100	100
PT Citra Pertiwi Nusantara (b)	Indonesia	Asset holding	100	100
PT Kuda Perdana Pertiwi (b)	Indonesia	Dormant	-	100
PT Bahari Perdana Persada (b)	Indonesia	Dormant	100	100
PT Bahari Putra Perdana (b)	Indonesia	Dormant	100	100
PT Bumi Borneo Metalindo (b)	Indonesia	Dormant	100	100
PT Sakti Utama Luas (b)	Indonesia	Dormant	100	100
PT Makassar Prima Coal	Indonesia	Dormant	-	70
PT Cakrawala Abadi Jaya (b)	Indonesia	Dormant	100	100
PT Tri Tunggal Lestari Bersama (b)	Indonesia	Dormant	100	100
Sakari Royal Limited (b)	Cambodia	Coal Exploration	70	70

(a) Audited by PricewaterhouseCoopers LLP, Singapore.

(b) Not required to be audited under the law of the country of incorporation.

(c) Audited by KAP Tanudiredja, Wibisana & Rekan - a member firm of the PricewaterhouseCoopers global network.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 37. Reconciliation of profit after income tax to net cash provided by operating activities

	Group	
	2014 US\$'000	2013 US\$'000
Net profit after tax	6,960	9,381
Depreciation and amortisation	96,639	155,984
Foreign exchange loss/(gain)	4	(146)
Loss on sale of property, plant and equipment	7	12
Impairment of available-for-sale financial assets	-	1,182
Allowance for impairment of receivables	(95)	2,497
Write off of property, plant and equipment	450	628
Write off of exploration and evaluation	589	99
Impairment of exploration and evaluation	4,076	-
Fair value loss/(gain) on financial assets at fair value through profit and loss	2,966	(6,349)
Interest expense	7,900	11,504
Share-based payments expense	(100)	468
<i>Changes in working capital</i>		
Decrease/(increase) in trade and other receivables	26,622	(19,460)
Decrease/(increase) in current tax receivables	9,086	(2,851)
Decrease/(increase) in inventories	10,394	(2,605)
Increase in deferred income tax assets	(299)	(422)
Increase/(decrease) in other operating assets	7,071	(1,177)
Increase/(decrease) in current income tax liabilities	14,446	(9,821)
Decrease in trade and other payables and provisions	(46,100)	(17,176)
Decrease in deferred income tax liabilities	(3,618)	(16,397)
Net cash provided by operating activities	136,998	105,351

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

### 38. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2015 or later periods and which the Group has not early adopted:

The Group's assessment of the impact of adopting those standards, amendments and interpretations is not expected to have a material effect on the results of the Group.

- (a) FRS 102 Share-based Payment (effective for annual periods beginning on or after 1 July 2014)
- (b) FRS 103 Business Combinations (effective for annual periods beginning on or after 1 July 2014)
- (c) FRS 108 Operating Segments (effective for annual periods beginning on or after 1 July 2014)
- (d) FRS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 July 2014)
- (e) FRS 24 Related Party Disclosures (effective for annual periods beginning on or after 1 July 2014)
- (f) FRS 113 Fair Value Measurement (effective for annual periods beginning on or after 1 July 2014)
- (g) Amendments to FRS 38 Intangible Assets (effective for annual periods beginning on or after 1 July 2014)
- (h) Amendments to FRS 19 (R) Employee Benefits – Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014)

### 39. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Sakari Resources Limited on 3 March 2015.



## GLOSSARY

The following definitions apply throughout this Annual Report:

"ASP"	Average selling price
"Board"	The Board of Directors of Sakari
"CEO"	Chief Executive Officer
"Sakari", "Company"	Sakari Resources Limited
"Group"	Sakari and its subsidiaries
"ha"	Hectares
"Mt"	Millions of metric tonnes
"pa"	per year
"PTT"	PTT Public Company Limited Ltd, Sakari's ultimate holding company
"t"	One metric tonne
"Kt"	Thousands of metric tonnes
"\$", "US\$"	United States dollars
"CY"	Calendar year

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