

Independent Auditor's Report to the Members of Abbot Point Operations Pty Ltd

Opinion

We have audited the financial report, being a special purpose financial report, of Abbot Point Operations Pty Ltd (the Company) and its subsidiary (collectively the "Group"), which comprises the consolidated statement of financial position as at 31 March 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the twelve month period ended 31 March 2017, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report is prepared, in all material respects, in accordance with the accounting policies described in Notes 2 and 3 to the financial report.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Emphasis of Matter - Basis of Accounting and Restriction on Distribution

We draw attention to Notes 2 and 3 to the financial statements which describes the basis of accounting. The financial report has been prepared for purpose of providing information to Adani Ports and Special Economic Zone Limited ("parent entity") to enable it to prepare the group financial statements. As a result the financial report may not be suitable for another purpose. Our report is intended solely for the Company and the parent entity and should not be distributed to parties other than the Recipients.

Other Information

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report and have determined that the basis of preparation described in Notes 2 and 3 to the financial statements is appropriate to meet the Company's financial reporting requirements to its parent entity and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young
Brisbane
11 May 2017

ABBOT POINT OPERATIONS PTY LTD
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH 2017

	Notes	For the period from 1-Apr-16 to 31-Mar-17 \$	For the period from 15-May-15 to 31-Mar-16 \$
Revenue	4	32,843,518	-
Interest income		30,472	109
TOTAL REVENUE AND INTEREST INCOME		32,873,990	109
Operating expenses			
Employee costs		(13,352,674)	-
Contractor costs		(6,724,603)	-
Electricity costs		(3,531,286)	-
Insurance expenses		(1,552,254)	(1,650)
Other operating expenses		(2,939,873)	-
Total operating expenses		(28,100,690)	(1,650)
General and administration expenses			
Employees costs		(326,666)	(31,510)
Consultancy fees		(1,169,767)	(8,060)
Other general and administration expenses		(1,160,799)	(33,725)
Total general and administration expenses		(2,657,232)	(73,295)
Depreciation and amortisation		(1,042,143)	-
TOTAL EXPENSES		(31,800,065)	(74,945)
PROFIT/(LOSS) BEFORE INCOME TAX		1,073,925	(74,836)
Income tax expense	5	(322,178)	-
PROFIT/(LOSS) FOR THE YEAR/PERIOD		751,747	(74,836)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD (NET OF TAX)		751,747	(74,836)

ABBOT POINT OPERATIONS PTY LTD
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	Notes	31-Mar-17 \$	31-Mar-16 \$
CURRENT ASSETS			
Cash on hand and at bank		403,726	3,243
Receivables and prepayments	6	9,807,102	5,785
Inventories		4,647,792	-
TOTAL CURRENT ASSETS		14,858,620	9,028
NON-CURRENT ASSETS			
Goodwill	7	1,049,317	-
Intangible assets – access rights	7	2,517,350	-
Property, plant and equipment	8	2,622,547	-
Security deposit	12	15,400,000	-
TOTAL NON-CURRENT ASSETS		21,589,214	-
TOTAL ASSETS		36,447,834	9,028
CURRENT LIABILITIES			
Tax payables		322,178	-
Payables and accruals	9	6,434,811	7,864
Loan from related parties	10	20,085,000	75,000
Provision – employees’ entitlement		7,892,121	-
TOTAL CURRENT LIABILITIES		34,734,110	82,864
NON CURRENT LIABILITIES			
Provision – employees’ entitlement		935,813	-
TOTAL NON-CURRENT LIABILITIES		935,813	-
TOTAL LIABILITIES		35,669,923	82,864
NET ASSETS (LIABILITIES)		777,911	(73,836)
EQUITY			
Ordinary shares	11	101,000	1,000
Retained earnings (accumulated losses)		676,911	(74,836)
TOTAL EQUITY		777,911	(73,836)

ABBOT POINT OPERATIONS PTY LTD
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 31 MARCH 2017

	For the period from 1-Apr-16 to 31-Mar-17	For the period from 15-May-15 to 31-Mar-16
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	35,247,080	-
Payments to suppliers and employees	(35,771,248)	(72,866)
Interest received	30,472	109
Income tax paid	-	-
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES	<u>(493,696)</u>	<u>(72,757)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash acquired with business combination	1,803,157	-
Purchase of property, plant and equipment	(2,118,978)	-
Addition to intangible assets	(3,500,000)	-
Payment of security deposit	(15,400,000)	-
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES	<u>(19,215,821)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of share capital	100,000	1,000
Proceeds from borrowings	20,010,000	75,000
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>20,110,000</u>	<u>76,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>400,483</u>	<u>3,243</u>
Cash and cash equivalents at beginning of year/period	3,243	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD	<u>403,726</u>	<u>3,243</u>

ABBOT POINT OPERATIONS PTY LTD
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 MARCH 2017

	<i>Ordinary shares</i>	<i>Retained earnings (accumulated losses)</i>	<i>Total</i>
	\$	\$	\$
At 1 April 2015	-	-	-
Loss and total comprehensive loss for the period	-	(74,836)	(74,836)
Transactions with owners in their capacity as owners			
Issue of share capital at incorporation (15 May 2015)	1,000	-	1,000
At 31 March 2016	1,000	(74,836)	(73,836)
Profit and total comprehensive income for the year	-	751,747	751,747
Transactions with owners in their capacity as owners			
Issue of share capital	100,000	-	100,000
At 31 March 2017	101,000	676,911	777,911

ABBOT POINT OPERATIONS PTY LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017

1. GENERAL INFORMATION

The consolidated financial statements (“financial report”) of Abbot Point Operations Pty Ltd (“Company”) including its subsidiary (together referred to as “Group”) for the year ended were authorised for issue in accordance with a resolution of the directors on 11 May 2017.

As detailed in note 12 to the financial report, the Company acquired Abbot Point Bulkcoal Pty Ltd (“subsidiary”) on 4 October 2016. Consistent with the basis of consolidation accounting policy detailed in Note 3 below, the Company consolidated the results of its subsidiary from that date. As a result, the comparative financial information included in the financial report represents only the Company’s transactions and balances and hence the current period balances and transactions are not comparable.

Abbot Point Operations Pty Ltd is a company limited by shares that is incorporated and domiciled in Australia. The ultimate parent of the Group is Adani Ports and Special Economic Zone Ltd.

The Group has been set up to undertake the activity of operations of ports in Australia. The registered office of the Company is located at:

Level 25, 10 Eagle Street
Brisbane, Queensland, Australia

2. BASIS OF PREPARATION

This financial report has been prepared for distribution to the members of the directors’ group financial reporting requirements. The financial report has been prepared for purpose of providing information to Adani Ports and Special Economic Zone Limited to enable it to prepare the group financial statements for the year ended 31 March 2017 in accordance with the accounting policies described in Note 3.

The financial report is prepared in accordance with the historical cost convention and is presented in Australian dollars (\$).

The going concern basis has been adopted in preparing these accounts on the basis that Adani Ports and Special Economic Zone Ltd to whom the Company owes \$20,000,000 has confirmed in writing that it would not demand the payment of the amount due from the Company for a period of at least 12 months from the date of the approval of the financial report.

As a consequence of the Company’s acquisition of its subsidiary during the year, the Group has applied additional accounting policies in current year as compared to 31 March 2016. The accounting policies used in the preparation of this financial report are, in the opinion of the director, appropriate to meet the needs of members.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The financial report comprises the financial statements of the Company and its subsidiaries at reporting date. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangements with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group’s voting rights and potential voting rights.

ABBOT POINT OPERATIONS PTY LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (cont.)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary;
- De-recognises the carrying amount of any non-controlling interests;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(b) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

ABBOT POINT OPERATIONS PTY LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Business combinations (continued)

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

c) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Interest

Revenue is recognised as the interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

d) Income taxes

Current tax

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

Deferred tax

Deferred tax is provided for all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amount of for financial statement purposes.

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

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

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

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

ABBOT POINT OPERATIONS PTY LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the Statement of Cash Flows, cash and cash equivalents cash includes deposits at call which are readily convertible to cash on hand, which are as defined above, net of outstanding bank overdrafts.

f) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment. Due to their short term nature they are not discounted.

Collectability of receivables is reviewed on an on-going basis.

g) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- Plant and equipment 3 to 10 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss when the asset is derecognised. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

h) Intangible assets

(i) Goodwill

Goodwill arising from business combinations is initially measured at cost (as described in Note 3(b)). Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but, instead, it is reviewed for impairment.

(ii) Other intangible assets

Intangible assets other than goodwill are measured on initial recognition at cost. The costs of intangible assets acquired in a business combination are their fair values as at the date of acquisition.

Following initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is recognised in the Income Statement on a straight line basis over the estimated economic useful lives, other than certain recoverable expenditure incurred under a service contract which is amortised based on the unit of production method. The amortisation method and the useful life for intangible assets are reviewed at least at each reporting date.

ABBOT POINT OPERATIONS PTY LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Intangible assets (continued)
(ii) Other intangible assets (continued)

The estimated useful life of other intangible assets are as follows:

- Access rights 2 years

Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses. These intangible assets are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

i) Impairment

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired for assets other than goodwill. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset.

j) Trade and other payables

Trade and other payables are carried at amortised cost due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Company prior to the reporting date that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

k) Non-interest bearing loans

The Company's loan with related parties is carried at amortised cost using the effective interest rate method. The loan is for a period of five years but on issuing notice to the Company, the lender can require the company to repay the loan on demand.

The measurement of an interest free loan at amortised cost using the effective interest rate method generally results in the carrying value of the loan being lower than its principal amount. Given this loan can be required to be repaid, at any time, at the unilateral demand of the lender, the loan has been classified as a current liability. Due to the ability of the loan to be called at unilateral demand of the lender, the liability has not been discounted.

ABBOT POINT OPERATIONS PTY LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Interest bearing loans

All loans and borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Borrowings are classified as current unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction and production of a qualifying asset (ie: an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur.

m) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Cost of material stores and spares consists of the invoiced value from suppliers and import duty charges and is determined on a weighted average basis.

n) Foreign currency transactions

The Company's functional currency is the Australian dollar, being the currency of the primary economic environment in which they operate. The special purpose financial report is presented in Australian dollars.

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated at the appropriate exchange rates ruling at that date. Exchange differences are dealt with in the profit or loss.

	For the period from 1-Apr-16 to 31-Mar-17 \$	For the period from 15-May-15 to 31-Mar-16 \$
4. REVENUE		
Operation and maintenance contract revenue	31,984,133	-
Berthage revenue	744,574	-
Other operating revenue	114,811	-
	32,843,518	-
5. INCOME TAX		
Accounting profit/(loss) before income tax	1,073,925	(74,836)
At the statutory income tax rate of 30%	322,178	(22,451)
Tax losses not recognised	-	22,451
At the effective income tax rate	322,178	-

ABBOT POINT OPERATIONS PTY LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017

	31-Mar-17	31-Mar-16
	\$	\$
6. RECEIVABLES AND PREPAYMENTS		
Amounts due from Adani Abbot Point Terminal Pty Ltd	7,197,144	-
Prepayments	2,287,887	5,785
Other receivables	322,071	-
	9,807,102	5,785
	9,807,102	5,785

7. INTANGIBLE ASSETS

	Goodwill	Access rights	TOTAL
	\$	\$	\$
Balance at 1 April 2016	-	-	-
Additions (Note 12)	-	3,500,000	3,500,000
Acquired on business combination (Note 12)	1,049,317	-	1,049,317
Amortisation	-	(982,650)	(982,650)
	1,049,317	2,517,350	3,566,667
Balance at 31 March 2017	1,049,317	2,517,350	3,566,667

8. PROPERTY, PLANT AND EQUIPMENT

	Work in progress	Plant and equipment	TOTAL
	\$	\$	\$
Balance at 1 April 2016	-	-	-
Additions	2,072,771	46,207	2,118,978
Acquired on business combination (Note 12)	-	563,062	563,062
Depreciation	-	(59,493)	(59,493)
	2,072,771	549,776	2,622,547
Balance at 31 March 2017	2,072,771	549,776	2,622,547

ABBOT POINT OPERATIONS PTY LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017

	31-Mar-17 \$	31-Mar-16 \$
9. PAYABLES AND ACCRUALS		
Trade creditors	1,499,150	-
Accrued expenses	3,974,053	-
Other payables	961,608	7,864
	6,434,811	7,864

10. LOAN FROM RELATED PARTIES

Adani Abbot Point Terminal Pty Ltd*	85,000	75,000
Adani Ports and Special Economic Zone Ltd**	20,000,000	-
	20,085,000	75,000

* On 11 June 2015, the Company entered into a \$2m loan facility agreement with Adani Abbot Point Terminal Pty Ltd, a related party. Under this facility the Company has drawn down \$85,000 (31 March 2015: \$75,000). The loan is repayable on demand.

** On 26 September 2016, the Company entered into a \$20m loan facility agreement with Adani Ports and Special Economic Zone Ltd, a related party. Under this facility the Company has drawn down the full facility amount of \$20 million (31 March 2015: Nil). The loan is repayable on demand.

11. ORDINARY SHARES

	31-Mar-17 \$	31-Mar-16 \$
101,000 authorised and fully paid ordinary shares (31 March 2016: 1,000)	101,000	1,000
	101,000	1,000

	31-Mar-17		31-Mar-16	
	Number	\$	Number	\$
At the beginning of the period	1,000	1,000	-	-
Share issue from capital raising	100,000	100,000	1,000	1,000
At the end of the period	101,000	101,000	1,000	1,000

ABBOT POINT OPERATIONS PTY LTD
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12. PROVISIONAL BUSINESS COMBINATION ACCOUNTING FOR THE ACQUISITION OF ABBOT POINT BULKCOAL PTY LTD

On 19 September 2016, the Company executed a Share Sale Agreement to acquire 100% of the ordinary share capital of Abbot Point Bulkcoal Pty Ltd (“APB”) from Glencore Coal Queensland Pty Limited (the “Seller”). APB is an unlisted company based in Australia, engaged in the business of operations of Abbot Point Coal Terminal 1 (“APCT 1”). The purchase price of shares is \$1 plus a completion adjustment.

The Company also entered into Abbot Point Coal Terminal Operation and Maintenance Contract Variation Agreement (“Variation Agreement”) with Adani Abbot Point Terminal Pty Ltd, the owner of APCT 1. Under the Variation Agreement, the Company paid \$15.4 million as security deposit and \$3.5 million (excluding GST) in relation to the Operations and Maintenance Agreement.

Post-acquisition, the Company becomes the 100% owner of APB and has the control of Operations and Maintenance Agreement with Adani Abbot Point Terminal Pty Ltd for the operations of APCT 1.

The acquisition of the APB shares was subject to a number of conditions precedent. The conditions precedent were satisfied on 4 October 2016 and the Company obtained control of APB on that date. As such, the Company has accounted for the business combination as at 4 October 2016.

At 31 March 2017, the Company is yet to finalise the quantum of the completion adjustment with the Seller, accordingly, no impact of the completion adjustment has been reflected in the provisional business combination accounting. The impact of the completion adjustment will be reflected in the final purchase consideration for the business combination.

The provisional business combination accounting resulted in the following fair values being allocated to the identifiable assets and liabilities of APB at the acquisition date.

ASSETS	\$
Current Assets	
Cash at bank	1,803,158
Receivables and prepayments	7,109,378
Inventories (net of related provisions)	3,934,443
Total Current Assets	12,846,979
Non-Current Assets	
Goodwill arising on acquisition ^{1,2,3}	1,049,317
Property, plant and equipment	563,062
Total Non-Current Assets	1,612,379
TOTAL ASSETS	14,459,358
LIABILITIES	
Current Liabilities	
Payables and accrual	5,591,247
Provision – employees’ entitlements	5,584,294
Total Current Liabilities	11,175,541
Non-Current Liabilities	
Provision – employees’ entitlements	3,283,816
Total Non-Current Liabilities	3,283,816
TOTAL LIABILITIES	14,459,357
TOTAL IDENTIFIABLE NET ASSETS AT FAIR VALUE	1

ABBOT POINT OPERATIONS PTY LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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12. PROVISIONAL BUSINESS COMBINATION ACCOUNTING FOR THE ACQUISITION OF ABBOT POINT BULKCOAL PTY LTD (Continued)

PROVISIONAL PURCHASE CONSIDERATION	\$
Cash paid in consideration for ordinary shares	1
Payment/(receipt) of completion adjustment ¹	-
Total Purchase Consideration transferred	1

1. At 31 March 2017, the Company is yet to finalise the quantum of the completion adjustment with the Seller, accordingly, no impact of the completion adjustment has been reflected in the provisional business combination accounting. The impact of the completion adjustment will be reflected in the final purchase consideration for the business combination.
2. For the purpose of the provisional business combination accounting, the difference between the provisional purchase consideration and the fair value of tangible assets, liabilities and contingent liabilities acquired has been allocated to goodwill. Inter alia, the amount of goodwill recognised is expected to change as a result of the finalisation of the completion adjustment (noted above) and the recognition of deferred tax consequences of the business combination (refer below).
3. Given the completion adjustment has not been finalised at 31 March 2017, it is not practical to estimate the deferred tax consequences of the business combination. As such, no deferred tax assets or liabilities are included in the identifiable net assets acquired. To the extent, deferred tax assets or liabilities are required to be recognised as a consequence of the transaction, this will affect the quantum of goodwill provisionally recorded as part of the business combination accounting.

In addition, general and administrative expenses in the Consolidated Statement of Comprehensive Income includes \$433,877 of transaction costs in respect of the acquisition.

Since acquisition, APB's contribution to the Group's profit before tax for the period ended 31 March 2017 is a profit of \$1,860,541. If the combination had taken place at the beginning of the period, the Group's profit before tax from continuing operations would have been \$3,654,569.

13. CONTINGENT LIABILITIES AND COMMITMENTS

The directors are not aware of any contingent liabilities or commitments at 31 March 2017 other than arising from the business combination as described in Note 12.

14. RELATED PARTIES DISCLOSURE

Other than described in Notes 10 and 12, the following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year/period.

		Revenue from related parties \$	Purchases from related parties \$
Ultimate parent group entities			
Adani Abbot Point Terminal Pty Ltd	2017	32,758,880	-
	2016	-	-

15. EVENT AFTER THE BALANCE DATE

There have been no subsequent events which are required to be disclosed as of 31 March 2017 other than the potential adjustments of business combination as described in Note 12.