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Document No. **7E6913104**

Lodgement date/time: 29-04-2015 13:13:27

Reference Id: 91594604

Form 388
Corporations Act 2001
294, 295, 298-300, 307, 308, 319, 321, 322
Corporations Regulations
1.0.08

Copy of financial statements and reports

Company details

Company name

PEABODY AUSTRALIA HOLDCO PTY LTD

ACN

154 820 130

Lodgement details

Registered agent number

20850

Registered agent name

PEABODY ENERGY AUSTRALIA COAL PTY LIMITED

Reason for lodgement of statement and reports

A large proprietary company that is not a disclosing entity

Dates on which financial year ends

Financial year end date
31-12-2014

Details of large proprietary company

What is the consolidated revenue of the large proprietary company and the entities that it controls?
2990914000

What is the value of the consolidated gross assets of the large proprietary company and the entities that it controls?
6702684000

How many employees are employed by the large proprietary company and the entities that it controls?
2934

How many members does the large proprietary company have?

1

Auditor's report

Were the financial statements audited?

Yes

Is the opinion/conclusion in the report modified? (The opinion/conclusion in the report is qualified, adverse or disclaimed)

No

Does the report contain an Emphasis of Matter and/or Other Matter paragraph?

No

Details of current auditor or auditors

Current auditor

Date of appointment **16-12-2011**

Name of auditor

ERNST & YOUNG

Address

LEVEL 49
111 EAGLE STREET
BRISBANE QLD 4000

Certification

I certify that the attached documents are a true copy of the original reports required to be lodged under section 319 of the Corporations Act 2001.

Yes

Signature

Select the capacity in which you are lodging the form

Agent

I certify that the information in this form is true and complete and that I am lodging these reports as, or on behalf of, the company.

Yes

Form 388 - Copy of financial statements and reports
PEABODY AUSTRALIA HOLDCO PTY LTD ACN 154 820 130

Authentication

This form has been authenticated by

Name	PEABODY ENERGY AUSTRALIA COAL PTY LIMITED

This form has been submitted by

Name	Murray HUNDLEBY
Date	29-04-2015

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Peabody Australia Holdco Pty Ltd

ABN 61 154 820 130

SPECIAL PURPOSE FINANCIAL REPORT

For the year ended
31 December 2014

Peabody Australia Holdco Pty Ltd
Directors' report

The directors present their report together with the financial report of Peabody Australia Holdco Pty Ltd (the "Company") and of the consolidated entity, being the Company and its controlled entities ("consolidated entity" or "Group") for the year ended 31 December 2014 and the auditors' report thereon.

Directors

The directors of the Company at any time during or since the end of the financial year are:

C Meintjes (appointed 1 January 2013)
A Schwetz (appointed 1 July 2013)
E Ford (appointed 1 January 2013, resigned 31 January 2014)

Principal activities

The principal activity of the company during the course of the year was investment in coal exploration and coal mining. There have been no significant changes in the nature of these activities during the financial year.

Dividends

Following the proceedings filed against the Company's subsidiaries Peabody Australia Mining Pty Limited (PAML) and Wambo Coal Pty Limited (Wambo) by Wambo's B Class shareholder on 25 March 2013 concerning the proper construction of article 2.1B of the Constitution of Wambo in its application to the dividend rights of the B Class shares, the Supreme Court of New South Wales issued a judgement that on its proper construction, article 2.1B conferred the right, to the exclusion of any discretion given to the directors with respect to the declaration or payment of dividends or the capitalising, reserving or carrying forward of profits, to receive a dividend, by the dates specified in the article, of 1/25,000,000 of 25% of the maximum amount of the profit of Wambo which is capable of lawfully being distributed as dividend for the 6 month periods specified in the article based on the relevant interim account or accounts. That decision was upheld by the New South Wales Court of Appeal in a judgement handed down on 17 September 2014. On 13 March 2015, Wambo ran an application for special leave to appeal to the High Court against the New South Wales Court of Appeal decision. Leave was not granted.

The total amounts of disputed dividends claimed by the B Class shareholder in the proceedings, and interest, that were previously transferred into the trust account in compliance with the conditions of the stay of the Supreme Court order for payment, which applied until the appeal was determined, was released to the B Class shareholder on 20 January 2015, less applicable withholding taxes. This balance transferred from the trust account included an amount of $48.5 million representing the amount of disputed dividends that was unfranked for tax purposes.

At year end the Group has recognised a current liability of $61.1 million equivalent to the amount of disputed dividends for the period 1 January 2009 to 30 June 2014 plus interest.

The Group has reviewed the consequence of the court ruling and the application of relevant accounting standards. That review is ongoing. Pending the conclusion of its review the Group has amended the classification of the B Class shares to a financial liability rather than equity and has valued the liability in the manner summarised in Note 1(z).

No B Class dividend is payable in relation to the six months ending 31 December 2014 as Wambo made a loss for that period.

No dividends were paid or declared by the Company during or since the end of the financial year (2013: $Nil).

Review of operations

During the year ended the Group continued to experience weak market conditions.

The net loss of the consolidated entity was $1,270,396,000 (2013: $851,743,000) after income tax expense of $76,401,000 (2013: benefit $257,577,000).

The net loss of the Company for the year was $1,211,909,000 (2013: $1,027,588,000) after income tax expense of $511,272,000 (2013: $199,917,000).

During December 2011, the directors made the decision to dispose of Peabody (Wilkie Creek) Pty Limited, which operates the Wilkie Creek mine. The disposal of Peabody (Wilkie Creek) Pty Limited is due to be completed during 2015. As at 31 December 2014, Peabody (Wilkie Creek) Pty Limited continued to be classified as a disposal group held for sale. The mine was closed at the end of 2013.

Peabody Australia Holdco Pty Ltd

Directors' report (continued)

Significant changes in the state of affairs

As disclosed above, the Company's subsidiary Wambo was unsuccessful in its appeal of the decision by the Supreme Court of New South Wales. As a consequence of the court rulings and in compliance with relevant accounting standards, at year end the Group has recognised a current liability equivalent to the amount of disputed dividends for the period 1 January 2009 to 30 June 2014 plus interest and has also amended the classification of the B Class shares to a financial liability.

On 25 November 2014, Wambo conditionally agreed to establish a joint venture with Glencore's United Collieries Pty Ltd on behalf of the United Joint Venture. The 50-50 joint venture will combine Wambo's open-cut mining operations with United's adjacent reserves in the Hunter Valley. Joint venture operations are expected to commence in 2017 once certain conditions have been met, principally obtaining government approvals to conduct mining operations as contemplated.

The Company's subsidiary Peabody (Burton Coal) Pty Limited, mine plan was reviewed in relation to the current market environment and a decision to scale back operations was announced in August 2014.

During the year the operations of the Moorvale Mine were converted to that of owner operator, from contract operator Leighton.

Other than as described above, there were no significant changes in the state of affairs of the Company or consolidated entity during the financial year.

Matters subsequent to the end of the financial year

Weak market conditions have continued post 31 December 2014. The Group is focused on cost reductions and productivity improvements across all operations.

As disclosed above, following the judgement of the New South Wales Court of Appeal, on 20 January 2015 the balance on the trust account, comprising disputed dividends and interest to that date, was released to the B Class shareholder less applicable withholding taxes.

On 13 March 2015, Wambo ran an application for special leave to appeal in the High Court against the New South Wales Court of Appeal decision on the B Class shareholder dividend rights. Leave was not granted.

On 30 June 2014, Queensland Bulk Handling Pty Ltd (QBH) filed a statement of claim with the Supreme Court of Queensland, Australia, against Peabody (Wilkie Creek) Pty Limited (Peabody), a wholly-owned subsidiary of the Company, alleging breach and repudiation of an alleged Coal Port Services Agreement (CPSA) between the parties. QBH originally sought damages of $113.1 million, plus interest and costs. QBH, however, later altered its claim, no longer alleging any breach or repudiation of a CPSA between the parties nor seeking any monetary award, but rather a declaration that the Company's subsidiary had become bound to enter into a CPSA with QBH for the period 1 January 2015 to 31 December 2026 or, alternatively, that QBH and the Company's subsidiary are bound by a CPSA for the period 1 January 2015 to 31 December 2026. Judgment was delivered on 27 February 2015. The court declared that Peabody and QBH were bound to enter an agreement under clause 3.1(f) of the CPSA made between them and dated 26 March 2009, upon substantially the same terms as that 2009 agreement and otherwise according to clause 3.1(f), within 30 days of 8 July 2013. QBH does not presently have any claim for relief consequent upon Peabody's failure to enter into that CPSA. As such, there are no immediate financial consequences of the decision for Peabody. QBH would likely need to amend its claim to assert specific performance of the new CPSA or damages for such consequences to arise. Peabody has filed an appeal from the decision and believes that it has good legal grounds of appeal.

Other than as described above, no matter or circumstance has arisen since 31 December 2014 that has significantly affected, or may significantly affect:

(a) The Group's operations in future financial years;
(b) The results of those operations in future financial years; or
(c) The Group's state of affairs in future financial years.

Likely developments and expected results of operations

No information on likely developments in the operations of the consolidated entity and the expected results of operations has been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Peabody Australia Holdco Pty Ltd
Directors' report (continued)

Environmental regulation and performance

Peabody Australia Holdco Pty Ltd and its controlled entities operated materially within their environmental operating licence conditions during the year and subsequently, with the exception of the following:

Wilpinjong Mine

(i) Construction of Out of Pit waste rock dump not consistent with that approved under the Mine Operational Plan. Penalty Infringement Notice of $2,500 received from the Environment Protection Authority (EPA).

(ii) Blast fume incident reported to the EPA. No compliance action taken by the EPA.

(iii) Extraction boundary encroachment. Extraction of coal and overburden from an area of approximately 925 square meters outside of the boundary approved under the Mining Operations Plan. Official Warning letter received from the EPA.

(iv) A spontaneous combustion in a ROM bin reported to the EPA. Compliance action pending.

Wambo Mine

One non-compliance whereby a blast generated unexpected blast vibration and the presence of oxides of nitrogen (NOx). Wambo Coal is continuing to respond to the NSW EPA investigations. Compliance action pending.

North Goonyella Mine (Bowen)

An aeration tank burst at the village sewage treatment plant in March 2015, resulting in discharge of partially treated sewage entering a storm water drain which leads to Burton Gorge Dam. The incident was reported to the Department of Environment and Heritage Protection (DEHP). Compliance action pending.

Burton Mine

One non-compliance whereby worked water was released without authorisation to Anna Creek. Kerlong Pump Station had overflowed into Anna Creek. Warning letter received from the DEHP.

Coppabella Mine

During the period the Manager of the Coppabella and Moorvale Joint Venture implemented a Temporary Environmental Plan (TEP) as a result of incidents that occurred in 2013 and early 2014. The Manager has addressed a number of the actions under this plan in 2014 as required and continues to work with the DEHP to meet the requirements of the TEP.

During February 2014, worked water spilled in to Thirty Mile Creek. Water released from a worked water transfer pipe when the pump was briefly operated as part of a routine maintenance check. The pipe outlet had been moved from the intended area which resulted in the water flowing into Thirty Mile Creek – South Arm. The creek is located on site and was dry at the time. No action was taken by the DEHP.

During March 2014, a minor co-disposal wall slipped resulting in sediment filling and blocking the toe drain located at the base of the co-disposal wall. As a result, worked water in the drain overtopped the drain and flowed into 30 Mile Creek. The creek is located on site and was dry at the time. No action was taken by the DEHP.

During April 2014, a ruptured co-disposal delivery line resulted in worked water and co-disposal material entering 30 Mile Creek. The creek is located on site and was dry at the time. No action taken was taken by the DEHP.

During November 2014, the Manager self-reported an issue to the DEHP when it was discovered that more land had been disturbed than what was projected in the Environmental Authority (EA). The DEHP requested further information based on the view that the matter may constitute a breach under the Act. Further investigation by the DEHP identified irregularities in the approval documentation and therefore advised that compliance action would not be taken against the Manager.

The consolidated entity's environmental obligations are regulated under both State and Federal law. All environmental performance obligations are monitored by management and reported to the Board of Directors as appropriate and subjected from time to time to State Government audits and site inspections. The consolidated entity has a policy of meeting all of the regulation and licence conditions as a minimum requirement at all of its operations.

There have been no significant known breaches of the consolidated entity's environmental requirements imposed by local, state and federal governments to the knowledge and belief of Management, other than disclosed above.

Peabody Australia Holdco Pty Ltd
Directors' report (continued)

Indemnification and insurance of directors and officers

During the financial year, a related party paid premiums in respect of Directors' and Officers' Liability and Legal Expenses insurance contracts. The insurance contracts insure against certain liabilities (subject to exclusions) for persons who are or have been directors or officers of the Company and controlled entities. The nature of the liabilities indemnified and the premium payable are not disclosed.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

Ernst & Young continues in office in accordance with section 327 of the *Corporations Act 2001*.

Auditor's independence declaration

We have obtained an independence declaration from our auditors, Ernst & Young as attached on page 33.

Non-audit services

Non-audit services were provided by the Company's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for audits imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service means that auditor independence was not compromised.

Signed in accordance with a resolution of the directors:

A Schwetz
Director

Date: 29 April 2015

Peabody Australia Holdco Pty Ltd

Financial report

For the year ended 31 December 2014

This financial report covers both Peabody Australia Holdco Pty Ltd as an individual entity ("Company") and the consolidated entity consisting of the Company and its controlled entities ("consolidated entity" or "Group"). All amounts in this financial report are stated in Australian dollars unless stated otherwise.

Peabody Australia Holdco Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Peabody Australia Holdco Pty Ltd
100 Melbourne Street
South Brisbane QLD 4101

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report starting on page 1, which is not part of this financial report.

Peabody Australia Holdco Pty Ltd
Statements of comprehensive income
For the year ended 31 December 2014

	Notes	Consolidated 2014 $'000	Consolidated Restated * 2013 $'000	Parent entity 2014 $'000	Parent entity 2013 $'000
Coal sales revenue		2,965,419	3,007,610	-	-
Cost of sales	3(a)	(3,217,317)	(3,243,477)	-	-
Gross loss		**(251,898)**	**(235,867)**	-	-
Other income		25,495	28,101	414,223	442,410
Administrative expenses		(27,874)	(49,749)	-	(41,681)
Finance costs		(52,736)	(194,452)	-	-
Impairment (write-down)/reversal	3(b)	(367,852)	128,296	-	-
B Class dividend liability adjustment		(1,584)	6,509	-	-
Foreign exchange losses		(414,933)	(580,497)	-	-
Loss on equity accounted investments		(116,127)	(29,573)	-	-
Provision for related party receivable		-	-	(1,114,860)	(1,228,400)
Other expenses		(2,064)	(228)	-	-
Loss before tax		**(1,209,573)**	**(927,460)**	**(700,637)**	**(827,671)**
Income tax (expense)/benefit		(76,401)	257,577	(511,272)	(199,917)
Loss for the year from continuing operations		**(1,285,974)**	**(669,883)**	**(1,211,909)**	**(1,027,588)**
Discontinued operations					
Profit/(loss) from discontinued operations after income tax		15,578	(181,860)	-	-
Loss after income tax		**(1,270,396)**	**(851,743)**	**(1,211,909)**	**(1,027,588)**
Other comprehensive income		-	-	-	-
Total comprehensive loss for the period		**(1,270,396)**	**(851,743)**	**(1,211,909)**	**(1,027,588)**
Loss for the period is attributable to:					
Owners of Peabody Australia Holdco Pty Ltd		(1,270,388)	(840,045)	(1,211,909)	(1,027,588)
Non-controlling interest		(8)	(11,698)	-	-
		(1,270,396)	**(851,743)**	**(1,211,909)**	**(1,027,588)**
Total comprehensive loss for the period is attributable to:					
Owners of Peabody Australia Holdco Pty Ltd		(1,270,388)	(840,045)	(1,211,909)	(1,027,588)
Non-controlling interest		(8)	(11,698)	-	-
		(1,270,396)	**(851,743)**	**(1,211,909)**	**(1,027,588)**

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

* *Certain amounts shown here do not correspond to the 2013 financial statements and reflect adjustments, refer to Note 1(a) and Note 1(z).*

Peabody Australia Holdco Pty Ltd
Statements of financial position
As at 31 December 2014

	Notes	Consolidated 2014 $'000	Consolidated Restated * 2013 $'000	Parent entity 2014 $'000	Parent entity 2013 $'000
Assets					
Current assets					
Cash and cash equivalents	4	117,960	69,961	-	-
Trade and other receivables		315,792	256,045	-	-
Current tax assets		-	6,307	-	-
Inventories		258,284	297,640	-	-
Other current assets		48,851	58,436	-	-
Assets of disposal group classified as held for sale		3,312	43,324	-	-
Total current assets		**744,199**	**731,713**	-	-
Non-current assets					
Trade and other receivables		481,194	449,799	2,341,356	3,041,993
Other financial assets		67,332	172,952	-	-
Property, plant and equipment		4,478,365	5,097,957	-	-
Deferred tax assets		892,120	973,780	501,124	732,682
Other non-current assets		39,474	41,696	-	-
Total non-current assets		**5,958,485**	**6,736,184**	**2,842,480**	**3,774,675**
Total assets		**6,702,684**	**7,467,897**	**2,842,480**	**3,774,675**
Liabilities					
Current liabilities					
Trade and other payables		3,794,793	3,672,741	4,596,113	4,349,937
Interest bearing liabilities		705,426	617,749	-	-
Other financial liabilities	5	61,081	43,379	-	-
Current tax liabilities		852	1,807	-	-
Provisions		150,793	122,394	-	-
Other current liabilities		251	143	-	-
Liabilities directly associated with assets of disposal group classified as held for sale		57,662	112,459	-	-
Total current liabilities		**4,770,858**	**4,570,672**	**4,596,113**	**4,349,937**
Non-current liabilities					
Interest bearing liabilities		4,388,126	4,095,185	-	-
Other financial liabilities	5	62,945	66,500	-	-
Deferred tax liabilities		897,245	960,354	-	-
Provisions		456,419	377,448	-	-
Other non-current liabilities		2,617	2,868	-	-
Total non-current liabilities		**5,807,352**	**5,502,355**	-	-
Total liabilities		**10,578,210**	**10,073,027**	**4,596,113**	**4,349,937**
Net liabilities		**(3,875,526)**	**(2,605,130)**	**(1,753,633)**	**(575,262)**
Equity					
Equity attributable to equity holders of the parent					
Contributed equity	6	2,185,468	2,185,468	2,185,468	2,185,468
Reserves		(1,952,207)	(1,952,207)	-	-
Accumulated losses		(4,119,034)	(2,848,646)	(3,939,101)	(2,760,730)
Capital and reserves attributable to owners of Peabody Australia Holdco Pty Ltd		(3,885,773)	(2,615,385)	(1,753,633)	(575,262)
Non-controlling interests		10,247	10,255	-	-
Total equity		**(3,875,526)**	**(2,605,130)**	**(1,753,633)**	**(575,262)**

The above statements of financial position should be read in conjunction with the accompanying notes.

* *Certain amounts shown here do not correspond to the 2013 financial statements and reflect adjustments, refer to Note 1(a) and Note 1(z).*

Peabody Australia Holdco Pty Ltd
Statements of changes in equity
For the year ended 31 December 2014

	Contributed equity	Reserves	Accumulated losses	Non-controlling interests	Total equity
	$'000	$'000	$'000	$'000	$'000
Consolidated - Restated *					
At 1 January 2013	2,185,468	(1,952,207)	(1,948,601)	79,187	(1,636,153)
B Class dividend liability adjustment	-	-	(60,000)	(57,234)	(117,234)
At 1 January 2013 (Restated)	2,185,468	(1,952,207)	(2,008,601)	21,953	(1,753,387)
Total comprehensive loss for the year:					
Loss for the period	-	-	(857,492)	(1,607)	(859,099)
Other comprehensive loss					
B Class dividend liability adjustment	-	-	17,447	(10,091)	7,356
Total comprehensive loss for the year	-	-	(840,045)	(11,698)	(851,743)
Transactions with owners in their capacity as owners	-	-	-	-	-
At 31 December 2013	**2,185,468**	**(1,952,207)**	**(2,848,646)**	**10,255**	**(2,605,130)**
At 1 January 2014	2,185,468	(1,952,207)	(2,848,646)	10,255	(2,605,130)
Total comprehensive loss for the year:					
Loss for the period	-	-	(1,270,388)	(8)	(1,270,396)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	-	(1,270,388)	(8)	(1,270,396)
Transactions with owners in their capacity as owners	-	-	-	-	-
At 31 December 2014	**2,185,468**	**(1,952,207)**	**(4,119,034)**	**10,247**	**(3,875,526)**

Peabody Australia Holdco Pty Ltd
Statements of changes in equity (continued)
For the year ended 31 December 2014

	Contributed equity $'000	Accumulated losses $'000	Total equity $'000
Parent entity			
At 1 January 2013	2,185,468	(1,733,142)	452,326
Total comprehensive loss for the year:			
Loss for the year	-	(1,027,588)	(1,027,588)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(1,027,588)	(1,027,588)
Transactions with owners in their capacity as owners	-	-	-
At 31 December 2013	**2,185,468**	**(2,760,730)**	**(575,262)**
At 1 January 2014	2,185,468	(2,760,730)	(575,262)
Total comprehensive loss for the year:			
Loss for the year	-	(1,211,909)	(1,211,909)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(1,211,909)	(1,211,909)
Transactions with owners in their capacity as owners:			
Intercompany debt forgiveness	-	33,538	33,538
At 31 December 2014	**2,185,468**	**(3,939,101)**	**(1,753,633)**

The above statements of changes in equity should be read in conjunction with the accompanying notes.

** Certain amounts shown here do not correspond to the 2013 financial statements and reflect adjustments, refer to Note 1(a) and Note 1(z).*

Peabody Australia Holdco Pty Ltd
Statements of cash flows
For the year ended 31 December 2014

	Notes	Consolidated 2014 $'000	Consolidated 2013 $'000	Parent entity 2014 $'000	Parent entity 2013 $'000
Cash flows from operating activities					
Cash receipts from customers		2,905,043	3,196,144	-	-
Cash paid to suppliers and employees		(2,883,463)	(3,089,037)	(537)	-
Dividends received from third parties		1,904	393	-	-
Income tax paid		(2,358)	(32,858)	(32,238)	8,120
Interest received from third parties		6,351	10,898	-	-
Borrowing costs paid to third parties		(4,889)	(18,064)	-	-
Net cash flows from/(used in) operating activities	14	**22,588**	**67,476**	**(32,775)**	**8,120**
Cash flows from investing activities					
Payments for property, plant and equipment		(134,060)	(291,252)	-	-
Proceeds from sale of property, plant and equipment		104,046	78,805	-	-
Contributions (to)/from joint operations		(11,586)	330	-	-
Payments for/(to) investments in joint ventures		32,416	(17,059)	-	-
Net cash flows used in investing activities		**(9,184)**	**(229,176)**	-	-
Cash flows from financing activities					
Funds received from/(advanced to) related parties		42,964	175,102	32,775	(8,120)
Repayment of external borrowings		-	(36,729)	-	-
Payments of finance lease liabilities		(8,369)	(14,543)	-	-
Net cash flows from financing activities		**34,595**	**123,830**	**32,775**	**(8,120)**
Net increase/(decrease) in cash and cash equivalents		47,999	(37,870)	-	-
Cash and cash equivalents at the beginning of the financial year		69,961	107,831	-	-
Cash and cash equivalents at the end of the financial year	4	**117,960**	**69,961**	-	-

The above statements of cash flows should be read in conjunction with the accompanying notes.

Peabody Australia Holdco Pty Ltd

For the year ended 31 December 2014

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Peabody Australia Holdco Pty Ltd as an individual entity ("Company") and the consolidated entity consisting of Peabody Australia Holdco Pty Ltd and its subsidiaries ("consolidated entity" or "Group"). The financial report of Peabody Australia Holdco Pty Ltd for the year ended 31 December 2014 was authorised for issue in accordance with a resolution of the directors.

(a) Basis of preparation

The consolidated financial statements are presented in Australian dollars, which is the Group's functional and presentation currency (refer Note 1(f)).

The Group is not a reporting entity because, in the directors' opinion, it is unlikely that users exist who are unable to command the preparation of reports tailored so as to satisfy, specifically, all of their information needs. This is a special purpose financial report that has been prepared for the sole purpose of complying with the *Corporations Act 2001* requirements to prepare and distribute a financial report to the members and must not be used for any other purpose. The directors have determined that the accounting policies adopted are appropriate to meet the needs of the members. This special purpose financial report has been prepared in accordance with Australian Accounting Standards applicable to entities reporting under the *Corporations Act 2001* with the exception of the disclosure requirements in the following:

AASB 3:	Business Combinations
AASB 5:	Non-current Assets Held for Sale and Discontinued Operations
AASB 6:	Exploration for and Evaluation of Mineral Resources
AASB 7:	Financial Instruments: Disclosures
AASB 12:	Disclosure of Interests in Other Entities
AASB 13:	Fair Value Measurement
AASB 102:	Inventories
AASB 112:	Income Taxes
AASB 116:	Property, Plant and Equipment
AASB 117:	Leases
AASB 118:	Revenue
AASB 119:	Employee Benefits
AASB 121:	The Effects of Changes in Foreign Exchange Rates
AASB 123:	Borrowing Costs
AASB 124:	Related Party Disclosures
AASB 127:	Separate Financial Statements
AASB 132:	Financial Instruments: Presentation
AASB 136:	Impairment of Assets
AASB 137:	Provisions, Contingent Liabilities and Contingent Assets
AASB 139:	Financial Instruments: Recognition and Measurement

The concept of accruals accounting has been adopted in the preparation of the financial statements.

Historical cost convention

These financial statements have been prepared under the historical cost convention, except for derivative financial instruments and available for sale investments which are stated at fair value.

Going concern

At 31 December 2014, the consolidated entity reported net asset deficiencies of $3,875,526,000 and the Company $1,753,633,000.

The consolidated entity and the Company also reported current asset deficiencies which primarily relates to the classification of related party Mandatorily Redeemable Preference Shares (MRPS) as a current liability. The Holder of the MRPS is Peabody International (Gibraltar) Limited. The MRPS were issued for a period of 9 years from the date of issue, being 4 December 2012. However, under the terms of the MRPS, Peabody International (Gibraltar) Limited has the right to issue a Termination Notice that requires the redemption or buy-back of the MRPS at any time. As such, the full amount of the MRPS has been classified as a current liability as at 31 December 2014.

Peabody Investments Corp. has provided an undertaking of continued financial support on the basis and condition that the consolidated entity continues to be a wholly-owned subsidiary of the ultimate parent entity Peabody Energy Corporation, and as such, the going concern basis has been adopted in preparing these accounts.

Peabody Australia Holdco Pty Ltd

For the year ended 31 December 2014

1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. 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 2.

Comparatives

Certain comparatives have been reclassified for consistency with current year presentation.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries controlled by Peabody Australia Holdco Pty Ltd ("Company" or "parent entity") as at 31 December 2014 and the results of all subsidiaries for the year then ended. Peabody Australia Holdco Pty Ltd and its subsidiaries are referred to in this financial report as the "Group" or the "consolidated entity".

Subsidiaries are all those entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to the 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.

The Group re-assesses whether or not it controls an investee if facts or circumstances exist that there is a change in one or more of the three elements of control. The financial statements of the subsidiaries have been prepared for the same reporting period as the parent company, using consistent accounting policies.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group. They are de-consolidated from the date that control ceases. The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to Note 1(h)). Investments in subsidiaries are accounted for at cost less accumulated impairment losses in the separate financial statements of the parent entity.

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity participants. Consequently, any gains and losses that arise from such transactions are recorded in equity and not in the statement of comprehensive income.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Interests in joint arrangements are accounted for as set out in Note 1(n).

(c) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of Coal

Revenue from the sale of coal is recognised when the significant risks and rewards of ownership of the coal passes to the customer, which usually occurs at the time of delivery of the goods to the customer for domestic sales, and at the time that coal is loaded on to a vessel for export sales.

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.

Peabody Australia Holdco Pty Ltd

For the year ended 31 December 2014

1. Summary of significant accounting policies (continued)

(d) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

(i) When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

(ii) When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint arrangements, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax assets and unused tax losses can be utilised except:

(i) When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

(ii) When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint arrangements, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In the case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Consolidated tax group

Peabody Australia Holdco Pty Ltd and its wholly-owned Australian controlled entities formed the Peabody Australia Holdco Pty Ltd tax consolidated group.

Tax expense/benefit, deferred tax liabilities and deferred tax assets arising from temporary differences of the Company are recognised in these financial statements. Current tax liabilities and assets as well as deferred tax assets arising from unused tax losses and tax credits are recognised by Peabody Australia Holdco Pty Ltd. These amounts are recognised as payables to or receivables from Peabody Australia Holdco Pty Ltd in these financial statements in accordance with the terms of the relevant tax funding agreements with the Company.

Peabody Australia Holdco Pty Ltd

For the year ended 31 December 2014

1. Summary of significant accounting policies (continued)

(e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST except:

(i) When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

(ii) Receivables and payables, which are stated with the amount of GST included.

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(f) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Peabody Australia Holdco Pty Ltd's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Non-monetary items are measured in terms of historical cost in a foreign currency by applying the exchange rate as at the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(g) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the statement of comprehensive income.

Capitalised leased assets are depreciated straight line over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased asset.

The Group applies AASB Interpretation 4 when determining if an arrangement contains a lease.

Peabody Australia Holdco Pty Ltd
For the year ended 31 December 2014

1. Summary of significant accounting policies (continued)

(h) Business combinations

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to Note 1(s)). If the cost of acquisition is less than the Group's share of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Business combinations – entities or businesses under common control

The pooling of interest method is used to account for business combinations involving entities under common control. The pooling of interest method has been applied by the Group by recognising the assets and liabilities of the combining entities at their carrying amounts. No adjustments are made to reflect fair values, or recognise any new assets or liabilities, that would otherwise be recognised under the purchase method. Adjustments are only made if required to harmonise accounting policies. Any difference between the consideration paid/transferred and the net assets acquired is reflected within equity in the common control restructure reserve. The statement of comprehensive income reflects the result of the combining entities from the date of combination.

(i) Impairment of assets

The Group conducts an annual internal review for indicators of impairment. The carrying values of capitalised exploration and evaluation expenditure, mine development, coal reserves and property, plant and equipment are assessed for impairment when indicators of such impairment exist. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Non-financial assets that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed. Impairment losses are recognised in the statement of comprehensive income.

(j) Cash and cash equivalents

For purposes of the statement of cash flows, cash and cash equivalents includes short-term, highly liquid investments which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(k) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

Peabody Australia Holdco Pty Ltd

For the year ended 31 December 2014

1. Summary of significant accounting policies (continued)

(l) Inventories

Finished goods and work in progress inventories have been valued at the lower of cost and estimated net realisable value. In determining cost, an absorption basis is used including variable costs and an appropriate portion of fixed overheads, depreciation and amortisation. Average costs over the relevant period of production are assigned to reporting date inventory quantities.

Consumables and spares have been valued at weighted average cost. Obsolete or damaged inventories are valued at net realisable value. A regular and ongoing review is undertaken to establish the extent of surplus items, and a provision is made for any potential loss on their disposal.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make a sale.

(m) Investments and other financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of reporting date.

(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 the current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position.

(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 management intends to dispose of the investment within 12 months of the reporting date.

(iv) Unquoted shares in controlled entities and other corporations at cost

Investments are recorded at cost less any impairment losses in the parent entity.

Recognition and derecognition

Investments are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Subsequent measurement

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

Peabody Australia Holdco Pty Ltd

For the year ended 31 December 2014

1. Summary of significant accounting policies (continued)

(m) Investments and other financial assets (continued)

Available-for-sale financial assets and financial assets at fair value through profit and 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 the statement of comprehensive income within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the statement of comprehensive income as part of revenue from continuing operations when the Company's right to receive payments is established.

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Fair Value

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists 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 the profit or loss – is removed from equity and recognised in the profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

(n) Interests in joint arrangements

Australian Accounting Standards define a joint arrangement as one over which two or more parties have joint control, which is the contractually agreed sharing of control over an arrangement. This exists only when the decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control.

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement.

In relation to its interests in joint operations, the Group recognises its:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. The Group's investments in its associates and joint venture are accounted for using the equity method. Under the equity method the investment in an associate or a joint venture is initially recognised at cost and adjusted to recognise changes in the share of net assets of the joint venture since the acquisition date. The statement of profit or loss reflects the Group's share of the results of the operations of the associate or joint venture. The financial statements are prepared for the same reporting period as the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. If there is such evidence of impairment, the Group calculates the amount of the impairment as the difference between the recoverable amount and its carrying value and recognises an impairment loss in the statement of comprehensive income.

(o) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, 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 repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Peabody Australia Holdco Pty Ltd

For the year ended 31 December 2014

1. Summary of significant accounting policies (continued)

(o) Property, plant and equipment (continued)

Property, plant and equipment (excluding freehold land), are depreciated over their useful economic lives, the life of the mine or the life of the asset whichever is shorter. Indicative useful lives are as follows:

Fixed asset type	Average useful life	Method
Buildings	20-25 years	Straight line
Property, plant and equipment	3-25 years	Straight line
Leased plant and equipment	5-11 years (lease term)	Straight line
Mine development	Life of mine/panel (as appropriate)	Units of production
Coal reserves and resources	Life of mine	Units of production
Rehabilitation asset	Life of mine	Units of production

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

Where items of plant and equipment have separately identifiable components which are subject to regular replacement, those components are assigned useful lives distinct from the item of plant and equipment to which they relate.

(p) Stripping activity assets

Production phase

As part of its mining operations, the Group incurs stripping (waste removal) costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalised as part of the cost of constructing the mine and subsequently amortised over its useful life using a units of production method. The capitalisation of development stripping costs ceases when the mine/component is commissioned and ready for use as intended by management.

Stripping costs incurred during the production phase are generally considered to create two benefits, being either the production of inventory or improved access to the ore to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where the benefits are realised in the form of improved access to ore to be mined in the future, the costs are recognised as a non-current asset, referred to as a stripping activity asset, if the following criteria are met:

(i) Future economic benefits (being improved access to the ore body) are probable;
(ii) The component of the ore body for which access will be improved can be accurately identified; and
(iii) The costs associated with the improved access can be reliably measured.

If all of the criteria are not met, the production stripping costs are charged to the statement of comprehensive income as operating costs as they are incurred.

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.

The stripping activity asset is subsequently depreciated using the units of production method over the life of the identified component of the ore body that became more accessible as a result of the stripping activity. 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 any impairment losses.

Development phase

Waste removal in the development phase of a mine are capitalised as part of mine development (refer note 1(q)).

Peabody Australia Holdco Pty Ltd
For the year ended 31 December 2014

1. Summary of significant accounting policies (continued)

(p) Stripping activity assets (continued)

Underground development costs

Material items of expenditure are deferred to the extent that they are recoverable out of future revenue, do not relate solely to revenue which has already been brought to account, and will contribute to the future earning capacity of the Group. Underground development costs are amortised over the life of the mine or the life of the panel (as appropriate) on a units of production basis. Expenditure deferred in previous years is reviewed annually to determine the amount (if any) that is no longer recoverable. Any such amount is written off.

(q) Mine development costs and coal reserves

Mine development costs and reserves represent the accumulation of all development costs, including coal reserves, rights and properties acquired for consideration in relation to areas of interest in which mining of a coal resource has commenced.

Where further development costs are incurred in respect of an area of interest after the commencement of production, such costs are carried forward only when substantial future economic benefits are thereby established, otherwise such expenditure is classified as part of cost of production.

Mine development costs and coal reserves are amortised over the life of an area of interest based on the rate of depletion of economically recoverable reserves.

(r) Exploration and evaluation expenditure

Exploration and evaluation costs, net of revenue representing recoupment of such costs, are accumulated in respect of each separate area of interest. Such costs are carried forward where they are expected to be recouped through successful development and exploitation, or sale, of the area of interest or where activities in the area of interest have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves but active and significant activities are continuing.

The ultimate recoupment of costs related to areas of interest in the exploration and/or evaluation phase is dependent on the successful development and commercial exploitation or sale of the relevant areas.

Where it is decided to abandon an area of interest, costs carried forward in respect of that area are written off in full in the year in which the decision is taken.

(s) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(t) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Group.

Payables to related parties are carried at the principal amount. The amounts are unsecured.

(u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

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

Peabody Australia Holdco Pty Ltd
For the year ended 31 December 2014

1. Summary of significant accounting policies (continued)

(v) Borrowing costs

Borrowing costs are recognised as expenses in the period to which they relate.

Where borrowing costs are directly attributable to the acquisition, development or construction of a qualifying asset (a qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale) they are included in the cost of non-current assets constructed by the Group as they would have been avoided if the expenditure on the construction of the assets had not been made. Borrowing costs incurred while active construction is interrupted for extended periods are recognised as expenses.

(w) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(x) Rehabilitation and restoration costs

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground / environment is disturbed at the production location. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of coal. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

The periodic unwinding of the discount is recognised in the statement of comprehensive income as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur.

(y) Employee entitlements

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, annual leave and sick leave are recognised and are measured at the amounts unpaid at the reporting date at rates expected to be paid when the liability is settled. Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(ii) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when 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 the reporting date are discounted to present value.

Peabody Australia Holdco Pty Ltd
For the year ended 31 December 2014

1. Summary of significant accounting policies (continued)

(y) Employee entitlements (continued)

(iv) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date 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 reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Certain of the Group's long service leave obligations are funded by the Coal Mining Industry (Long Service Leave Funding) Corporation (Funding Corporation). Under the terms of Coal Mining Industry (Long Service Leave Funding) Act 1992, the Group is required to make monthly contributions to the Funding Corporation. When an eligible employee takes long service leave, the Group will pay the employee their entitlement and then claim monies paid back from the Funding Corporation. At 31 December 2014, the Group has recorded its long service leave liability payable to employees separate from funds to be reimbursed from the Funding Corporation.

(z) Other financial liabilities

Financial liabilities, other than derivatives, are initially recognised at the fair value of consideration received net of transaction costs as appropriate and then subsequently accounted for at amortised cost. A financial liability is de-recognised when the obligation under the liability is discharged. Gains and losses on de-recognition are recognised in profit or loss.

B Class dividend liability

As a result of the ruling handed down by the New South Wales Court of Appeal, the Company's subsidiary Wambo Coal Pty Limited (Wambo) has treated the B Class shares as containing a financial liability that arises from the B Class shareholder's contractual right to receive a share of the Wambo profit. Each B Class share entitles the holder to receive interim and annual dividends equivalent to 1/25,000,000 x 25% of the maximum amount of the Wambo profit which is capable of lawfully being distributed as a dividend for the relevant six month period in an amount based on the accounts for that period. The Group has reviewed the consequence of the court ruling and the application of relevant accounting standards. That review is ongoing. Pending the conclusion of its review the Group has valued the financial liability. The liability is valued using projected future profit share, excluding any forecast profit impacts arising from the revaluation of the liability itself, applying the effective interest rate method. The effective interest rate is the risk adjusted rate that discounts estimated future profits through the expected life of the financial liability to its net carrying amount. In subsequent periods, as estimates of future profits are revised, the carrying value of the financial liability will be recalculated as the present value of the adjusted forecast dividend stream using the original effective interest rate, which is held firm. Any adjustment to the carrying value of the liability due to changes in the underlying forecast future profit profile is recognized in profit and loss in the year it arises. The liability will be settled over the life of Wambo's operations and has no fixed repayment date.

Significant accounting judgements

The Group has exercised judgment in relation to the calculation of the B Class financial liability. The valuation has been prepared using a discounted cash flow model incorporating forecasts of future Wambo profits and the B Class shareholder's portion of those profits, excluding any profit or loss impacts arising from the accounting reclassification of the B Class financial liability itself. Profit projections are subject to a number of mining and financial risks which could impact their amount and timing and consequently the value of the liability.

Comparatives

Certain comparatives have been restated to reflect the amended classification of the B Class shares as a financial liability. Detailed valuations of the financial liability were not performed in prior periods. As such, the Group has made use of available information identified as having been prepared in the past, albeit for other purposes such as impairment testing, to derive a reasonable estimate that materially approximates the carrying amount of the financial liability at 1 January 2013 and 31 December 2013.

Peabody Australia Holdco Pty Ltd

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1. Summary of significant accounting policies (continued)

(z) Other financial liabilities (continued)

The amended classification has restated each of the affected financial statement line items for the prior periods, as follows:

	31 December 2013 $000	Restated $000	Equity balances reported $000	1 January 2013 $000	Restated $000	31 December 2012 $000
Consolidated						
Other financial liabilities (current)	**43,379**	11,145	-	**32,234**	32,234	-
Other financial liabilities (non-current)	**66,500**	(18,500)	-	**85,000**	85,000	-
Accumulated losses *	**(2,848,646)**	17,447	(857,492)	**(2,008,601)**	(60,000)	**(1,948,601)**
Non-controlling interests	**10,255**	(10,091)	(1,607)	**21,953**	(57,234)	**79,187**

* *Impacts B Class dividend liability adjustment on the statements of comprehensive income.*

(aa) Contributed equity

Ordinary share capital is recognised at the fair value of the consideration received by the Group. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the purchase consideration.

A subsidiary of the Group has issued B Class share capital which the Group has assessed containing a financial liability (refer Note 1(z)).

(bb) Dividends

Dividends payable in respect of ordinary shares are recognised when a legal obligation to pay the dividend arises, typically following the declaration and approval of the dividend at a meeting of the directors.

Dividends payable in respect of B Class share capital issued by a subsidiary of the Group are recognised when a legal obligation to pay the dividend arises.

(cc) Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(dd) New accounting standards and interpretations

The accounting policies are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB interpretations as of 1 January 2014. The adoption of these standards had no material impact on the current period or any prior periods.

(i) AASB 1031: Materiality
(ii) AASB 1053: Application of Tiers of Australian Accounting Standards
(iii) AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities
(iv) AASB 2013-3: Amendments to AASB 136 – Recoverable amount disclosures for Non-Financial Assets
(v) AASB 2013-4: Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting
(vi) AASB 2013-6: Amendments to AASB 136 arising from reduced disclosure requirements
(vii) AASB 2013-9: Amendments to Australian Accounting Standards –Conceptual Framework and Materiality
(viii) AASB Interpretation 21: Levies

There are a number of Standards and Interpretations that have been published but are not mandatory for 31 December 2014 reporting periods and consequently have not been applied in these financial statements. The Group is in the process of assessing the impact of these changes on the financial position, financial performance and disclosures of the Group for the period when adopted but have not yet quantified if there are any material impacts.

Peabody Australia Holdco Pty Ltd

For the year ended 31 December 2014

2. Significant accounting estimates, assumptions and judgements

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

Significant accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Uncertainty of coal reserve and resource estimates

Coal reserve and resource estimates are imprecise and depend partly on statistical inferences drawn from drilling and other data, which may prove to be different to the original estimates. Future production could differ dramatically from coal reserve estimates for the following reasons:

- Formation could be different from that predicted by drilling, sampling and similar examinations;
- Declines in the market price of coal may render the mining of some or all of the Group's coal reserves uneconomic; and
- Increases in mining costs and processing costs could adversely affect coal reserves.

Any of these factors may require the Group to reduce its coal reserve and resource estimates and may impact a number of accounting estimates including depreciation and amortisation. Furthermore, changes may result in asset impairments.

(ii) Income taxes

The Group is subject to income taxes in Australia. Significant judgement is required in:

- determining the provision for income taxes; and
- assessing the recoverability of deferred tax assets in respect of temporary differences at period end.

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

(iii) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. In all cases, the Group has assessed fair value less costs of disposal exceeds value in use at 31 December 2014.

The fair value less costs of disposal for the Group's various CGU's are measured based on either:

- Available data from sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset; or

- Discounted cash flows models using life of mine cash flows, including the impact of expansionary capital. The cash flows are derived from life of mine budgets, including forecast coal sale prices, foreign exchange rates and operating costs. The derived recoverable amount is sensitive to:

  a) The discount rate used for the discounted cash flow model; and
  b) Changes in forecast cash flows, particularly coal sale prices, foreign exchange rates, operating costs and estimated capital expenditure requirements.

The recoverable amount for the Company's investments in its subsidiaries is measured with reference to the aggregated recoverable amounts of those subsidiaries.

Peabody Australia Holdco Pty Ltd
For the year ended 31 December 2014

2. Significant accounting estimates, assumptions and judgements (continued)

Significant accounting estimates and assumptions (continued)

(iv) Provision for rehabilitation

Provisions are made for the estimated cost of rehabilitation relating to areas disturbed during the mine's operation up to reporting date but not yet rehabilitated. Provision has been made in full for all disturbed areas at the reporting date based on current estimates of costs to rehabilitate such areas, discounted to their present value based on expected future cash flows. The estimated cost of rehabilitation includes the current cost of re-contouring, topsoiling and revegetation employing legislative requirements. Changes in estimates are dealt with on a prospective basis as they arise.

Significant uncertainty exists as to the amount of rehabilitation obligations which may be incurred due to the impact of possible future changes in environmental legislation. The amount of the provision relating to rehabilitation of mine infrastructure and dismantling obligations is recognised at the commencement of the mining project and/or construction of the assets where a legal or constructive obligation exists at that time. The provision is recognised as a liability with a corresponding asset included in mining property and development assets.

At each reporting date the rehabilitation liability is re-measured in line with changes in discount rates, and timing or amount of the costs to be incurred. Changes in the liability relating to rehabilitation of mine infrastructure and dismantling obligations are added to or deducted from the related asset, other than the unwinding of the discount which is recognised as a finance cost in the statement of comprehensive income as it occurs.

If the change results in a liability that exceeds the carrying amount of the asset, the asset is written-down to nil and the excess is recognised immediately in the statement of comprehensive income. If the change in the liability results in an addition to the cost of the asset, the recoverability of the new carrying amount is considered. Where there is an indication that the new carrying amount is not fully recoverable, an impairment test is performed with the write-down recognised in the statement of comprehensive income in the period in which it occurs.

(v) Depletion

The cost of coal reserves is depleted based on coal produced in proportion to estimated economically recoverable reserves. The amount of reserves that may actually be mined in the future and the Group's estimate of reserves from time to time may vary from current reserve estimates. As a result, future depletion rates may increase or decrease dependent upon changes in the estimate of economically recoverable reserves.

Significant accounting judgements

In the process of applying the Group's accounting policies, accounting judgements have been made in relation to the valuation of the Company's B Class financial liability (refer Note 1(z)).

3. Cost of sales

	Consolidated		Parent entity	
	2014 $'000	Restated 2013 $'000	2014 $'000	2013 $'000
(a) Cost of sales				
Labour costs	545,979	503,280	-	-
Materials and supplies	618,326	544,727	-	-
Third party service provider	966,220	1,109,194	-	-
Change in inventory	27,552	(16,858)	-	-
Depreciation and amortisation	404,465	440,179	-	-
Selling and distribution expenses	424,592	401,083	-	-
Carbon permit expense	24,913	38,498	-	-
Royalty expenses	205,270	223,374	-	-
	3,217,317	3,243,477	-	-

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3. Cost of sales (continued)

	Consolidated		Parent entity	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
(b) Impairment write-down/(reversal) of property, plant & equipment and joint ventures				
Impairment write-down	380,827	620,545	-	-
Impairment reversal	(12,975)	(748,841)	-	-
	367,852	(128,296)	-	-

4. Cash and cash equivalents

	Consolidated		Parent entity	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Cash at bank and in hand	70,486	53,371	-	-
Deposits at call	47,474	16,590	-	-
	117,960	69,961	-	-

5. Other financial liabilities – B Class dividend liability

	Consolidated		Parent entity	
	2014 $000	Restated 2013 $000	2014 $000	2013 $000
Current				
B Class dividend liability *	61,081	43,379	-	-
Non-current				
B Class dividend liability	62,945	66,500	-	-

Refer to Note 1(z).

* The 2014 balance includes $12.6 million of interest on unpaid dividends recognised as a result of the ruling handed down by the New South Wales Court of Appeal.

6. Contributed equity

	Parent entity		Parent entity	
	2014 Shares	2013 Shares	2014 $'000	2013 $'000
Ordinary shares	2,069,136,020	2,069,136,020	2,185,468	2,185,468

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. Ordinary shares entitle the holder to one vote, either in person or by proxy, at a meeting of the Company.

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7. Interests in joint ventures

The Group holds the following interests in various joint ventures whose principal activities are coal production, exploration and evaluation, and development.

Name of entity	Joint Venture % Interest held 31 December 2014	Principal activity
Bowen Basin Coal Joint Venture	85%	Exploration and evaluation
Capricorn Joint Venture	85%	Exploration and evaluation
Coppabella and Moorvale Joint Venture	73.3%	Coal production
Monto Coal Joint Venture *	41%	Exploration and evaluation
Moorvale West Joint Venture	90%	Exploration and evaluation
Olive Downs (South) Joint Venture	90%	Exploration and evaluation
Red Mountain Joint Venture	50%	Operation of a coal handling preparation plant
West/North Burton Joint Venture	86.7%	Exploration and evaluation
West Rolleston Joint Venture	90%	Exploration and evaluation
West Walker Joint Venture	85%	Exploration and evaluation

** The Group holds its 41% interest in the Monto Coal Joint Venture indirectly via its interest in Monto Coal 2 Pty Ltd, a jointly controlled entity.*

8. Remuneration of auditors

	Consolidated		Parent entity	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
During the year, the auditor of the parent entity and its related practices earned the following remuneration:				
Ernst and Young - Australian firm				
Audit or review of financial reports of the entity or any entity in the consolidated entity	1,885	2,074	-	-
Other assurance services	207	188	-	-
Total audit and other assurance services	2,092	2,262	-	-
Taxation	-	133	-	-
Total remuneration	2,092	2,395	-	-

9. Contingent assets and liabilities

The parent entity and Group had contingent liabilities at 31 December 2014 in respect of:

Litigation

Monto

On 1 October 2007, a statement of claim was served by the minority interest holders in the Monto Coal Joint Venture (MCJV), being Sanrus Pty Ltd, Edge Developments Pty Ltd and H&J Enterprises (QLD) Pty Ltd ("the plaintiffs") on Monto Coal 2 Pty Ltd and Peabody Monto Coal Pty Ltd alleging that Monto Coal 2 Pty Ltd breached the Joint Venture Agreement and Peabody Monto Coal Pty Ltd breached the Monto Coal Management Agreement ("the Management Agreement").

An additional statement of claim was served on Macarthur Coal Limited (now Peabody Energy Australia PCI Pty Ltd, "PEA-PCI"), now a wholly-owned subsidiary of the Company, by the plaintiffs, alleging that PEA-PCI induced Monto Coal 2 Pty Ltd and Peabody Monto Coal Pty Ltd to breach the Joint Venture Agreement and the Management Agreement respectively.

The two statements of claim were then consolidated into a single action against PEA-PCI, Monto Coal 2 Pty Ltd and Peabody Monto Coal Pty Ltd ("the defendants"). The plaintiffs were granted leave by the Supreme Court on 27 February 2014 to file and serve an amended consolidated statement of claim, and this decision was subsequently appealed by the defendants. The appeal was dismissed on 17 October 2014.

The defendants filed a further strike out application to narrow matters to pre May 2005 which was also dismissed on 18 November 2014. Amended particulars to the amended consolidated statement of claim (ultimately filed on 2 April 2014) were served on 8 December 2014. They record that the plaintiffs claim damages in varying (alternative) amounts from, at their highest, $1,769,952,000 to, at their lowest, $15,564,000.

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9. Contingent assets and liabilities (continued)

Monto (continued)

On 30 January 2015, the defendants filed a further amended defence to the amended consolidated statement of claim. Since then, the defendants have served a second further amended defence and counterclaim which (a) seeks to set off any liability they have to the plaintiffs by reason of alleged breaches of the Joint Venture Agreement committed by the plaintiffs and (b) counterclaims for 51% of the "Total estimated loss of income/value pleaded by the plaintiffs" in the relevant particulars to their amended consolidated statement of claim (excluding certain components of that loss). On 20 April 2015, prior to the 22nd April 2015 Directions Hearing, the defendants filed the second further amended defence and counterclaim. At the Directions Hearing, the plaintiffs expressly reserved their rights to allege at trial that the claims made in the counterclaim are statute barred by reason of allegedly applicable limitation periods or to otherwise allege that the Court's leave was required to file the second further amended defence and counterclaim. Additionally, at the Directions Hearing, a timetable was set for further discovery, with a further Directions Hearing scheduled for 13 July 2015.

The defendants dispute the claims and are vigorously defending their positions. Based on an evaluation of the issues and their potential impact, the amount of any future loss cannot be reasonably estimated. However, based on current information, the defendants believe these claims are likely to be finalised without a material adverse effect on their financial condition, results of operations or cash flows.

Queensland Bulk Handling

On 30 June 2014, Queensland Bulk Handling Pty Ltd (QBH) filed a statement of claim with the Supreme Court of Queensland, Australia, against Peabody (Wilkie Creek) Pty Limited (Peabody), a wholly-owned subsidiary of the Company, alleging breach and repudiation of an alleged Coal Port Services Agreement (CPSA) between the parties. QBH originally sought damages of $113.1 million, plus interest and costs. QBH, however, later altered its claim, no longer alleging any breach or repudiation of a CPSA between the parties nor seeking any monetary award, but rather a declaration that the Company's subsidiary had become bound to enter into a CPSA with QBH for the period 1 January 2015 to 31 December 2026 or, alternatively, that QBH and the Company's subsidiary are bound by a CPSA for the period 1 January 2015 to 31 December 2026. Judgment was delivered on 27 February 2015. The court declared that Peabody and QBH were bound to enter an agreement under clause 3.1(f) of the CPSA made between them and dated 26 March 2009, upon substantially the same terms as that 2009 agreement and otherwise according to clause 3.1(f), within 30 days of 8 July 2013. QBH does not presently have any claim for relief consequent upon Peabody's failure to enter into that CPSA. As such, there are no immediate financial consequences of the decision for Peabody. QBH would likely need to amend its claim to assert specific performance of the new CPSA or damages for such consequences to arise. Peabody has filed an appeal from the decision and believes that it has good legal grounds of appeal.

Guarantees

A contingent liability of $531,984,000 exists at 31 December 2014 (2013: $425,381,000) in respect of guarantees given by the Company for agreements entered into.

10. Commitments

	Consolidated		Parent entity	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Operating leases				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	132,423	134,948	-	-
Later than one year but not later than five years	358,989	463,380	-	-
Later than five years	17,186	49,896	-	-
Minimum lease payments	508,598	648,224	-	-
Finance leases				
Commitments for minimum lease payments in relation to finance leases are payable as follows:				
Within one year	11,044	21,486	-	-
Later than one year but not later than five years	8,929	5,489	-	-
Minimum lease payments	19,973	26,975	-	-
Less: future finance charges	(796)	(175)	-	-
Recognised as a liability	19,177	26,800	-	-

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10. Commitments (continued)

	Consolidated		Parent entity	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Representing lease liabilities:				
Current	10,481	21,351	-	-
Non-current	8,696	5,449	-	-
Total lease liabilities	19,177	26,800	-	-
Capital commitments				
Contracts for capital at the reporting date not provided for in the accounts:				
Within one year	24,168	43,176	-	-
Mining leases – joint ventures				
Future mining lease rentals not provided for in the financial statements and payable:				
Within one year	598	581	-	-
Later than one year but not later than five years	2,312	2,296	-	-
Later than five years	4,158	4,562	-	-
Total mining leases – joint ventures commitments	7,068	7,439	-	-
Exploration and evaluation expenditure commitments				
In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State governments. The expenditure obligations are subject to renegotiation when application for a mining lease and/or renewal of exploration permits is made and at other times. These obligations are not provided for in the financial statements and are payable:				
Within one year	2,747	2,695	-	-
Later than one year but not later than five years	1,462	4,154	-	-
Total exploration and evaluation expenditure commitments	4,209	6,849	-	-
Other operating expenditure commitments				
Contracts for other operating expenditure at the reporting date not provided for in the accounts:				
Within one year	370,861	463,381	-	-
Later than one year but not later than five years	1,413,482	1,609,408	-	-
Later than five years	1,483,122	1,964,701	-	-
Total other operating expenditure commitments	3,267,465	4,037,490	-	-

Thiess Pty Ltd is the operator of the Burton mine. A Burton widening project mine operations contract (volume based) is in place for mining of the Burton widening pit.

Certain of the Group's lease agreements include renewal options, purchase options and escalation clauses.

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11. Investments in controlled entities

Name of entity	Country of incorporation
Peabody Australia Intermediate Pty Ltd	Australia
Controlled entities of Peabody Australia Intermediate Pty Ltd	
Peabody Energy Australia Pty Ltd	Australia
Peabody MCC Holdco Pty Ltd	Australia
Controlled entities of Peabody Energy Australia Pty Ltd	
Peabody (Bowen) Pty Ltd	Australia
Peabody (Burton Coal) Pty Ltd	Australia
Peabody (Kogan Creek) Pty Limited	Australia
Peabody Australia Mining Pty Ltd	Australia
Peabody Energy Australia Coal Pty Limited	Australia
Peabody Coalsales Australia Pty Limited	Australia
Peabody Coaltrade Australia Pty Limited	Australia
Peabody (Horse Creek) Pty Ltd *	Australia
Peabody Pastoral Holdings Pty Ltd	Australia
Controlled entities of Peabody (Bowen) Pty Ltd	
North Goonyella Coal Mines Pty Ltd	Australia
Controlled entities of Peabody (Burton Coal) Pty Ltd	
Burton Coal Pty Ltd	Australia
Controlled entities of Peabody (Kogan Creek) Pty Limited	
Peabody (Wilkie Creek) Pty Limited	Australia
Controlled entities of Peabody Australia Mining Pty Ltd	
Metropolitan Collieries Pty Ltd	Australia
Helensburgh Coal Pty Limited	Australia
Millennium Coal Pty Ltd	Australia
Wambo Coal Pty Limited	Australia
Wambo Coal Terminal Pty Ltd	Australia
North Wambo Pty Ltd	Australia
Wambo Open Cut Pty Ltd	Australia
Wilpinjong Coal Pty Ltd	Australia
Conexcel 1 Pty Ltd	Australia
Excel Equities International Pty Ltd	Australia
Excelven Pty Ltd	British Virgin Islands
Complejo Siderurgico Del Lago, Cosila, SA	Venezuela
Transportes Coal Sea de Venezuela, CA	Venezuela
Desarrollos Venshelf IV, CA	Venezuela
Controlled entities of Peabody MCC Holdco Pty Ltd	
Peabody Acquisition Co. No. 2 Pty Ltd	Australia
Controlled entities of Peabody Acquisition Co. No. 2 Pty Ltd	
PEAMCoal Holdings Pty Ltd	Australia
Peabody Acquisition Cooperatie U.A.	Netherlands
Controlled entities of Peabody Acquisition Cooperatie U.A.	
Peabody AMBV2 B.V.	Netherlands
Controlled entities of PEAMCoal Holdings Pty Ltd	
PEAMCoal Pty Ltd	Australia
Controlled entities of PEAMCoal Pty Ltd	
Peabody Energy Australia PCI Pty Ltd	Australia

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11. Investments in controlled entities (continued)

Name of entity	Country of incorporation
Controlled entities of Peabody Energy Australia PCI Pty Ltd	
Peabody Coppabella Pty Ltd	Australia
Peabody Energy Australia PCI Management Pty Ltd	Australia
Peabody Energy Australia PCI Mine Management PCI Ltd	Australia
Peabody Energy Australia PCI Rush Pty Ltd	Australia
Peabody Energy Australia PCI Equipment Pty Ltd	Australia
Peabody Monto Coal Pty Ltd	Australia
Peabody Energy Australia PCI Exploration Pty Ltd	Australia
Peabody Olive Downs Pty Ltd	Australia
Peabody Capricorn Pty Ltd	Australia
Peabody West Burton Pty Ltd	Australia
Peabody West Rolleston Pty Ltd	Australia
Peabody West Walker Pty Ltd	Australia
Peabody Moorvale West Pty Ltd	Australia
Peabody BB Interests Pty Ltd	Australia
Peabody Custom Mining Pty Ltd	Australia
Peabody Moorvale Pty Ltd	Australia
Peabody Energy Australia PCI Financing Pty Ltd	Australia
Peabody Energy Australia PCI Berrigurra Pty Ltd	Australia
Controlled entities of Peabody Energy Australia PCI Berrigurra Pty Ltd	
Peabody Budjero Holdings Pty Ltd	Australia
Controlled entities of Peabody Budjero Holdings Pty Ltd	
Peabody Budjero Pty Ltd	Australia

* Name changed to Peabody Coaltrade Pacific Pty Ltd on 6 February 2015

12. Investments in associated entities

Name of entity	Principal activities	Interest held 2014 %	Interest held 2013 %
Peabody Energy Australia PCI (C&M Management) Pty Ltd *	Manager of the Coppabella and Moorvale Joint Venture	73.3	73.3
Peabody Bistrotel Pty Ltd *	Property Owner	73.3	73.3
Peabody Energy Australia PCI (C&M Equipment) Pty Ltd *	Equipment Finance	73.3	73.3
Monto Coal 2 Pty Ltd	Participant in the Monto Coal Joint Venture	80.39	80.39

Reporting dates are 31 December.

* Investments in these entities are held in connection with joint venture arrangements. Under these arrangements, the Company does not have control over these associated entities, and accordingly have not been consolidated. The impact of the results and operations of these associated entities are not material to the Company and accordingly have not been equity accounted.

13. Events occurring after reporting date

Weak market conditions have continued post 31 December 2014. The Group is focused on cost reductions and productivity improvements across all operations.

As disclosed above, following the judgement of the New South Wales Court of Appeal, on 20 January 2015 the balance on the trust account, comprising disputed dividends and interest to that date, was released to the B Class shareholder less applicable withholding taxes.

On 13 March 2015, Wambo ran an application for special leave to appeal in the High Court against the New South Wales Court of Appeal decision on the B Class shareholder dividend rights. Leave was not granted.

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13. Events occurring after reporting date (continued)

On 30 June 2014, Queensland Bulk Handling Pty Ltd (QBH) filed a statement of claim with the Supreme Court of Queensland, Australia, against Peabody (Wilkie Creek) Pty Limited (Peabody), a wholly-owned subsidiary of the Company, alleging breach and repudiation of an alleged Coal Port Services Agreement (CPSA) between the parties. QBH originally sought damages of $113.1 million, plus interest and costs. QBH, however, later altered its claim, no longer alleging any breach or repudiation of a CPSA between the parties nor seeking any monetary award, but rather a declaration that the Company's subsidiary had become bound to enter into a CPSA with QBH for the period 1 January 2015 to 31 December 2026 or, alternatively, that QBH and the Company's subsidiary are bound by a CPSA for the period 1 January 2015 to 31 December 2026. Judgment was delivered on 27 February 2015. The court declared that Peabody and QBH were bound to enter an agreement under clause 3.1(f) of the CPSA made between them and dated 26 March 2009, upon substantially the same terms as that 2009 agreement and otherwise according to clause 3.1(f), within 30 days of 8 July 2013. QBH does not presently have any claim for relief consequent upon Peabody's failure to enter into that CPSA. As such, there are no immediate financial consequences of the decision for Peabody. QBH would likely need to amend its claim to assert specific performance of the new CPSA or damages for such consequences to arise. Peabody has filed an appeal from the decision and believes that it has good legal grounds of appeal.

Other than as described above, no matter or circumstance has arisen since 31 December 2014 that has significantly affected, or may significantly affect:

(a) The Group's operations in future financial years;
(b) The results of those operations in future financial years; or
(c) The Group's state of affairs in future financial years.

14. Cash flow information

	Consolidated		Parent entity	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Reconciliation of net loss after tax to net cash flows from operations				
Loss for the period	(1,270,396)	(851,743)	(1,211,909)	(1,027,588)
Adjustments for:				
Depreciation and amortisation	404,465	440,179	-	-
Loss on sale of property, plant and equipment	2,064	229	-	-
Net loss on foreign exchange	414,933	580,497	-	-
Impairment write-down/(reversal)	367,852	(40,591)	-	-
B Class dividend interest on current liability	12,563	-	-	-
B Class dividend non-current liability adjustment	1,584	(6,509)	-	-
Interest on finance leases and borrowings	18,034	168,696	(414,223)	(442,410)
Accretion expense	18,430	38,047	-	-
Provision for related party receivable	-	-	1,114,860	1,228,400
Changes in assets and liabilities:				
Decrease/(increase) in receivables	(47,507)	5,955	-	-
Decrease/(increase) in inventories	42,730	(21,999)	-	-
Decrease/(increase) in current tax assets	6,307	1,532	-	-
Decrease/(increase) in other current assets	9,766	(13,301)	-	-
Decrease/(increase) in deferred tax assets	81,660	(310,273)	231,558	(531,772)
Decrease/(increase) in intercompany tax funding asset	-	(30,444)	-	-
Decrease/(increase) in other assets	88,076	64,460	-	-
Increase/(decrease) in payables	(167,325)	(122,597)	246,939	781,490
Increase/(decrease) in provisions	103,559	143,805	-	-
Increase/(decrease) in current tax liabilities	(955)	203	-	-
Increase/(decrease) in other current liabilities	108	5	-	-
Increase/(decrease) in deferred tax liabilities	(63,109)	21,467	-	-
Increase/(decrease) in other liabilities	(251)	(142)	-	-
Net cash flows from/(used in) operating activities	22,588	67,476	(32,775)	8,120

15. Controlling entity

The parent entity of Peabody Australia Holdco Pty Ltd is Peabody Netherlands Holding B.V., a company incorporated in the Netherlands. The ultimate parent entity is Peabody Energy Corporation, a company incorporated in the United States.

Peabody Australia Holdco Pty Ltd

Directors' declaration

For the year ended 31 December 2014

In accordance with a resolution of the directors of Peabody Australia Holdco Pty Ltd (the "Company"), I state that:

In the opinion of the directors:

(a) the Company is not a reporting entity as defined in the Australian Accounting Standards

(b) the financial statements and notes are in accordance with the *Corporations Act 2001*, including:

(i) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*

(ii) giving a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2014 and of their performance for the year ended on that date

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the board

A Schwetz
Director

Date: 29 April 2015

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Auditor's Independence Declaration to the Directors of Peabody Australia Holdco Pty Ltd

In relation to our audit of the financial report of Peabody Australia Holdco Pty Ltd for the financial year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

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Andrew Carrick
Partner
29 April 2015

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Independent auditor's report to the members of Peabody Australia Holdco Pty Ltd

We have audited the accompanying financial report, being a special purpose financial report of Peabody Australia Holdco Pty Ltd, which comprises the statements of financial position as at 31 December 2014, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members.

The directors' responsibility also includes such internal controls as the directors determine are necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

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Opinion

In our opinion the financial report of Peabody Australia Holdco Pty Ltd is in accordance with the *Corporations Act 2001*, including:

a. giving a true and fair view of the company's and consolidated entity's financial positions as at 31 December 2014 and of their performance for the year ended on that date; and

b. complying with Australian Accounting Standards to the extent described in Note 1, and the *Corporations Regulations 2001*.

Basis of accounting

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose.

Ernst + Young

Ernst & Young

Andrew Carrick
Partner
Brisbane
29 April 2015