Port of Newcastle Investments (Holdings) Trust and controlled entities ("Port of Newcastle Group")

ABN 84 685 817 245

Financial Statements - 31 December 2023

Port of Newcastle Investments (Holdings) Trust and controlled entities ("Port of Newcastle Group")
Trustees' report
31 December 2023

The trustee's present their report, together with the financial statements of Port of Newcastle Investments (Holdings) Pty Limited as trustee for Port of Newcastle Investments (Holdings) Trust and controlled entities (referred to hereafter as the Group or 'PON Group') for the financial year ended 31 December 2023.

Distributions
No distributions were declared in 2023 ($7,200,000 declared in 2022).

Review of operations
The loss for the Group after providing for income tax amounted to $32,890,000 (31 December 2022: profit of $282,325,000).

PON Group is a going concern in the reporting year ahead, based on forecasts and available cash resources. The Group has access to undrawn senior bank debt facilities of $22m as set out in note 17 which could be drawn if required to enable the payment of current liabilities. This financial report has accordingly been prepared on a going concern basis.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year
No matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations
Information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the trustees believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation
The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Indemnity and insurance of officers
The Group has indemnified the directors and executives of the Group for costs incurred, in their capacity as a trustee or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Group paid a premium in respect of a contract to insure the directors and executives of the Group against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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

Rounding of amounts
The Group has applied ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. Accordingly amounts in the financial statements have been rounded to the nearest thousand dollars.

This report is made in accordance with a resolution of trustees.

On behalf of the trustees

8 March 2024

Port of Newcastle Investments (Holdings) Trust and controlled entities ("Port of Newcastle Group")
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General information

These general purpose financial statements are the consolidated financial statements of the Group consisting of Port of Newcastle Investments Holdings Trust and its controlled entities ("The Port of Newcastle Group").

The financial statements are presented in the Australian currency.

Its registered office and principal place of business is:

Port of Newcastle Investments (Holdings) Trust
Level 4, 251 Wharf Rd
Newcastle, NSW, 2300

The financial statements were authorised for issue by the Directors of the Trustee on 6 March 2024. The Directors of the Trustee have the power to amend and reissue the financial statements.

Port of Newcastle Investments (Holdings) Trust and controlled entities ("Port of Newcastle Group")
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2023

	Note	2023 $'000	2022 $'000
Revenue			
Trade revenue	4	134,727	120,780
Property revenue	4	45,586	40,907
Other income	4	1,366	3,494
		181,679	**165,181**
Expenses			
Employee benefit expense	5	(26,078)	(23,913)
Repairs and maintenance		(6,466)	(6,078)
Services and consultants		(8,191)	(5,165)
Property and utilities		(16,663)	(16,150)
Contractual operating expenses		(9,683)	(8,625)
Other operating expenses	8	(9,173)	(8,432)
Transition costs	7	-	(3,937)
Profit/(loss) before interest, tax, depreciation, amortisation and revaluations		**105,425**	**92,881**
Depreciation and amortisation expense	12	(31,046)	(34,047)
Interest income	4	1,354	476
Finance costs	6	(88,834)	(65,774)
Fair value gain/(loss) on investment properties	14	(34,219)	279,826
Foreign currency gain/(loss)		-	(307)
Impairment loss on assets	12	(4,348)	(596)
Loss on disposal of fixed assets		(1,098)	-
Profit/(loss) before income tax benefit		**(52,766)**	**272,459**
Income tax benefit	9	19,876	9,866
Profit/(loss) after income tax benefit for the year	22	**(32,890)**	**282,325**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Revaluation gain/(loss) of plant and equipment, net of tax		(97,306)	(253,540)
Defined benefit superannuation gain/(loss), net of tax		(512)	1,275
Effective gain/(loss) of changes in fair value of cash flow hedges, net of tax		(8,823)	14,172
Effective gain/(loss) of changes in fair value of fair value hedges, net of tax		262	(1,111)
Other comprehensive income for the year, net of tax		**(106,379)**	**(239,204)**
Total comprehensive income for the year		**(139,269)**	**43,121**
Profit/(loss) from continuing operations attributable to:			
Corporate Trust Group		(41,399)	(37,317)
Property Trust Group		8,509	319,642
Profit/(loss) for the year		**(32,890)**	**282,325**
Total comprehensive income/(loss) for the year attributable to:			
Corporate Trust Group		(105,244)	(201,509)
Property Trust Group		(34,025)	244,630
Total comprehensive income/(loss) for the year		**(139,269)**	**43,121**

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Port of Newcastle Investments (Holdings) Trust and controlled entities ("Port of Newcastle Group")
Consolidated statement of financial position
As at 31 December 2023

	Note	2023 $'000	2022 $'000
Assets			
Current assets			
Cash and cash equivalents	10	30,180	40,291
Trade and other receivables	11	7,741	12,596
Inventories		263	248
Prepayments		3,494	4,214
Derivative financial instruments	26	2,260	9,562
Total current assets		**43,938**	**66,911**
Non-current assets			
Derivative financial instruments	26	818	9,764
Investment properties	14	646,000	680,000
Property, plant and equipment	12	1,736,446	1,881,183
Right-of-use assets	25	2,398	2,907
Intangible assets	13	4,325	2,182
Total non-current assets		**2,389,987**	**2,576,036**
Total assets		**2,433,925**	**2,642,947**
Liabilities			
Current liabilities			
Trade and other payables	16	23,882	26,057
Borrowings	17	-	358,196
Lease liabilities	25	3,220	3,218
Derivative financial instruments	26	8,388	9,104
Current tax liabilities	9	-	27,002
Employee benefits	19	2,848	2,440
Deferred revenue	18	607	636
Total current liabilities		**38,945**	**426,653**
Non-current liabilities			
Borrowings	17	1,231,670	867,673
Lease liabilities	25	15,692	17,638
Derivative financial instruments	26	17,806	19,365
Net deferred tax liability	15	301,576	343,998
Employee benefits	19	632	541
Post employment benefits	19	756	528
Total non-current liabilities		**1,568,132**	**1,249,743**
Total liabilities		**1,607,077**	**1,676,396**
Net assets		**826,848**	**966,551**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Port of Newcastle Investments (Holdings) Trust and controlled entities ("Port of Newcastle Group")
Consolidated statement of financial position
As at 31 December 2023

	Note	2023 $'000	2022 $'000
Equity			
Equity attributable to Corporate Trust Group			
Unit capital	20	118,087	118,087
Reserves	21	121,010	184,855
Retained earnings/(accumulated losses)	22	(200,101)	(158,269)
Total equity attributable to Corporate Trust Group		**38,996**	**144,673**
Equity attributable to Property Trust Group			
Unit capital	20	550,103	550,103
Reserves	21	75,384	117,919
Retained earnings/(accumulated losses)	22	162,365	153,856
Total equity attributable to Property Trust Group		**787,852**	**821,878**
Total equity		**826,848**	**966,551**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Port of Newcastle Investments (Holdings) Trust and controlled entities ("Port of Newcastle Group")
Consolidated statement of changes in equity
For the year ended 31 December 2023

Attributable to the Corporate Group Trust:

	Note	Unit capital $'000	Accumulated losses $'000	Asset revaluation reserve $'000	Superannuation reserve $'000	Total $'000
Balance at 1 January 2022	20	**118,087**	**(120,952)**	**348,147**	**899**	**346,181**
Total comprehensive profit/(loss) for the period	22	-	(37,317)	-	-	(37,317)
Defined benefit superannuation gain/(loss) (net of tax)	21	-	-	-	1,275	1,275
Revaluation of plant & equipment (net of tax)	21	-	-	(165,466)	-	(165,466)
Balance at 31 December 2022		**118,087**	**(158,269)**	**182,681**	**2,174**	**144,673**
Balance at 1 January 2023	20	**118,087**	**(158,269)**	**182,681**	**2,174**	**144,673**
Total comprehensive profit/(loss) for the period	22	-	(41,399)	-	-	(41,399)
Defined benefit superannuation gain/(loss) (net of tax)	21	-	-	-	(512)	(512)
Revaluation of plant & equipment (net of tax)	21	-	-	(63,333)	-	(63,333)
Prior period adjustment*		-	(433)	-	-	(433)
Balance at 31 December 2023		**118,087**	**(200,101)**	**119,348**	**1,662**	**38,996**

*Prior period adjustment in respect of land tax expenses related to 2022 calendar year.

Attributable to the Property Group Trust:

	Note	Unit capital $'000	Accumulated losses $'000	Asset revaluation reserve $'000	Cash flow hedges $'000	Fair value hedges $'000	Total $'000
Balance at 1 January 2022	20	**550,103**	**(158,586)**	**207,872**	**(14,288)**	**(654)**	**584,447**
Total comprehensive profit/(loss) for the period	22	-	319,642	-	-	-	319,642
Distributions to unit holders	22	-	(7,200)	-	-	-	(7,200)
Effective portion of changes in FV of cash flow hedges	21	-	-	-	14,172	-	14,172
Effective portion of changes in FV of fair value hedges		-	-	-	-	(1,111)	(1,111)
Revaluation of plant & equipment	21	-	-	(88,072)	-	-	(88,072)
Balance at 31 December 2022		**550,103**	**153,856**	**119,800**	**(116)**	**(1,765)**	**821,878**
Balance at 1 January 2023	20	**550,103**	**153,856**	**119,800**	**(116)**	**(1,765)**	**821,878**
Total comprehensive profit/(loss) for the period	22	-	8,509	-	-	-	8,509
Effective portion of changes in FV of cash flow hedges	21	-	-	-	(8,823)	-	(8,823)
Effective portion of changes in FV of fair value hedges	21	-	-	-	-	262	262
Revaluation of plant & equipment	21	-	-	(33,974)	-	-	(33,974)
Balance at 31 December 2023		**550,103**	**162,365**	**85,826**	**(8,939)**	**(1,503)**	**787,852**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Port of Newcastle Investments (Holdings) Trust and controlled entities ("Port of Newcastle Group")
Consolidated statement of cash flows
For the year ended 31 December 2023

	Note	2023 $'000	2022 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		207,653	180,223
Payments to suppliers and employees (inclusive of GST)		(89,936)	(85,978)
Finance costs		(56,709)	(41,422)
Other operating cash expenses		(461)	(447)
Income taxes (paid)/benefit		(18,738)	315
GST paid		(10,906)	(8,809)
Interest received		1,287	543
Net cash from operating activities	23	**32,190**	**44,425**
Cash flows from investing activities			
Payments for acquisition of property, plant & equipment		(18,406)	(33,634)
Net cash used in investing activities		**(18,406)**	**(33,634)**
Cash flows from financing activities			
Proceeds from bank debt		10,000	358,357
Proceeds from lease financing		-	16,640
Repayment of bank debt		(30,477)	(364,796)
Payment of debt issuance costs		-	(5,726)
Principal elements of lease payments		(3,418)	(1,353)
Distributions to unit holders		-	(7,200)
Net cash used in financing activities		**(23,895)**	**(4,078)**
Net increase/(decrease) in cash and cash equivalents		(10,111)	6,713
Cash and cash equivalents at the beginning of the financial year		40,291	33,578
Cash and cash equivalents at the end of the financial year	10	**30,180**	**40,291**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Port of Newcastle Group

(a) Principal activities

These consolidated financial statements are of the Port of Newcastle Group which comprises the Port of Newcastle Investments (Holdings) Trust (the "Corporate Trust") and its subsidiaries, Port of Newcastle Investments (Property Holdings) Trust (the "Property Trust") and its subsidiaries (referred to the "Port of Newcastle Group," the "PON Group" or "the Group"). The full listing of controlled or deemed to be controlled entities is outlined in note 32 of these financial statements.

The PON Group acquires, finances, operates, develops and maintains the Port Assets under a 98 year Port Lease, sublease and Channel User License Agreement and Deed (the "PON Business"). The Port of Newcastle services the Hunter Region in the operation of the Newcastle Port. It is the largest coal export port in the world and also facilitates trade of 25 non-coal commodities including bulk fuels, wheat and grains, and alumina.

The PON Group (with the exception of the Port of Newcastle Unit Trust ("Port Manager") which was acquired from the State) was established in 2014 by an investor consortium to acquire the PON Business from the NSW State. On 29 May 2014 the consortium investors entered into a Securityholders Deed together with the acquiring entities - the Corporate Trust and the Property Trust - of the PON Business (the "Deed"). The consortium investors at acquisition were The Infrastructure Fund securityholders (TIF Investments and TIF Investments B) and Gold securityholders (Gold Trust and "China Merchants Union ("CMU")). In 2018, CMU sold its investment to China Merchants Port Holdings Company ("CMPort"). Each securityholder group holds 50% of the Corporate Trust and the Property Trust. Under the Deed, the securityholders groups agree to ensure equivalence in that the proportion of securityholder interest held by each investor is identical between the Corporate Trust and the Property Trust and neither is permitted to transfer an interest in one without selling a proportionate interest in the other.

The Deed regulates the control, management and funding of each of the entities in the PON Group. The PON Group is managed on a day-to-day basis by the Group Executives in accordance with the PON Group business plan, the budget and the Deed. Under the financing facilities provided by lenders, all PON Group entities guarantee the debts of the initial borrower entity.

(b) Basis of preparation

These general purpose financial statements have been prepared by the Directors to meet the information needs as required under the Securityholder Deed dated 29 May 2014 and are in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board ("AASB"). The PON Group is a for-profit entity for the purpose of preparing the financial statements.

The Group has access to undrawn senior bank debt facilities of $22m as set out in note 17 which could be drawn if required to enable the payment of current liabilities. The PON Group has the ability to realise its assets and discharge its liabilities in the normal course of business. On this basis the financial report has been prepared on a going concern basis.

(i) Consolidated accounts and the Securityholder arrangement

Under AASB 3 Business Combinations, the acquisition of the PON Business is a business combination in which the Corporate Trust and the Property Trust agree by contract - the Securityholder Deed - to combine their businesses to form the PON Group. The Corporate Trust has been identified as the parent entity in relation to the preparation of the consolidated financial statements.

The consolidated financial statements incorporate the assets and liabilities of the entities controlled by the Corporate Trust, including those deemed to be controlled by identifying it as the parent of the PON Group, and the results of those controlled entities for the year then ended. The effects of all transactions between entities in the consolidated entity are eliminated in full. Non-controlling interests in the results and equity are shown separately in the Statement of Comprehensive Income and Statement of Financial Position respectively. Non-controlling interests are those interests in the Property Trust Group which are not held directly or indirectly by the Corporate Trust.

(ii) Compliance with IFRS

The financial statements of the PON Group also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). There were no new standards adopted for the financial year ended 31 December 2023.

Note 1. Port of Newcastle Group (continued)

(iii) Early adoption of standards

The PON Group has not elected to apply any pronouncements before their operative date.

(iv) Historical cost convention

The financial statements have been prepared on a going concern basis using historical cost conventions, except for investment properties (including non-current assets held for sale), derivative financial instruments and certain financial assets and liabilities which are stated at fair value.

(v) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the PON Group’s functional currency.

(vi) Rounding of amounts

The PON Group has applied ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. Accordingly amounts in the financial statements have been rounded to the nearest thousand dollars.

(vii) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, for which discrete financial information is available and whose operating results are regularly reviewed by the entity’s chief operating decision maker (“CODM”) to allocate resources and assess the entity’s performance. The PON Group's Chief Executive Officer (“CEO”) has been identified as the CODM for the purposes of assessing segmental reporting.

The PON Group has determined that it operates in a single segment. While the operation of the port is split between the Corporate Trust Group and Property Trust Group, there is one Executive Leadership Team and one CEO. Management deems there to be no difference in the risks and returns of the PON Group based on the revenue streams.

All of the PON Group's operations are provided in Australia, therefore no geographic information is disclosed.

Note 2. Summary of significant accounting policies

The accounting policies that are material to the Group are set out below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

(a) Revenue and other income

The PON Group derives revenue from the transfer of goods and services over time and at a point in time. Refer to note 4(a) for further details.

(b) Income Tax

(i) Port of Newcastle Investments Pty Limited, Port of Newcastle Unit Trust and Port of Newcastle Operations Pty Ltd

Port of Newcastle Investments Pty Limited (“Acquisition Co”) is the head company of a tax consolidated group consisting of itself, Port of Newcastle Unit Trust ("Port Manager") and Port of Newcastle Operations Pty Ltd (trustee for Port Manager) and they have implemented the tax consolidation legislation.

Acquisition Co and the other entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right. In addition to its own current and deferred tax amounts, Acquisition Co also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from the entities in the tax consolidated group. The entities have also entered into a tax funding agreement under which the entities in the tax consolidated group fully compensate Acquisition Co for any current tax payable assumed and are compensated for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Acquisition Co under the tax consolidation legislation.

Note 2. Summary of significant accounting policies (continued)

The income tax expense or benefit calculated for the period is the tax payable on the current period's taxable income based on the national income tax rate enacted or substantively enacted adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses. Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available within the tax consolidated group to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities and associates where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(ii) Port of Newcastle Investments (Financing) Pty Limited

Port of Newcastle Investments (Financing) Pty Limited ("FinCo") is an Australian taxpayer in its own right.

Current tax, deferred tax liabilities and deferred tax assets arising from temporary differences of FinCo are presented in the consolidated financial report.

The income tax expense or benefit for the period is the tax payable on the current period’s taxable income based on the national income tax rate enacted or substantively enacted adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

(iii) Non-taxable entities

Port of Newcastle Investments (Property Holdings) Trust and Port of Newcastle Investments (Property) Trust are not Australian taxpayers on the basis that these trusts qualify as Division 6 trusts and accordingly, neither entity applies the principles prescribed by *AASB 112 Income Taxes*.

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, demand deposits and short-term investments with original maturities of three months or less which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(d) Trade and other receivables

Trade receivables are recognised initially as the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance.

(e) Foreign currency translation

All foreign currency transactions during the financial period are brought to account using the exchange rate in effect at the date of the transaction.

Note 2. Summary of significant accounting policies (continued)

Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

(f) Financial assets

Financial instruments are recognised initially on the date that the PON Group becomes party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), financial assets 'at fair value through other comprehensive income' (FVTOCI) and financial assets at 'amortised cost'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'amortised cost' using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

The PON Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the group applies the simplified approach permitted by *AASB 9 Financial Instruments*, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(g) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment. The cost is the asset's fair value measurement which is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. Subsequent to initial recognition, plant and equipment, machinery and vehicles, computer hardware and furniture, fittings & equipment are measured at their historical cost less accumulated depreciation and impairment in accordance with *AASB 116 Property, Plant and Equipment*.

Revaluations of the channel assets are undertaken on an annual basis. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Note 2. Summary of significant accounting policies (continued)

Revaluations of other plant and equipment are undertaken on a three to five year cycle. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. The last revaluation was undertaken in 2021 by an independent valuer. Any revaluation increase arising on revaluation net of tax, is recognised in other comprehensive income and accumulated within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on revaluation is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset. Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis. An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated useful lives of plant and equipment for the current period are as follows:

Category	**Life**	**Method**
Breakwaters	98 years	Straight line
Channel assets - seabed, walls & overhangs	98 years	Straight line
Wharves & Jetties	27 years	Straight line
Rail	22 years	Straight line
Roads	20 years	Straight line
Plant and equipment	3-20 years	Straight line
Permanent fixtures	19 years	Straight line
Navigation aids	14 years	Straight line
Computer equipment	3-10 years	Straight line
Motor vehicles	5 years	Straight line
Furniture, fixtures and fittings	5 years	Straight line

(h) Leases

At inception of a contract, the PON Group assesses whether a lease exists - i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration. This involves an assessment of whether:

- the contract involves the use of an identified asset - this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right then there is no identified asset,
- the PON Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use,
- the PON Group has the right to direct the use of the asset i.e. decision making rights in relation to changing how and for what purpose the asset is used.

At the lease commencement, the PON Group recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the PON Group believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right-of-use asset is depreciated over the lease term on a straight line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the PON Group's incremental borrowing rate is used.

Note 2. Summary of significant accounting policies (continued)

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured when there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the PON Group's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The PON Group leases their current office space and Dyke 6 berth under separate operating lease agreements.

Leases are recognised as a right to use asset and corresponding liability at the date at which the leased asset is available for use by the PON Group. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any lease invectives receivable,
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at commencement date.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the rate implicit in the lease or where the rate cannot be readily determined, the lessee's incremental borrowing rate, which is the rate the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms.

The PON Group is exposed to future increases in variable lease payments which are not included in the lease liability until they take effect. Then adjustments to lease payments take effect, the lease liability is reassessed and adjusted against the right of use asset.

Right of use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability
- any lease payments made at or before commencement date

Right of use assets are depreciated over the shorter of the assets useful life and the lease term on a straight line basis. If the PON Group is reasonably certain to exercise a purchase option, the right of use asset is depreciated over the underlying assets useful life.

Payments made with leases of low value assets are recognised on a straight line basis as an expense in profit or loss.

(i) Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation and include land and buildings.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value in accordance with *AASB 140 Investment Property*. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

The last revaluation of all land and buildings was undertaken in December 2023 by an independent valuer.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal.

Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

(j) Acquisition of assets

All assets acquired including plant and equipment are initially recorded at their cost of acquisition being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Note 2. Summary of significant accounting policies (continued)

Expenditure other than research and development is only recognised as an asset when the entity controls future economic benefits as a result of costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably.

Costs incurred on assets subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the entity in future periods.

Costs that do not meet the criteria for capitalisation are expensed as incurred.

(k) Impairment of assets

Assets (excluding investment property) are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. At each reporting date, the PON Group reviews the carrying amount of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

(l) Borrowings

Borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on settlement. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised.

(m) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Other borrowing costs are expensed in the year in which they are incurred.

(n) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). Receivables and payable are stated inclusive of GST.

Cash flows in the statement of cash flows are included 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 operating cash flows.

(o) Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to interest rate risk and foreign currency risk, including interest rate swaps and cross currency swaps. The Group does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Note 2. Summary of significant accounting policies (continued)

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction that is hedged results in the recognition of a non-financial asset or non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Note 3. Critical accounting estimates and judgments

Management are required to make judgement, estimates and assumptions about reported amounts of assets, liabilities, income and expenses that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgement. Actual results may differ from these estimates.

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

Judgement made by management that have significant effects on the consolidated financial statements and estimates with a significant risk of material adjustment in the next period are disclosed where applicable, in the relevant notes to the consolidated financial statements.

(i) Valuation of property, plant and equipment

Management have made estimates in relation to forecasted cash flows which directly impact the channel valuation and therefore have a significant impact on the financial statements. The carrying amount of the channel (seabed, walls and overhangs) at 31 December 2023 is $1,502,407,000 (2022: $1,644,264,000). Refer to note 27.

Management have made estimates and assumptions which impact the valuation of other property, plant and equipment and therefore have an impact on the financial statements. The significant assumptions include assumptions about the useful life, depreciation profile, residual value, asset condition and market value of assets. The carrying amount of other property, plant and equipment at 31 December 2023 is $142,404,000 (2022: $144,547,000). Refer to note 27.

(ii) Valuation of investment properties

Management have engaged an expert to assist with deriving the estimates and assumptions which impact the investment property valuation and therefore have an impact on the financial statements. The significant assumptions include assumptions made about the PON Group's future developments and projects and the expected future cash flows from current and future tenants. The carrying amount of the properties at 31 December 2023 is $646,000,000 (2022: $680,000,000). Refer to note 27.

The quantitative information about the significant unobservable inputs used in level 3 fair value measurements used in the 2023 Valuation were:
- Core Market Capitalisation Rate - 6.25%
- Terminal Capitalisation Rate - 6.50%
- Discount Rate - 7.50%
- 10 Year IRR - 7.50%

The valuation metrics were supported by market transactions within NSW, Australia and those that can be realised in a primary market given it is a Port.

It was clarified the valuation approach from the previous valuation where the land is now treated as a homogenous infrastructure pool with a single combined capitalisation rate rather than individual parcels with varying capitalisation rates.

Note 3. Critical accounting estimates and judgments (continued)

(iii) Climate change risks

Management recognise the risk of climate change for the Port. Works commenced in 2020 to undertake a detailed assessment of those risks as they relate to physical and transitional risks, in line with the Taskforce on Climate Related Disclosures (TCFD) recommendations. In recognition of those risks, the Group have embarked on a diversification strategy to ensure ongoing prosperity for the Group, and in turn the region. Climate change risks have also been factored into the fair value determination of assets, and adjusted to reflect climate impacts on rental income, occupancy rates as well as insurance cost assumptions. Additionally, the business has adopted an ESG strategy and has developed a strategic development plan that both identifies and considers the implications of climate change and provides measures to address some of the risks. Refer to our published "Sustainability Report" available online for further information.

(iv) Derivatives

Management have made estimates in relation to the value of derivative assets and liabilities, which have a significant impact on the financial statements. The significant assumptions include assumptions made about observable market inputs such as interest rate forward curves, spot rates and the achievement of KPI's included in the sustainability linked derivatives. The carrying amount of derivatives assets at 31 December 2023 is $3,078,000 (2022: $19,326,000). The carrying amount of derivatives liabilities at 31 December 2023 is $26,194,000 (2022: $28,469,000).

(v) Expected credit loss

For trade receivables, the PON Group applies a simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(vi) Post-employment benefits

Management have made estimates in relation to the present value of the post-employment benefits liability, which have a significant impact on the financial statements. The significant assumptions included in the liability are the expected rate of return on fund assets, future salary and benefits levels and CPI. The carrying amount of post-employment benefits liability at 31 December 2023 is $756,000 (2022: $528,000).

(vii) ATO judgements and estimates

The PON Group was subject to an ATO audit with the Corporate Trust Group which settled in June 2023. A settlement amount of $18,737,846 was reached for the 31 December 2014 to 31 December 2019 income years and was paid in August 2023. In addition to this payment, additional income tax adjustments for the 31 December 2020 to 31 December 2023 income years for an amount equal to $7,392,476 have been realised. This amount has been offset against deferred tax assets that have been recognised in respect of carried forward tax losses.

Where the applicable interest rate on the Property to Operations Loan (POLA) between Port of Newcastle Investments Pty Ltd and Port of Newcastle Investments (Property) Trust exceeds the blended weighted average of interest rates or coupons, a deduction equal to the excess is denied and offset against any unutilised carried forward tax losses. Refer to note 9 for detail.

Terms of the ATO settlement deed require PON Group to make changes to its intercompany arrangements and arrangements with the Securityholders (restructure steps). The settlement deed outlines that the restructure steps are required to be undertaken before 30 June 2024. Specifically, these changes include a reduction to the interest rate of the POLA. The Securityholders are required to reallocate a portion of their initial equity contribution from the Property side to the Operations side of the Port of Newcastle structure, however, the overall amount of equity contributed remains the same. The outcomes of the settlement will lead to increased tax payments by PON Group in future income years.

The PON Group are working towards making these changes by this date. All changes will be prospective and there is no impact on the current accounts from these changes.

Note 4. Revenue and other income

	2023 $'000	2022 $'000
Navigation charges	95,828	84,721
Wharfage	25,427	23,379
Other trade revenue	13,472	12,680
Property income	45,586	40,907
	180,313	**161,687**

(a) Revenue recognition

The PON Group recognises revenue from contracts with customers at an amount that reflects the consideration to which it expects to be entitled to receive in exchange for promised goods or services provided to customers. Revenue is recognised when (or as) the PON Group transfers control of goods or services to a customer for an amount to which it expects to be entitled. Depending on whether certain criteria are met, revenue is recognised over time (in a manner that best reflects the Company's performance) or at a point in time (when control of the goods or services is transferred to the customer). Interest revenue is recognised when accrued.

The below table shows the PON Group's compliance with *AASB 15 Revenue from Contracts with Customers* and related policy:

Revenue Category	AASB 15	Comment
Navigation charges	Over time	Navigation service fees are charged for the general use by a vessel of the Port. The performance obligation is satisfied over the access period (being the period commencing from the earliest time at which the vessel enters the Port of Newcastle waters and expires when the vessel departs the Port of Newcastle Waters).
Wharfage	Over time	Wharfage revenue is recognised over time when a vessel commences its access to the wharf for the loading and discharging of its cargo to when the vessel has finalised cargo operations and exited the terminals.
Other trade revenue	Over time	Other trade revenue includes site occupation, bulk terminal and security charges which is recognised over time when these performance obligations are performed.
Property income	Not applicable	Lease income from operating leases where the PON Group is a lessor is recognised as income on a straight line basis over the life of the lease. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as an expense over the lease term on the same basis as lease income.
Fair value gain/(loss) on investment properties	Not applicable	Subsequent to initial recognition, investment properties are measured at fair value in accordance with AASB 140 *Investment Property*. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

Note 4. Revenue and other income (continued)

(b) Interest income

	2023 $'000	2022 $'000
Interest income	1,354	476

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in profit or loss as part of other income. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(c) Other income

	2023 $'000	2022 $'000
Recoveries	1,216	1,855
Miscellaneous	150	1,639
Other income	**1,366**	**3,494**

Other income includes amounts recovered from tenants for land tax, council rates and utilities in line with lease agreements.

Note 5. Employee benefit expense

	2023 $'000	2022 $'000
Salaries and wages	20,406	17,659
Superannuation	2,291	2,053
Leave and allowances	2,841	2,636
Training and development	359	825
Recruitment	171	712
Other	10	28
Employee benefit expenses	**26,078**	**23,913**

Note 6. Finance costs

	2023 $'000	2022 $'000
Interest on loan from Securityholders	23,583	16,953
Interest on lease liability	1,516	589
Interest expense	57,027	40,541
Bank charges	2	2
Net hedging costs	4,065	4,269
Amortisation of debt issuance costs	2,641	3,420
Finance costs	**88,834**	**65,774**

Note 7. Transition costs

	2023 $'000	2022 $'000
Pricing dispute	-	(755)
ATO audit	-	1,682
Port commitment deed resolution	-	2,135
Other transition costs	-	875
Transition costs	**-**	**3,937**

There were no transition costs incurred in the current year.

Note 8. Other operating expenses

	2023 $'000	2022 $'000
Terminal handling fee	2,922	1,808
Administrative expenses	2,331	2,407
Security monitoring services	2,026	1,827
Fuel costs	1,001	1,158
Strategic initiatives	61	252
Other expenses	832	980
Other operating expenses	**9,173**	**8,432**

Note 9. Income tax expense/(benefit)

	2023 $'000	2022 $'000
Deferred income tax benefit	(12,599)	(13,980)
Tax provision - settlement fees	(8,265)	4,321
Adjustment related to prior period	-	(207)
Prior period true-up*	(6,403)	-
Derecognition of losses	7,391	-
Aggregate income tax benefit	**(19,876)**	**(9,866)**
Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable:		
Profit/(loss) before income tax benefit	(52,766)	272,459
Tax at the statutory tax rate of 30%	(15,830)	81,738
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Tax provision - settlement fees	(8,265)	4,321
Adjusting for pre-tax profit relating to non-tax paying entities (note 2(b))	(3,197)	(95,743)
Effect on non-deductible amounts - other	25	25
Adjustment related to prior period	-	(207)
Derecognition of losses	7,391	-
Income tax benefit	**(19,876)**	**(9,866)**

* Prior period true up due to finalisation of tax effect accounting for 31 December 2022 in the current year

Note 9. Income tax expense/(benefit) (continued)

	2023 $'000	2022 $'000
Current tax liabilities		
ATO provisions	-	27,002

The ATO settlement was paid in August 2023. Refer to note 3 (vii) for further details.

Note 10. Cash and cash equivalents

	2023 $'000	2022 $'000
Current assets		
Cash at bank	30,180	40,291

Note 11. Trade and other receivables

	2023 $'000	2022 $'000
Current assets		
Trade debtors	5,096	6,839
Accrued income	2,278	5,592
Other receivables	367	165
Trade and other receivables	**7,741**	**12,596**

(a) Classification as trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current.

(b) Fair value of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value. For non-current receivables, the fair values are also not significantly different to their carrying amounts.

(c) Impairment and risk exposure

The PON Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. During the year the PON Group recognised $nil in impairment losses on receivables.

Note 12. Property, plant and equipment

	Channel $'000	Wharves & Jetties $'000	Permanent fixtures & Breakwaters $'000	Roadways & Railways $'000	Other $'000	Leased plant & equipment $'000	Work in progress $'000	Total $'000
Year ended 31 December 2022								
Opening net book amount	1,991,000	74,278	34,994	19,135	18,174	4,370	59,948	2,201,899
Revaluation surplus/(deficit)	(324,453)	-	-	-	-	-	-	(324,453)
Additions	-	823	1,289	2,155	2,470	19,494	10,898	37,129
Impairment loss	-	-	-	-	-	-	(596)	(596)
Depreciation charge	(22,283)	(3,294)	(1,175)	(1,220)	(3,566)	(1,258)	-	(32,796)
Closing net book amount	**1,644,264**	**71,807**	**35,108**	**20,070**	**17,078**	**22,606**	**70,250**	**1,881,183**
As at 31 December 2022								
Cost or fair value	1,817,755	89,320	40,660	26,674	31,900	27,502	70,250	2,104,061
Accumulated depreciation	(173,491)	(17,513)	(5,552)	(6,604)	(14,822)	(4,896)	-	(222,878)
Net book amount	**1,644,264**	**71,807**	**35,108**	**20,070**	**17,078**	**22,606**	**70,250**	**1,881,183**

	Channel $'000	Wharves & Jetties $'000	Permanent fixtures & Breakwaters $'000	Roadways & Railways $'000	Other $'000	Leased plant & equipment $'000	Work in progress $'000	Total $'000
Year ended 31 December 2023								
Opening net book amount	1,644,264	71,807	35,108	20,070	17,078	22,606	70,250	1,881,183
Revaluation surplus/(deficit)	(124,449)	-	-	-	-	-	-	(124,449)
Additions	-	4,686	1,485	161	1,692	145	6,833	15,002
Disposals	-	-	(115)	-	(51)	(4)	(997)	(1,167)
Impairment loss	-	-	-	-	-	-	(4,348)	(4,348)
Depreciation charge	(17,408)	(3,433)	(1,302)	(1,291)	(3,723)	(2,618)	-	(29,775)
Closing net book amount	**1,502,407**	**73,060**	**35,176**	**18,940**	**14,996**	**20,129**	**71,738**	**1,736,446**
Year ended 31 December 2023								
Cost or fair value	1,693,307	94,005	42,009	26,837	33,544	27,639	71,738	1,989,079
Accumulated depreciation	(190,900)	(20,945)	(6,833)	(7,897)	(18,548)	(7,510)	-	(252,633)
Net book amount	**1,502,407**	**73,060**	**35,176**	**18,940**	**14,996**	**20,129**	**71,738**	**1,736,446**

Channel assets include the channel seabed and channel walls and overhangs.

Revaluations of the channel seabed, channel walls and overhangs are undertaken on an annual basis. Revaluations of other plant and equipment are undertaken on a three to five-year cycle. The last revaluation of other plant and equipment was undertaken in 2021.

Note 12. Property, plant and equipment (continued)

Impairment charge relates to assets that no longer meet the recognition criteria under *AASB 116 Property, Plant and Equipment* due to uncertainty around the feasibility of the project. Costs impaired include consulting costs and trade and market studies.

Note 13. Intangible assets

	Computer software $'000	Intellectual property $'000	Total $'000
Balance at 1 January 2022	**1,305**	**630**	**1,935**
Additions	540	479	1,019
Amortisation expense	(476)	(296)	(772)
Balance at 31 December 2022	**1,369**	**813**	**2,182**
Additions	-	2,935	2,935
Amortisation expense	(377)	(415)	(792)
Balance at 31 December 2023	**992**	**3,333**	**4,325**

(a) Recognition and measurement

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software. Costs capitalised include external direct costs of materials and service. IT development costs, where applicable, include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the PON Group has an intention and ability to use the asset.

(b) Amortisation and useful lives

Software has a finite life and is carried at cost less any accumulated amortisation and impairment losses. It has an estimated useful life of 10 years. Intellectual Property has a finite life and is carried at cost less any accumulated amortisation and impairment losses. It has an estimated useful life of 5 years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

(c) Impairment of intangible assets

Intangible assets with an indefinite useful life are assessed for impairment annually. Intangible assets with finite lives are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to the recoverable amount and the reduction is recognised as an impairment loss.

Note 14. Investment properties

	2023 $'000	2022 $'000
Non-current assets		
Fair value at start of the year	680,000	400,020
Revaluation (decrement) recognised in profit and loss	(34,219)	279,826
Additions	219	154
	646,000	**680,000**

The following amounts have been recognised in profit or loss for investment properties:

Note 14. Investment properties (continued)

	2023 $'000	2022 $'000
Property income	45,586	40,907
Direct operating expenses (including repairs and maintenance) generating rental income	(12,122)	(15,651)
Direct operating expenses (including repairs and maintenance) that did not generate rental income	(3,519)	(2,955)
	29,945	**22,301**

Refer to note 27 for further information on fair value measurement.

Note 15. Net deferred tax liability

	2023 $'000	2022 $'000
Deferred tax assets		
Tax losses	28,406	18,411
Other	1,596	933
Derivatives - effective portion of cash flow hedges	3,831	50
Derivatives - effective portion of fair value hedges	644	756
Deferred tax assets	**34,477**	**20,150**
Movement is deferred tax assets consists of:		
Opening balance	20,150	16,732
(Charged)/credited to profit or loss – tax losses	9,995	8,997
(Charged)/credited to profit or loss – other	663	19
(Charged)/credited to comprehensive income – cash flow hedges	3,781	(6,354)
(Charged)/credited to comprehensive income – fair value hedges	(112)	756
Deferred tax assets	**34,477**	**20,150**
Deferred tax liabilities		
Channel - Seabed	328,374	359,379
Other	7,679	4,769
Deferred tax liabilities	**336,053**	**364,148**
Set-off of deferred tax assets pursuant to set-off provisions	(34,477)	(20,150)
Net deferred tax liabilities	**301,576**	**343,998**
Movement in deferred tax liabilities consists of:		
Opening balance	364,148	440,234
(Charged)/credited to profit or loss – other	2,910	(302)
(Charged)/credited to profit or loss – depreciation (Channel Seabed)	(3,862)	(4,870)
(Charged)/credited to comprehensive income – PPE (Channel Seabed)	(27,143)	(70,914)
Deferred tax liabilities	**336,053**	**364,148**

Note 15. Net deferred tax liability (continued)

These consolidated financial statements include both taxable and non-taxable entities, refer to note 2(b). A deferred tax liability has been recognised on the seabed asset as the full carrying amount is expected to be recovered through use. The tax base that is consistent with the expected manner of recovery through use is nil resulting in a temporary difference. The channel walls and overhangs assets are recorded in a non-taxable entity and so no deferred tax liability is recognised.

Note 16. Trade and other payables

	2023 $'000	2022 $'000
Current liabilities		
Trade payables	3,774	3,661
GST payable	1,024	320
Customer advances	422	1,041
Interest payable	8,193	5,513
Accrued expenses	9,631	14,706
Other payables	838	816
Trade and other payables	**23,882**	**26,057**

Trade and other payables are unsecured, non-interest bearing and are normally paid within 30 days of recognition.

Note 17. Borrowings

(a) Total borrowings

	2023 Current $'000	2023 Non-current $'000	2022 Current $'000	2022 Non-current $'000
Secured				
External loans	-	459,909	-	480,387
Senior 144a fixed note	-	405,535	-	403,154
Capitalised debt issuance costs	-	(13,194)	-	(15,868)
Secured borrowings	**-**	**852,250**	**-**	**867,673**
Unsecured				
Loan from Securityholders	-	379,420	358,196	-
Total borrowings	**-**	**1,231,670**	**358,196**	**867,673**

The Group obtained a new senior debt facility on 23 November 2022 of $420 million. This facility was used to repay borrowings of $334.8 million that were due to mature in July 2023.

The Group obtained a US144A senior secured note on 24 November 2021 of USD $300 million.

US144A senior secured note is denominated in USD, the face value of the drawn facility balances are as follows:

Facility	Base Currency	Maturity	2023 $'000	2022 $'000
US144A senior secured note	USD $	24 November 2031	300,000	300,000

The PON Group have a total credit card facility of $280,000, of which $49,500 was unused as at 31 December 2023 (2022: $64,500).

Note 17. Borrowings (continued)

(b) Senior bank debt facilities

As at 31 December 2023

	Maturity	Facility Limit $'m	Drawn $'m	Undrawn $'m
Tranche C (SLL)	7 May 2026	138	138	-
Tranche E	23 May 2026	34	34	-
Tranche E (SLL)	23 May 2026	110	110	-
Tranche F	23 November 2027	172	172	-
Capital expenditure facility	23 May 2026	50	-	50
Working capital facility*	23 May 2026	30	8	22
Total		**534**	**462**	**72**

As at 31 December 2022

	Maturity	Facility limit $'m	Drawn $'m	Undrawn $'m
Tranche C (SLL)	7 May 2026	146	146	-
Tranche E	23 May 2026	36	36	-
Tranche E (SLL)	23 May 2026	117	117	-
Tranche F	23 May 2026	182	182	-
Capital expenditure facility	23 May 2026	50	-	50
Working capital facility*	23 May 2026	30	3	27
Total		**561**	**484**	**77**

*The drawn portion of the Working capital facility includes a commitment under two bank guarantees and $5.0m used to fund ordinary operations. Refer to note 28 for further information.

(c) Secured liabilities and assets pledged as security

Under the terms of the senior bank debt borrowing facilities, the PON Group is required to comply with the following financial covenants:

- Interest Cover Ratio: at each quarterly calculation date at least 1.20x
- Gearing Ratio: at each quarterly calculation date no greater than 70%

The PON Group has complied with these covenants throughout the reporting period. The ratios at reporting dates were:

	Interest Cover Ratio	Gearing Ratio
31 December 2023	1.88	41.80%
31 December 2022	2.21	39.90%

The PON Group has a Board approved Treasury Management Policy which provides guidelines and principles by which the PON Group manages its capital structure and financial risks. The PON Group regularly assesses its funding requirements and obligations to maintain an optimal capital structure to manage the cost, tenor, and diversity of funding and continue to support the strategic operating plan for shareholders. The PON Group considers its borrowings as part of the PON Group's capital structure and regularly monitors compliance with certain interest cover and gearing covenants contained in its major borrowing facilities.

Note 17. Borrowings (continued)

(d) Fair value

For borrowings, the fair values are not materially different from their carrying amounts since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

(e) Risk exposure

Details of the PON Group's exposure to risks arising from current and non-current borrowings are set out in note 26.

(f) Related party borrowings

Port of Newcastle Investments Pty Limited has an interest-bearing loan from Securityholders. The Securityholders agreed in June 2023 to roll forward the existing notes, extending the final maturity date of the loan to December 2034.

From 1 July 2021, the interest rate on the loan was the sum of:

- the blended weighted average of the interest rates or coupons applicable at that time under any applicable Facility Agreement and/or all other senior debt instruments on issue by Port of Newcastle Investments (Financing) Pty Limited expressed as a percentage per annum and calculated having regard to the net effect of all applicable hedging instruments and agreements in effect at such time and;
- 0.500% per annum.

Prior to 1 July 2021, the interest rate was fixed at 8.00% per annum.

From 1 January 2021, 90% of the interest on the related party borrowings was capitalised to the outstanding liability.

(g) Reconciliation to liabilities arising from financing activities

	1 January 2022 $'000	Cash flows $'000	Capitalised interest $'000	Fair value adjustments $'000	Amortisation $'000	31 December 2022 $'000
Borrowings	1,226,154	(10,640)	15,528	(8,629)	3,727	1,225,869
Total liabilities from financing activities	**1,226,154**	**(10,640)**	**15,528**	**(8,629)**	**3,727**	**1,225,869**

	1 January 2023 $'000	Cash flows $'000	Capitalised interest $'000	Fair value adjustments $'000	Amortisation $'000	31 December 2023 $'000
Borrowings	1,225,869	(20,444)	21,224	2,074	2,947	1,231,670
Total liabilities from financing activities	**1,225,869**	**(20,444)**	**21,224**	**2,074**	**2,947**	**1,231,670**

Note 18. Deferred revenue

	2023 $'000	2022 $'000
Current liabilities		
Deferred grant income	607	636

Note 19. Employee benefits

	2023 $'000	2022 $'000
Current liabilities		
Annual leave	1,547	1,398
Long service leave	1,301	1,042
Current liabilities	**2,848**	**2,440**
Non-current liabilities		
Long service leave	632	541
Non-current liabilities		
Defined benefit obligations		
- Accrued liability	6,608	5,945
- Fair value of assets	(5,852)	(5,417)
	756	**528**

(a) Defined Benefit Plan

The Post-employment benefits net liability relates to The Pooled Fund (the 'Fund'). The Pooled Fund holds in trust the investments of the closed NSW public sector Superannuation schemes:

- State Authorities Superannuation Schemes (SASS)
- State Superannuation Schemes (SSS)
- Police Superannuation Schemes (PSS)
- State Authorities Non-contributory Superannuation Schemes (SANCS)

(b) Regulatory framework

These schemes are all defined benefit schemes - at least a component of the final benefit is derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal.

All schemes are closed to new members.

The schemes in the Pooled Fund are established and governed by the following NSW legislation: Superannuation Act 1916, State Authorities Superannuation Act 1987, Police Regulation (Superannuation) Act 1906, State Authorities Non-Contributory Superannuation Act 1987, and their associated regulations.

The schemes in the Pooled Fund are exempt public sector Superannuation schemes under the Commonwealth Superannuation Industry (Supervision) Act 1993 (SIS). The SIS Legislation treats exempt public sector Superannuation funds as complying funds for concessional taxation and Superannuation guarantee purposes.

Under a Heads of Government agreement, the New South Wales Government undertakes to ensure that the Pooled Fund will conform with the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that members' benefits are adequately protected.

The New South Wales Government prudentially monitors and audits the Pooled Fund and the Trustee Board activities in a manner consistent with the prudential controls of the SIS legislation. These provisions are in addition to other legislative obligations of the Trustee Board and internal processes that monitor the Trustee Board's adherence to the principles of the Commonwealth's retirement incomes policy.

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2021. The next actuarial investigation will be performed as at 30 June 2024.

Note 19. Employee benefits (continued)

(c) Other entities responsibilities for the governance of the fund

The Fund's Trustee is responsible for the governance of the Fund. The Trustee has a legal obligation to act solely in the best interests of fund beneficiaries. The Trustee has the following roles:

- Administration of the fund and payment to the beneficiaries from fund assets when required in accordance with the fund rules;
- Management and investment of the fund assets; and
- Compliance with other applicable regulations.

(d) Risks

There are a number of risks to which the Fund exposes the Employer. The more significant risks relating to defined benefits are:

- Investment risk: the risk that investment returns will be lower than assumed and the Employer will need to increase contributions to offset this shortfall;
- Longevity risk: the risk that pensioners live longer than assumed, increasing future pensions;
- Pension indexation risk: the risk that pensions will increase at a rate greater than assumed, increasing future pensions;
- Salary growth risk: the risk that wages or salaries (on which future benefit amount for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions; and
- Legislative risk: the risk that legislative changes could be made which increase the cost of providing the defined benefits.

The defined benefit Fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

(e) Significant events

There were no fund amendments, curtailments or settlements during the year.

(f) Reconciliation of the Defined Benefit Obligation

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Present value of defined benefit obligations at 1 January 2023	3,149	83	2,713	5,945
Current service cost	-	2	-	2
Interest cost	182	4	157	343
Contributions, by participants	13	-	13	26
Actuarial (gains)/losses arising from changes in financial assumptions	254	9	221	484
Actuarial (gains)/losses arising from liability experience	(9)	26	43	60
Benefits paid	(141)	(24)	(79)	(244)
Taxes, premiums and expenses paid	14	(7)	(15)	(8)
Present value of defined benefit obligations at 31 December 2023	**3,462**	**93**	**3,053**	**6,608**

Note 19. Employee benefits (continued)

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Present value of defined benefit obligations at 1 January 2022	3,943	100	3,557	7,600
Current service cost	-	7	-	7
Interest cost	130	3	119	252
Contributions, by participants	5	-	4	9
Actuarial (gains)/losses arising from changes in financial assumptions	(873)	(20)	(941)	(1,834)
Actuarial (gains)/losses arising from liability experience	182	21	65	268
Benefits paid	(134)	-	(75)	(209)
Taxes, premiums and expenses paid	(104)	(28)	(16)	(148)
Present value of defined benefit obligations at 31 December 2022	**3,149**	**83**	**2,713**	**5,945**

(g) Fair value of fund assets

All Pooled Fund assets are invested by SAS Trustee Corporation (STC) at arm's length through independent fund managers, assets are not separately invested for each entity and it is not possible or appropriate to disaggregate and attribute fund assets to individual entities. As such, the disclosures below relate to total assets of the Pooled Fund.

(h) Economic assumptions

	2023 %	2022 %
Expected rate of return on Fund assets backing current pension liabilities	7.0%	7.0%
Expected rate of return on Fund assets backing other liabilities	6.2%	6.2%
Expected salary increase (excluding promotional salary increase) long term	5.7%	3.2%
Expected rate of CPI increase - long term	2.5%	2.5%

(i) Profit and loss impact

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Year-ended 31 December 2023				
Current service cost	-	3	-	3
Net interest	10	(30)	44	24
Profit and loss component of the Defined Benefit Cost	**10**	**(27)**	**44**	**27**
Year-ended 31 December 2022				
Current service cost	-	7	-	7
Net interest	30	(15)	50	65
Profit and loss component of the Defined Benefit Cost	**30**	**(8)**	**50**	**72**

Note 19. Employee benefits (continued)

(j) Other comprehensive Income impact

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Year-ended 31 December 2023				
Actuarial (gains)/losses on liabilities	245	35	264	544
Actual return on Fund assets less Interest income	(25)	(7)	-	(32)
Total remeasurement in Other Comprehensive Income	**220**	**28**	**264**	**512**
Year-ended 31 December 2022				
Actuarial (gains)/losses on liabilities	(692)	1	(876)	(1,567)
Actual return on Fund assets less Interest income	161	32	99	292
Total remeasurement in Other Comprehensive Income	**(531)**	**33**	**(777)**	**(1,275)**

(k) Reconciliation of the Net Defined Benefit Liability/(Asset)

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Net Defined Benefit Liability at 1 January 2023	268	(482)	742	528
Current service cost	-	3	-	3
Net interest on the net defined benefit liability/(asset)	10	(30)	44	24
Actual return on fund assets less interest income	(25)	(7)	-	(32)
Actuarial (gains)/losses arising from changes in financial assumptions	254	9	221	484
Actuarial (gains)/losses arising from liability experience	(9)	26	43	60
Employer contributions	(225)	(86)	-	(311)
Net Defined Benefit Liability at 31 December 2023	**273**	**(567)**	**1,050**	**756**
Net Defined Benefit Liability at 1 January 2022	993	(420)	1,469	2,042
Current service cost	-	7	-	7
Net interest on the net defined benefit liability/(asset)	30	(15)	50	65
Actual return on fund assets less interest income	161	32	99	292
Actuarial (gains)/losses arising from changes in financial assumptions	(873)	(20)	(941)	(1,834)
Actuarial (gains)/losses arising from liability experience	182	21	65	268
Employer contributions	(225)	(87)	-	(312)
Net Defined Benefit Liability at 31 December 2022	**268**	**(482)**	**742**	**528**

(l) Reconciliation of the Fair Value of Fund Assets

Note 19. Employee benefits (continued)

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Fair value of fund assets at 1 January 2023	2,875	547	1,962	5,384
Interest income	172	34	113	319
Actual return on fund assets less interest income	25	7	-	32
Employer contributions	223	84	-	307
Contributions by participants	13	-	13	26
Benefits paid	(141)	(24)	(79)	(244)
Taxes, premiums and expenses paid	14	(7)	(15)	(8)
Fair value of fund assets at 31 December 2023	**3,181**	**641**	**1,994**	**5,816**
Fair value of fund assets at 1 January 2022	2,946	505	2,079	5,530
Interest income	100	18	69	187
Actual return on fund assets less interest income	(161)	(32)	(99)	(292)
Employer contributions	223	84	-	307
Contributions by participants	5	-	4	9
Benefits paid	(134)	-	(75)	(209)
Taxes, premiums and expenses paid	(104)	(28)	(16)	(148)
Fair value of fund assets at 31 December 2022	**2,875**	**547**	**1,962**	**5,384**

Note 20. Unit capital

	2023 Units '000	2022 Units '000
Fully paid units - Corporate Trust Group	118,087	118,087
Fully paid units - Property Trust Group	550,103	550,103
Total units	**668,190**	**668,190**

	2023 $'000	2022 $'000
Fully paid units - Corporate Trust Group - $1 per unit	118,087	118,087
Fully paid units - Property Trust Group - $1 per unit	550,103	550,103
Total units	**668,190**	**668,190**

(a) Unit capital

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

Note 21. Reserves

(a) Movements in reserves for Corporate Trust Group were as follows:

Note 21. Reserves (continued)

	2023 $'000	2022 $'000
Asset revaluation reserve		
Opening balance	182,681	348,147
Fair value adjustment – gross	(90,476)	(236,380)
Deferred tax	27,143	70,914
Closing balance	**119,348**	**182,681**
Superannuation reserve		
Opening balance	2,174	899
Fair value adjustment – gross	(731)	1,821
Deferred tax	219	(546)
Closing balance	**1,662**	**2,174**

(b) Movements in reserves for Property Trust Group were as follows:

	2023 $'000	2022 $'000
Asset revaluation reserve		
Opening balance	119,800	207,872
Fair value adjustment – gross	(33,974)	(88,072)
Closing balance	**85,826**	**119,800**
Cash flow hedge reserve		
Opening balance	(116)	(14,288)
Effective portion of changes in fair value of cash flow hedges	(12,604)	20,246
Tax on changes in fair value of cash flow hedges	3,781	(6,074)
Closing balance	**(8,939)**	**(116)**
Fair value hedge reserve*		
Opening balance	(1,765)	(654)
Effective portion of changes in fair value of fair value hedges	375	(1,587)
Tax on changes in fair value of fair value hedges	(113)	476
	(1,503)	**(1,765)**

The asset revaluation reserve of $85,826 (2022: $119,800) is exempt from tax as it belongs to a non-taxable entity. Refer to note 2(b)(iii) for further information.

*This reserve recognises the excluded currency basis spread from the designated hedging instrument in the fair value hedges.

Note 22. Retained earnings

(a) Movements in retained earnings for Corporate Trust Group were as follows:

	2023 $'000	2022 $'000
Opening balance	(158,269)	(120,952)
Net profit/(loss) for the year	(41,399)	(37,317)
Prior period adjustments through retained earnings	(433)	-
Closing balance	**(200,101)**	**(158,269)**

Note 22. Retained earnings (continued)

(b) Movements in retained earnings for Property Trust Group were as follows:

	2023 $'000	2022 $'000
Opening balance	153,856	(158,586)
Net profit for the year	8,509	319,642
Distributions	-	(7,200)
Closing balance	**162,365**	**153,856**

Note 23. Cash flow information

Reconciliation of result for the year to cashflows from operating activities:

	2023 $'000	2022 $'000
Profit/(loss) after income tax benefit for the year	(32,890)	282,325
Adjustments for:		
Depreciation and amortisation	31,046	34,047
Net fair value (gain)/loss on investment properties	34,219	(279,826)
Amortisation of capitalised debt issuance cost	2,641	3,420
Net impact of cash flow hedges	4,065	4,269
Lease liability interest	1,516	589
Income tax (benefit)	(19,876)	(9,551)
ATO Settlement paid	(18,738)	-
Capitalisation of eligible labour costs	(1,402)	(2,094)
Impairment of property, plant and equipment	4,348	596
Other	23	19
Net loss on disposal of property, plant and equipment	1,098	-
Change in operating assets and liabilities:		
Movement in other assets	726	(851)
Movement in payables	(2,780)	(1,749)
Movement in provisions	228	(1,514)
Movement in other provisions	499	196
Movement in receivables	6,096	(900)
Movement in shareholder loan	21,371	15,449
Net cash from operating activities	**32,190**	**44,425**

Note 24. Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	2023 $'000	2022 $'000
Cash and liquid investments	30,180	40,291
Gross debt – variable interest rates	(1,231,670)	(1,225,869)
Leases	(18,912)	(20,858)
Net debt	**(1,220,402)**	**(1,206,436)**

Note 24. Net debt reconciliation (continued)

	Liabilities from financing activities			Other assets	
	Borrowings $'000	Leases $'000	Sub-total $'000	Cash $'000	Net debt $'000
As at 31 December 2022	(1,225,869)	(20,856)	(1,246,725)	40,291	(1,206,434)
Cash flows	20,444	3,462	23,906	(10,111)	13,795
Non-cash capitalised Interest/AASB16 Interest	(21,224)	(1,516)	(22,740)	-	(22,740)
Foreign exchange adjustments	(2,074)	-	(2,074)	-	(2,074)
Non-cash debt issuance costs	(2,947)	-	(2,947)	-	(2,947)
As at 31 December 2023	**(1,231,670)**	**(18,910)**	**(1,250,580)**	**30,180**	**(1,220,400)**

Note 25. Leases

(a) PON Group as a lessee

(i) Right-of-use assets

	Land $'000	Buildings $'000	Total $'000
Year ended 31 December 2022			
Balance at beginning of year	134	3,278	3,412
Adjustment	4	-	4
Depreciation charge	(46)	(463)	(509)
Balance at end of year	**92**	**2,815**	**2,907**
Year ended 31 December 2023			
Balance at beginning of year	92	2,815	2,907
Depreciation charge	(46)	(463)	(509)
Balance at end of year	**46**	**2,352**	**2,398**

(ii) Lease liabilities

	Leased Plant & equipment $'000	Buildings $'000	Land $'000	Total Lease Liabilities $'000
Year ended 31 December 2022				
Balance at beginning of year	-	3,529	152	3,681
Additions	17,892	-	-	17,892
Other adjustments	-	-	2	2
Interest expense (included in finance costs)	475	109	5	589
Principal elements of lease payments	(711)	(541)	(56)	(1,308)
Balance at end of year	**17,656**	**3,097**	**103**	**20,856**
Year ended 31 December 2023				
Balance at beginning of year	17,656	3,097	103	20,856
Interest expense (included in finance costs)	1,419	94	3	1,516
Principal elements of lease payments	(2,846)	(560)	(56)	(3,462)
Other adjustments	-	-	2	2
Balance at end of year	**16,229**	**2,631**	**52**	**18,912**

In 2022, PON entered into a finance lease for 2 Mobile Harbour Cranes. The total duration of the lease is 7 years, with lease payments paid quarterly in arrears, with a final balloon payment of 30% of the total purchase payment amount in respect of the equipment payable at the end. The effective interest rate is fixed at 8.38% per annum.

Note 25. Leases (continued)

(iii) Statement of Profit or Loss and Other Comprehensive Income

The amounts recognised in the statement of profit or loss and other comprehensive income relating to leases are shown below:

	2023 $'000	2022 $'000
Depreciation of right-of-use assets	509	509
Interest expense (included in finance cost)	1,516	589
Total	**2,025**	**1,098**

The amounts recognised in the statement of profit or loss and other comprehensive income relating to leases of low value assets (included in other operating expenses) are shown below:

	2023 $'000	2022 $'000
Low value assets	241	243

The total cash outflow for leases in 2023 was $857,000 (2022: $840,000).

(b) PON Group as a lessor

The PON Group has entered into operating leases on its investment property portfolio consisting of certain land and buildings, refer to note 14. These leases have terms of between 3 to 15 years. Most leases include a clause to enable upward revision of the rental charge on an annual basis. Rental income recognised by the PON Group during the year is $45,586,000 (2022: $40,907,000).

Future minimum rentals receivable under non-cancellable operating leases as at 31 December 2023 and 2022 are as follows:

	2023 $'000	2022 $'000
Less than one year	31,472	30,965
One to two years	32,220	29,987
Two to three years	31,960	31,112
Three to four years	31,971	30,861
Four to five years	31,560	30,872
More than five years	338,379	354,033
Total	**497,562**	**507,830**

Note 26. Financial risk management

The PON Group's principal financial instruments are outlined below. These financial instruments arise directly from the PON Group's activities or are required to finance the PON Group's activities. The PON Group does use derivative instruments to manage exposures to risk (including foreign currency risk and interest rate risk), however does not use derivatives for speculative purposes.

The PON Group's main risks arising from financial instruments are outlined below, together with the PON Group's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout this consolidated financial statement.

The directors of the Group have overall responsibility for the establishment and oversight of risk management and reviews agreed policies for managing each of these risks.

Note 26. Financial risk management (continued)

The Group provides written principles for overall risk management as well as written policies covering specific areas including liquidity risk, interest rate risk, permitted instruments and counterparty credit risk. Compliance with policies is reviewed by the Audit Committee on a periodic basis.

	2023 $'000	2022 $'000
Financial assets		
Cash and cash equivalents	30,180	40,291
Trade and other receivables	7,741	12,596
Derivative financial instruments	3,078	19,326
Total financial assets	**40,999**	**72,213**
Financial liabilities		
Trade and other payables	23,882	26,057
Borrowings	1,231,670	1,225,869
Derivative financial instruments	26,194	28,469
Total financial liabilities	**1,281,746**	**1,280,395**

(a) Market Risk

(i) Foreign exchange risk

The Group is primarily exposed to foreign currency risk from interest bearing liabilities denominated in foreign currency (USD). As at 31 December 2023, these interest bearing liabilities are 100% hedged through cross currency swaps until the maturity of the bond.

The Group's policy is to maintain that 100% of the foreign currency exposure to borrowings are hedged to the expected date of settlement.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars was as follows:

Sensitivity analysis on foreign exchange risk exposure	31 December 2023 AUD $'000	31 December 2022 AUD $'000
Senior secured bonds	(407,959)	(405,885)
Cross currency swaps	407,959	405,885
Exposure	**-**	**-**

The aggregate net foreign exchange gains/losses recognised in profit or loss were:

	2023 $'000	2022 $'000
Net foreign exchange gain/(loss)	-	(307)

As at the end of the reporting years, the PON Group had the following cross currency swaps outstanding.

	USD Foreign exchange rate	USD 2023 $'000	USD Foreign exchange rate	USD 2022 $'000
Cross currency swaps	0.6840	300,000	0.6775	300,000

Note 26. Financial risk management (continued)

(ii) Interest rate risk

The PON Group's main interest rate risk arises from long term borrowings with variable interest rates, which expose the PON Group to cash flow interest rate risk. The PON Group policy is to maintain that at least 50% of its borrowings are hedged.

As at the end of the reporting years, the PON Group had the following variable rate borrowings and interest rate swap contracts outstanding:

	Weighted average interest rate %	2023 $000's	Weighted average interest rate %	2022 $000's
Borrowings - variable rate	7.59%	872,481	5.23%	892,958
Interest rate swaps (notional principal amount)	(1.29%)	700,022	(0.88%)	669,000
Net exposure to cash flow interest rate risk	-	172,459	-	223,958
% of total borrowings	-	20%	-	25%

(iii) Sensitivity (impact on post-tax profit)

Profit or loss is sensitive to an increase/decrease in the fair value of interest rate derivatives. The impact on post-tax profit/(loss) of movements in interest rates is summarised in the table below.

	2023 $'000	2022 $'000
Interest rates - increase by 50 basis points (50 bps)	604	784
Interest rates - decrease by 50 basis points (50 bps)	(604)	(784)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the PON Group.

Credit risk arises from the financial assets of the PON Group, including cash and trade and other receivables held by the PON Group.

The PON Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. The PON Group did not identify a significant increase in credit risk amid the COVID-19 pandemic.

Other financial assets include loans to related parties. These assets are considered to have low credit risk as they have low risk of default.

(c) Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to meet its payment obligations when they fall due.

The PON Group continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holdings of high-quality liquid assets.

The PON Group has a Syndicated Loan facility with external lenders. The loan has a borrowing limit of $534 million (2022: $561 million), of which $72 million (2022: $77 million) was unused as at 31 December 2023.

Note 26. Financial risk management (continued)

During the year, there were no defaults or breaches on any loans payable. Assets have been pledged as collateral in terms of a Syndicated Facility Agreement. The PON Group's exposure to liquidity risk is managed on an ongoing basis. Refer to note 17 for an update on refinancing activities at 31 December 2023.

There is a $30 million working capital facility in place with a maturity date of 23 May 2026. In August 2023, $10.0 million was drawn from the working capital facility. PON made a voluntary repayment of $5.0 million in December 2023. At 31 December 2023, the remaining $5.0 million, in addition to $2.6 million in bank guarantees (detailed in note 17) represent the drawn balance of $7.6 million.

The PON Group have a total credit card facility of $280,000, of which $49,500 was unused as at 31 December 2023 (2022: $64,500).

The following table illustrates the maturities for financial liabilities:

	Within 1 year $'000	Between 1-2 years $'000	Between 2-5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount (assets)/ liabilities $'000
As at 31 December 2023						
Non-derivatives						
Trade payables	23,882	-	-	-	23,882	23,882
Borrowings	106,134	104,731	793,910	1,242,427	2,247,202	1,231,670
Lease liabilities	3,464	6,254	14,762	47	24,527	18,912
Total non-derivatives	**133,480**	**110,985**	**808,672**	**1,242,474**	**2,295,611**	**1,274,464**
Derivatives	6,119	7,830	24,854	2,212	41,015	23,116
Total	**139,599**	**118,815**	**833,526**	**1,244,686**	**2,336,626**	**1,297,580**

	Within 1 year $'000	Between 1-2 years $'000	Between 2-5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount (assets)/ liabilities $'000
As at 31 December 2022						
Non-derivatives						
Trade payables	26,057	-	-	-	26,057	26,057
Borrowings	457,618	78,106	678,567	567,630	1,781,921	1,225,869
Lease liabilities	3,462	6,310	10,224	7,993	27,989	20,856
Total non-derivatives	**487,137**	**84,416**	**688,791**	**575,623**	**1,835,967**	**1,272,782**
Derivatives	(1,739)	6,555	25,409	10,431	40,655	9,143
Total	**485,398**	**90,971**	**714,200**	**586,054**	**1,876,622**	**1,281,925**

(i) Derivatives

The PON Group uses derivatives to hedge its exposure to foreign currency and interest rate risks.

Note 26. Financial risk management (continued)

	2023 $'000	2022 $'000
Current assets		
Interest rate swaps	2,260	9,562
Non current assets		
Interest rate swaps	336	3,243
Cross currency swaps	482	6,521
	818	**9,764**

	2023 $'000	2022 $'000
Current liabilities		
Interest rate swaps	-	1,705
Cross currency swaps	8,388	7,399
	8,388	**9,104**
Non current liabilities		
Interest rate swaps	336	-
Cross currency swaps	17,470	19,365
	17,806	**19,365**

(ii) Classification of derivatives

Derivatives are only used for economic hedging purposes and not as speculative investments. Derivatives are presented as current liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

The PON Group's accounting policy for its cash flow hedges and fair value hedges is set out in note 2(o). Further information about the derivatives used by the PON Group is provided above.

(iii) Fair value measurement

For information about the methods and assumptions used in determining the fair value of derivatives refer to note 27.

(iv) Hedging reserves

There was a reclassification in both the current year ($297,180) and prior year ($2,989,514) from the cash flow hedge reserve to profit or loss relating to interest rate swaps with a maturity date of July 2023 that were paid out on 30 June 2021. There were no other reclassifications from the cash flow hedge reserve to profit or loss during the period.

The following table summarises the impact of hedging instruments designated in hedging relationships on the consolidated balance sheet:

		Notional amount 2023 $'000	Notional amount 2022 $'000	Carrying amount assets/(liabilities) 2023 $'000	Carrying amount assets/(liabilities) 2022 $'000	Change in fair value used for measuring ineffectiveness for the year 2023 $'000	Change in fair value used for measuring ineffectiveness for the year 2022 $'000
Cash flow hedges							
Interest rate risk - Interest rate swaps	AUD	480,000	744,000	2,260	12,805	(10,545)	9,678
Foreign exchange risk - Cross currency swaps	USD	160,000	160,000	(2,956)	3,836	(6,792)	20,240

Note 26. Financial risk management (continued)

Fair value hedges							
Interest rate risk - Interest rate swaps	AUD	-	220,022	-	(1,705)	1,705	(7,578)
Foreign exchange risk - Cross currency swaps	USD	140,000	140,000	(22,420)	(24,080)	1,660	(16,401)

The following table summarises the impact of hedged items designated in cash flow hedging relationships on the consolidated balance sheet and the effect of the hedge relationships on other comprehensive income:

	Cash flow hedge reserve		Change in fair value used for measuring ineffectiveness for the year		Hedging gain/(loss) recognised in comprehensive income	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Cash flow hedges						
Interest rate risk - Interest rate swaps	1,566	7,082	5,517	(11,074)	(5,517)	11,074
Foreign exchange risk - Cross currency swaps	(10,505)	(7,199)	3,306	(3,097)	(3,306)	3,097
	(8,939)	**(117)**	**8,823**	**(14,171)**	**(8,823)**	**14,171**

The following table summarises the impact of hedged items designated in fair value hedging relationships on the consolidated balance sheet and the effect of the hedge relationships on other comprehensive income:

	Fair value hedges		Change in fair value used for measuring ineffectiveness for the year		Hedging gain/(loss) recognised in comprehensive income	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Fair value hedges						
Foreign exchange risk - Cross currency swaps	(1,503)	(1,765)	(262)	1,111	262	(1,111)

(v) Amounts recognised in profit of loss

The following amounts were recognised in profit or loss in relation to derivatives:

	2023 $'000	2022 $'000
Hedge ineffectiveness	1,377	(1,873)
Hedge reserve amortisation	2,688	6,142
	4,065	**4,269**

Hedge effectiveness is determined at the inception of the hedge relationship, and through annual prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

The PON Group enters into interest rate swaps and cross currency swaps that have similar critical items as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount.

Note 26. Financial risk management (continued)

Hedge ineffectiveness for interest rate swaps may occur due to the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan and differences in critical terms between the interest rate swaps and the loans, as well as inherent fair value differences in the impact of discounting on the fair value of interest rate swaps vs. the fair value of the underlying fixed rate debt.

Hedge ineffectiveness for cross-currency swaps designated as cash flow hedges may occur due to the credit/debit value adjustment applied to the cross-currency swaps which is not matched by the underlying loan and differences in terms between the cross-currency swaps and the loans.

Hedge ineffectiveness for cross-currency swaps designated as fair value hedges may occur due to the credit/debit value adjustment applied to the cross-currency swaps which is not matched by the underlying loan and differences in terms between the cross-currency swaps and the loans, as well as inherent fair value differences in the impact of discounting on the fair value of cross-currency swaps vs. the fair value of the underlying fixed rate debt.

The hedge ineffectiveness recognised in 2023 and 2022 is shown in the table above.

Note 27. Fair value measurement

AASB 13 *Fair Value Measurement* requires all assets and liabilities measured at fair value to be assigned to a level in the fair value hierarchy as follows:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	Unobservable inputs for the asset or liability.

Due to the short-term nature of the current receivables and payables, their carrying amount is considered to be the same as their fair value.

The borrowings fair values are not materially different from their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

The table below shows the assigned level for each asset and liability held at fair value by the PON Group:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2023				
Financial liabilities at fair value				
Derivative financial liabilities	-	26,194	-	26,194
Non-financial assets at fair value				
Channel - Seabed	-	-	1,094,580	1,094,580
Channel – Walls & overhang	-	-	407,828	407,828
Investment property	-	-	646,000	646,000
Property, plant and equipment	-	-	142,404	142,404
	-	**-**	**2,290,812**	**2,290,812**
Financial assets at fair value				
Derivative financial assets	-	3,078	-	3,078

Note 27. Fair value measurement (continued)

31 December 2022				
Financial liabilities at fair value				
Derivative financial liabilities	-	28,469	-	28,469
Non-financial assets at fair value				
Channel - Seabed	-	-	1,197,929	1,197,929
Channel – Walls & overhang	-	-	446,335	446,335
Investment property	-	-	680,000	680,000
Property, plant and equipment	-	-	144,547	144,547
	-	**-**	**2,468,811**	**2,468,811**
Financial assets at fair value				
Derivative financial assets	-	19,326	-	19,326

There were no transfers between levels for recurring fair value measurements during the year.

(a) Valuation techniques used to determine fair values

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where is it available and rely and little as possible on entity specific estimates.

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis
- the fair value of foreign exchange contracts is determined using forward exchange rates at the reporting date

(b) Fair value measurements using significant unobservable inputs (level 3)

Refer to note 12 for channel assets. Management have made estimates in relation to forecasted cash flows which directly impact the channel assets i.e. seabed, walls and overhangs valuation and therefore have a significant impact on the financial statements. The significant assumptions include:

- forecasted cash flows which relies on the forecast volumes of coal exports, forecast pricing and forecast operating and capital expenditure
- a discount rate of 13.5% (2022: 11.3%)
- the carrying amount of the channel (seabed, walls and overhangs) at 31 December 2023 is $1,502,407 (2022: $1,644,264)

(c) Sensitivity analysis of key unobservable inputs in level 3 of the fair value hierarchy

(i) Channel assets

Sensitivity analysis was undertaken as follows:

Level 3 input	**Fair value output $’000**	**Input used by PON Group $’000**
Coal volume assumptions +10%	1,677,044	1,502,407
Coal volume assumptions -10%	1,327,771	1,502,407
Discount rate +1%	1,357,880	1,502,407
Discount rate -1%	1,672,528	1,502,407

Note 27. Fair value measurement (continued)

(ii) Investment property

Sensitivity analysis was undertaken as follows:

Level 3 input	Fair value output $'000	Input used by PON Group $'000
Capitalisation rate +25bps	614,774	646,000
Capitalisation rate -25bps	679,743	646,000
Discount rate +25bps	633,022	646,000
Discount rate -25bps	659,299	646,000

(iii) Classes of property, plant and equipment at fair value

Class	Fair value output $'000	Valuation technique	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to Fair Value
Leased plant & equipment	3,352	Cost approach	Normal useful life:	5-80 years	Significant changes in the normal useful life, depreciation profile or residual value would result in significant changes to the fair value measurement
Wharves & jetties	73,060		Depreciation profile:	Straight line or diminishing value	
Permanent fixtures	13,605		Residual value:	0-10%	
Breakwaters	21,571				
Roadways	11,259				
Railways	7,682				
Plant & equipment - other	2,930				
Plant & equipment - vessels	8,945	Market value	Market value:	Varies from asset to asset	Significant changes in the market value and asset condition would result in significant changes to fair value measurement
			Asset condition:	Varies from asset to asset	

Note 28. Contingencies

(a) Environmental obligations

The PON Group has provided a Bank Guarantee for $2.2 million to Port of Newcastle Unit Trust regarding certain environmental obligations under the lease agreement for the port (2022: $2.2 million).

(b) Commonwealth Grant Funding

Following the May 2022 Federal Election, the Government considered all commitments of the previous government through the October 2022-23 Budget process. The Government's $100m commitment in the Budget delivered on 25 October 2022 is aligned with a number of other initiatives, including the Government's net zero agenda. The $100m commitment will help the broader Hunter region transition from thermal coal exports towards new industries based on clean energy like green hydrogen.

Note 28. Contingencies (continued)

In 2023, Port of Newcastle was advised by the Commonwealth Government that a tripartite agreement would be made between the Commonwealth Government and NSW State Government, and the NSW State Government and Port of Newcastle, with the NSW State Government responsible for issuing the funding to Port of Newcastle. The funds will be released via a funding schedule following a signed deed of agreement between the NSW Government and Port of Newcastle. Port of Newcastle received a copy of the draft deed in February 2024.

Note 29. Key management personnel

	2023	2022
Short-term employee benefits	4,170	4,660
Post-employment benefits	212	246
Long-term benefits	145	148
Termination benefits	-	142
Total key management personnel benefits	**4,527**	**5,196**

Short-term employee benefits in 2022 included one-off success fee payments granted by the Board to certain key management personnel for the successful resolution of the pricing dispute, resolution of the PCD and resolution of the ATO audit.

Note 30. Auditor's remuneration

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	2023 $	2022 $
Audit services -		
Audit of the financial statements	556	536
Other services -		
Other assurance services	-	46
Other services	10	-
Tax services	752	1,122
	762	1,168
	1,318	**1,704**

Note 31. Commitments

(a) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2023 $'000	2022 $'000
Property, plant and equipment	2,203	11,955

(b) Non-cancellable operating leases

The PON Group leases its corporate office and berth side storage under non-cancellable operating leases expiring within 3 to 6 years. These leases have varying terms, escalation clauses and renewal rights. On renewal, terms are renegotiated.

Note 31. Commitments (continued)

From 1 January 2018, the PON Group has recognised right-of-use assets for these leases, except for short-term and low-value leases (2023: $2.4 million, 2022: $2.9 million).

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2023 $'000	2022 $'000
Within one year	618	616
Later than one year but not later than five years	2,248	2,304
Later than five years	47	609
	2,913	**3,529**

Note 32. Related parties

(a) Interests in other entities - controlled entities

Port of Newcastle Investments (Holdings) Trust's (the parent entity) principal subsidiaries at 31 December 2023 are set out below. These entities are all incorporated or registered in Australia and this is also their principal place of business.

	Ownership interest held by the PON Group 2023	**Ownership interest held by the PON Group** 2022
Port of Newcastle Investments (Property Holdings) Trust	100% of units	100% of units
Port of Newcastle Investments (Property) Trust ("Port Lessee")	100% of units	100% of units
Port of Newcastle Investments (Financing) Pty Limited ("FinCo")	100%	100%
Port of Newcastle Investments Pty Limited ("Acquisition Co")	100%	100%
Port of Newcastle Unit Trust ("Port Manager")	100% of units	100% of units

(b) The PON Group's related parties

The main related parties of the PON Group include the following entities:

Company	Relationship	Country of registration
Omater Investment Limited	50% beneficiary of Port of Newcastle Investments (Property Holdings) Trust	British Virgin Islands
Gardior Investments Pty Ltd (as trustee for TIF Investments Trust)	50% beneficiary of Port of Newcastle Investments (Property Holdings) Trust	Australia
Goldframe Investments Limited	50% beneficiary of Port of Newcastle Investments (Holdings) Trust	British Virgin Islands
Gardior Investments B Pty Ltd (as trustee for TIF Investments Trust B	50% beneficiary of Port of Newcastle Investments (Holdings) Trust	Australia

(c) Other related parties

Port of Newcastle Investments (Property Holdings) Pty Ltd "Investment Manager"	Shared senior management
Port of Newcastle Investment (Property) Pty Ltd	Shared senior management
Port of Newcastle Operations Pty Ltd	Shared senior management
Port of Newcastle Investments (Holdings) Pty Ltd	Shared senior management
Perpetual Corporate Trust Limited	Trustee for Port of Newcastle Investments (Property) Trust

Note 32. Related parties (continued)

(d) Transactions with related parties

The following transactions occurred with related parties:

	2023 $'000	2022 $'000
Securityholders		
Distributions paid to Securityholders	-	7,200

(i) Managed Investment Trust (MIT)

The Port of Newcastle Investments (Property Holdings) Trust Deed was amended in 2019 to allow the Property Holdings Trust to become an unregistered Managed Investment Trust (MIT). Under the arrangement, Perpetual and Port of Newcastle Investments (Property Holdings) entered into an 'Investment Management Agreement' appointing Property Holdings as Investment Manager of the Property Holdings Trust. Property Holdings also entered into a management services agreement with the Port of Newcastle Unit Trust (Port Manager) under which Port Manager provides services to the Investment Manager to enable the Investment Manager to meet its obligations under the Investment Management Agreement.

The following fees are paid in relation to this arrangement:

- Trustee fees paid to Perpetual: $88,124 (2022: $83,048)
- Management fees paid to Port Manager $88,124 (2022: $83,048)
- Investment management fees paid to Property Holdings $88,124 (2022: $83,048)

The above amounts are paid by the Securityholders and are not an expense of the PON Group.

(e) Loans to/from related parties

	2023 $'000	2022 $'000
Loans from Securityholders		
Balance at the start of the year	358,196	342,938
Interest charged	23,583	16,953
Interest paid	(2,359)	(1,695)
Balance at the end of the year	**379,420**	**358,196**

Port of Newcastle Investments (Holdings) Trust and controlled entities ("Port of Newcastle Group")
Trustees' declaration
31 December 2023

The Directors of the Trustee declare that:

- the attached financial statements and notes comply with the Accounting Standards and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors of the Trustee.

On behalf of the trustees

8 March 2024

Independent auditor's report

To the securityholders of Port of Newcastle Investments (Holdings) Trust

Our opinion

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of Port of Newcastle Investments (Holdings) Trust (the Trust) and its controlled entities (together the Group) as at 31 December 2023 and its financial performance and its cash flows for the year then ended in accordance with accounting policies described in Note 1 and Note 2 of the financial report.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 31 December 2023
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, including material accounting policy information and other explanatory information
- the Trustees' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of matter - basis of accounting and restriction on distribution and use

We draw attention to Note 1 and Note 2 in the financial report, which describes the basis of accounting. The financial report has been prepared in accordance with the Securityholder Deed dated 29 May 2014. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for Port of Newcastle Investments (Holdings) Trust and its securityholders and should not be distributed to or used by parties other than Port of Newcastle Investments (Holdings) Trust and its securityholders. Our opinion is not modified in respect of this matter.

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Liability limited by a scheme approved under Professional Standards Legislation.

Other information

The Director's of the Trustees are responsible for the other information. The other information comprises the information included in the financial statements for the year ended 31 December 2023, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of Management and the Director's of the Trustees for the financial report

Management is responsible for the preparation and fair presentation of the financial report in accordance with accounting policies described in Note 2 of the financial report, and for such internal control as Management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. The Directors of the Trustees have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the needs of the securityholders.

In preparing the financial report, Management is responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Director's of the Trustees are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of Port of Newcastle Investments (Holdings) Trust for the year ended 31 December 2023 included on Port of Newcastle Investments (Holdings) Trust's web site. The trustees are responsible for the integrity of Port of Newcastle Investments (Holdings) Trust's website. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this website.

PricewaterhouseCoopers

PricewaterhouseCoopers

Angela Higgins

Angela Higgins
Partner

Newcastle
8 March 2024