Aurizon Holdings Limited
ABN 14 146 335 622

ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

BY ELECTRONIC LODGEMENT

17 August 2015

Aurizon – 2015 Annual Report

Please find attached a copy of the Company's 2015 Annual Report.

In accordance with the relief from dual lodgment of financial statements under ASIC Class Order 98/104, the Annual Report will not be lodged separately with ASIC.

Copies of the Annual Report are expected to be dispatched to all shareholders who have elected to receive a copy of the Annual Report, in mid-September 2015.

Aurizon's Annual General Meeting will be held at 10.00am (Brisbane time) on Thursday 12 November 2015. A copy of the Notice of Annual General Meeting is expected to be sent to all shareholders in mid-September 2015.

Kind regards

Dominic D Smith
VP & Company Secretary

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AURIZON®

ANNUAL REPORT **2014-15**

Contents

Our Vision

To be a world leading rail-based transport business that partners with customers for growth.

Our Mission

We are an Australian rail-based transport business with a global orientation that creates value sustainably for our customers, shareholders, employees and the communities in which we operate.

Our Values

Safety: Safety of ourselves and others is our number one priority. Safety is at the core of everything we do as we commit to **ZERO**Harm.

People: Diversity strengthens our capability. Our energy, courage, and passion motivate us to create extraordinary outcomes.

Integrity: We are honest, fair and conduct business with the highest ethical standards. We are respectful in all of our dealings.

Customer: We are passionate about leading change. We deliver results with energy and conviction

Excellence: We create value through collaboration and innovation. Our hallmarks are clear accountability, continuous improvement and disciplined execution.

FY2015 in Review

Financial Headlines

($M)		FY2015	FY2014	VARIANCE %
Total revenue		3,780	3,822	(1%)
Earnings Before Interest and Tax (EBIT) – statutory		970	465	109%
Adjustments	- Voluntary Redundancy Program (VRP)	-	69	-
	- Asset impairments	-	317	-
EBIT – underlying		970	851	14%
Net Profit After Tax (NPAT) – statutory		604	253	139%
NPAT – underlying		604	523	15%
Final dividend (cps)		13.9	8.5	64%
Interim dividend (cps)		10.1	8.0	26%
Total dividend (cps)		24.0	16.5	45%
Earnings Per Share (EPS) – Underlying (cps)		28.4	24.5	16%
Return on Invested Capital (ROIC)		9.7%	8.8%	0.9ppt
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) margin – underlying (%)		39.4%	35.3%	4.1ppt
EBIT margin – underlying (%)		25.7%	22.3%	3.4ppt
Operating Ratio (OR) – underlying (%)		74.3%	77.7%	3.4ppt
Coal volumes (mt)		211.2	210.4	0%
Iron Ore volumes (mt)		25.6	29.9	(14%)
Freight volumes (mt)		46.0	46.3	(1%)
Net operations opex/NTK ($/000 NTK)		34.9	35.2	1%
Gearing (net debt/net debt + equity)		30.2%	28.4%	(1.8ppt)
People (FTE)		6,869	7,524	9%

Highlights

- Underlying EBIT up 14% or $119m largely due to:
  - Transformation benefits of $123m
  - Network earnings growth of $72m due to record volumes, partly offset by:
    - VRP costs of $36m
    - Net impact of lower above rail volumes of $25m (mainly Iron Ore)
    - Non-cash impairment relating to Galilee Basin greenfield expansion project costs of $15m
- Statutory EBIT up 109% due to impact of asset impairments ($317m) and VRP costs ($69m) in FY2014
- ROIC improved 0.9ppts to 9.7%
- Dividend payout ratio range lifted to 70-100% of NPAT
- Final FY2015 dividend 13.9 cents (based on 100% payout ratio), up 64% – 30% franked
- Total FY2015 dividend 24.0 cents, up 45%
- Significant achievement in restructuring Enterprise Agreements, benefits to flow in future years

Operating Ratio (OR) update

- 74.3%, ahead of 75% target despite volumes being significantly lower than forecast at IPO
- New 70% target for FY2018

FY2016 outlook

- Above rail volume outlook based on current market conditions is flat vs FY2015
  - Coal – 210-220mt vs 211.2mt
  - Iron Ore – 24mt vs 25.6mt
  - Freight – 45mt vs 46.0mt
- Network access revenue assumed to be consistent with UT4 draft revenue decision
- FY2016 revenue also impacted by approximately $200m including:
  - Estimated reduction in Transport Services Contract (TSC) revenue from 1 July 2015
  - Expiry of Queensland Rail passenger fleet maintenance contract on 30 June 2015
  - Disposal of CRT business (effective 1 December 2014)
- OR target remains 73% driven by continued improvement through productivity initiatives and incremental cost out performance

Chairman's Report

Dear Shareholders

This is my final report to you as Aurizon Chairman given I will be retiring on 1 September 2015. Over the nearly five years since Aurizon listed on the Australian Securities Exchange (ASX), the Company has been invigorated and transformed. Today, Aurizon is Australia's largest listed rail transport business.

In Financial Year (FY) 2015 Aurizon's financial and operational performance was solid, particularly in light of the difficult market conditions that have continued for Australian commodities. This is best demonstrated by the achievement of our core financial target: the 75% Operating Ratio (OR). The final OR for FY2015 was 74.3%, which is a 15.8 percentage point (ppt) improvement since Aurizon's privatisation. The Company's Return on Invested Capital (ROIC) metric has improved to 9.7% in FY2015.

An overview of Aurizon's performance in FY2015 is detailed in the following pages of this Annual Report.

Overview of results

The headwinds facing the Australian resources sector intensified over the past financial year. The price of iron ore and coal has deteriorated, domestic economic conditions have tightened and the global equity markets have remained volatile.

A positive for Aurizon against this backdrop, however, is that demand for high-quality Australian resources has remained stable. In a lower price environment, customers have reduced their production costs and increased volumes to drive down unit costs.

The export volumes of coal and iron ore, Australia's two most valuable commodities, reached record levels in FY2015. Aurizon is the predominant provider of haulage services and network infrastructure for the Australian coal industry, and consequently, we delivered record volumes in our above and below rail coal businesses in FY2015.

In the Network business, the Company delivered a record 226 million tonnes (mt) across the Central Queensland Coal Network (CQCN) – a 5% improvement over 2014.

In the Coal business, Aurizon delivered a record 211mt in New South Wales and Queensland. The increased tonnes were delivered with fewer trains and less fuel as we continued to drive productivity improvements for locomotives, wagons and energy use.

Volumes in our Iron Ore business have remained in line with forecast, at 26mt for the year. Conditions in the general freight sector have been more difficult but the overall tonnes hauled of 46mt, is comparable to the previous financial year.

Statutory Net Profit After Tax (NPAT) for the year was $604m, up 139%, and Statutory Earnings Before Interest and Tax (EBIT) rose to $970m, a 109% increase over the prior year, earned on stable revenues of $3.8 billion (bn) (FY2014: $3.8bn).

The Aurizon Board declared a final dividend of 13.9 cents per share (30% franked), giving a full-year dividend of 24.0 cents per share. This follows the Board's decision to increase the dividend payout ratio range to 70–100% of NPAT. It represents an increase of 7.5 cents, or 45% over FY2014, with dividends to be paid to shareholders on 28 September 2015.

Aurizon continues to outperform the market in terms of Total Shareholder Returns (TSR). The Company's TSR increased by 7% in FY2015, and since IPO to 30 June 2015, it has increased by 117%. This compares to 6% and 44% for the S&P/ASX 200 Index in the respective periods.

In another capital management initiative, the Company bought back and cancelled 15.3 million of its shares at a cost of $69m during the year.

The financial performance for the FY2015 is set out in detail on page 10.

Safety and sustainability

Aurizon's core value is safety and it is the Company's and my personal priority. Despite our intense focus on safety performance, it is with great sadness that I report the tragic deaths of employees, Maurice Dunbavan and Neil Pettit, and contractor Callum Ryan in a road accident in central Queensland in October 2014. Once again I extend our deepest sympathies to family and friends of these three men. Any injury or loss of life is unacceptable and we continue to focus on and pursue our Company goal of **ZERO**Harm.

It is some comfort to know that, overall, Aurizon's key safety metrics continued to trend downwards in FY2015. There were no other lost time injuries during the year; the Lost Time Injury Frequency Rate (LTIFR) improved 43% and the Total Reportable Injury Frequency Rate (TRIFR) improved 14%. These are encouraging signs that employees are genuinely disciplined in putting safety above all else.

As part of the Company's broad program of work to support cultural transformation and establish itself as an employer of choice, significant progress was made during FY2015 to diversify our workforce. This culminated in multiple diversity awards for Aurizon, including recognition of our Managing Director & CEO, Lance Hockridge, as Diversity Champion CEO by the Australian Human Resources Institute.

Our commitments and progress in the areas of safety, environment, community and people are discussed throughout this Annual Report.

Transformation and growth

Aurizon's management continued to execute a disciplined program of transformation and operational reforms in FY2015. Transformational benefits of $123m were delivered in FY2015, reinforcing the $129m benefits gained in the prior year.

In FY2015 the Company finalised new Enterprise Agreements (EAs) in Western Australia and Queensland, covering more than half of our workforce. Since year end a further two EAs have been agreed with Queensland employees. As a result, all Aurizon employees previously covered by legacy EAs will be engaged under contemporary employment conditions. This will be a further catalyst for productivity enhancements and workplace flexibility.

Despite the current challenging economic environment, Aurizon continues to have a strategic growth agenda for the existing business and new markets. We are seeking to leverage our capability as a leading rail-based transport business and look for opportunities that create value for our shareholders.

The Company substantially completed Stage 1 of the Wiggins Island Rail Project in the second half of FY2015, which will support an extra 27 million tonnes per annum (mtpa) of coal to the new Wiggins Island Coal Export Terminal in Gladstone. The delivery of this major project, on time and on budget, provides new revenue streams for the Network business and Aurizon's above rail haulage services. Also in the second half of FY2015, Aurizon commenced the long-term 6.4mtpa Whitehaven Coal contract, including servicing the Maules Creek mine, as part of continued growth in the New South Wales coal business.

In FY2015 Aurizon continued to assess a proposal for the development of multi-user rail and port infrastructure to unlock iron ore deposits in the Pilbara in Western Australia. The technical and commercial feasibility study will progress over the coming year with project partners Baosteel Resources, POSCO and AMCI. The assessment includes a number of approval stages and acknowledges the volatility in the iron ore price. A final investment decision is not expected to occur until late calendar year 2016.

Aurizon, with joint venture partner Qube Holdings, received in FY2015 Federal Government approval for the development of the Moorebank freight facility in south western Sydney. Moorebank will be the largest integrated warehouse rail terminal precinct in Australia when fully developed. It will connect to Port Botany, one of Australia's busiest ports, with road and dedicated rail infrastructure. The first stage of the Moorebank project is expected to open in 2017.

Board renewal

At last year's Annual General Meeting I announced my intention to retire as Chairman of the Board and a Director of the Company. Since that time one of my key responsibilities has been to secure the right candidate to replace me as Chairman. After a global search, I was delighted to welcome Tim Poole as a Director of Aurizon on 1 July 2015. Tim will assume the Chairmanship on my retirement on 1 September 2015. Tim brings proven, highly relevant and impressive credentials to your Board. His career in large, capital-intensive projects, multi-national joint ventures and corporate finance, particularly in infrastructure and regulated industry environments, equips him well for the role.

In addition to Tim's appointment, Samantha Lewis joined the Board in February 2015, bringing credentials in accounting, finance, auditing and capital markets. I am confident the Aurizon Board will continue to develop the right balance of skills, experience, diversity and operational capabilities to guide the Company and improve shareholder returns.

We also saw two Directors leave the Board during the year. In October 2014 Pat Zito resigned from the Aurizon Board, and in April 2015 Andrea Staines, an inaugural Director, retired after almost five years on the Board. I also note Graeme John AO has indicated he will not seek re-election in November. I acknowledge and thank Pat, Andrea and Graeme for their contributions to the Company.

Outlook

The difficult market conditions experienced in FY2015 are likely to prevail in the new financial year. Market concerns are being driven by a range of factors: a slowdown in global growth; increased financial market instability; an accumulation of sovereign debt by some nations; and volatility in commodity prices. The imbalance that exists between supply and demand in coal and iron ore markets is not expected to ease in the near future.

However, the fundamentals underpinning demand for Australian resources remain in place, spurred by the urbanisation and industrialisation in developing markets such as China and India. Aurizon anticipates demand for Australian commodities will continue to grow. This growth will clearly be at a more moderate pace than in recent years, but notably from a higher base than was the case at the time of Aurizon's privatisation.

We have set an OR target of 73% to drive our transformation efforts in FY2016. Based on the current market conditions, Aurizon's coal haulage outlook for FY2016 is expected in the range of 210mt–220mt, iron ore tonnages at around 24mt and freight volumes at around 45mt. A key priority for the coming year will be to finalise the Access Undertaking (UT4) with the Queensland Competition Authority, our customers and other industry stakeholders. Management will also be seeking to deliver efficiency benefits and customer service improvements from implementation of the new Enterprise Agreements.

We will need to be increasingly responsive to our customers, and discerning about strategic growth opportunities in a rapidly changing environment in Australia and abroad.

Acknowledgements

It has been a privilege to serve as Chairman of this great organisation for close to a decade, and to have been part of its transformation and development from government-owned to public company, and from newly listed to now one of Australia's blue-chip companies, recognised on the global stage.

I am grateful for the support of our shareholders, customers, government and communities during my time with Aurizon. I acknowledge the enduring support and counsel of my fellow Directors, and recognise the efforts of the Company's employees Australia-wide, on whom Aurizon will continue to depend for its success.

Aurizon is safer, leaner, stronger and more diverse than ever before, with a strong Board and executive team and committed employees. I leave with confidence in the Company's future and its ability to deliver for shareholders and indeed, all its stakeholders.

John B Prescott AC
Chairman

Directors' Report

Aurizon Holdings Limited
For the year ended 30 June 2015

The Directors of Aurizon Holdings present their Directors' Report together with the Financial Report of the Company and its controlled entities (collectively the **Consolidated Entity** or the **Group**) for the financial year ended 30 June 2015 and the Independent Auditor's Report thereon. This Directors' Report has been prepared in accordance with the requirements of Division 1 of Part 2M.3 of the Corporations Act.

Board of Directors

The following people are Directors of the Company, or were Directors during the reporting period:

J B Prescott AC
(Appointed 14 September 2010)
(Chairman, Independent Non-Executive Director)

L E Hockridge
(Appointed 14 September 2010)
(Managing Director & CEO)

J Atkin
(Appointed 14 September 2010)
(Independent Non-Executive Director)

R R Caplan
(Appointed 14 September 2010)
(Independent Non-Executive Director)

J D Cooper
(Appointed 19 April 2012)
(Independent Non-Executive Director)

K L Field
(Appointed 19 April 2012)
(Independent Non-Executive Director)

G T John AO
(Appointed 14 September 2010)
(Independent Non-Executive Director)

S L Lewis
(Appointed 17 February 2015)
(Independent Non-Executive Director)

T M Poole
(Appointed 1 July 2015)
(Independent Non-Executive Director)

G T Tilbrook
(Appointed 14 September 2010)
(Independent Non-Executive Director)

During the year both Mr P Zito (October 2014) and Ms A J P Staines (April 2015) resigned as Non-Executive Directors.

Details of the experience, qualifications and special responsibilities, and other Directorships of listed companies, in respect to each of the Directors as at the date of this Directors' Report are set out in the pages following.

J B Prescott AC

Experience: Mr Prescott has substantial experience in the mining, manufacturing, transport and government sectors. He was a long-term executive of The Broken Hill Proprietary Company Limited (now BHP Billiton Limited), serving 10 years as an Executive Director and seven years as Managing Director and Chief Executive Officer (1991–1998). He was also Chairman of ASC (formerly Australian Submarine Corporation Pty Ltd) (2000–2009) and a Director of Newmont Mining Corporation (2002–2013).

Mr Prescott has been a Global Counsellor of The Conference Board since 2001, a member of the Global Advisory Council since 2013, and a member of the Commonwealth Remuneration Tribunal since 2010. Other Directorships and consulting/advisory positions have included Conference Board USA, World Economic Forum, Booz Allen and Hamilton, J.P. Morgan Chase & Co, Proudfoot Consulting and Asia Pacific Advisory Committee of New York Stock Exchange.

Qualifications: BCom (Indus Rel), HonDsc, HonLLD, FAICD, FAIM, FTSE.

Special Responsibilities: Chairman of Nomination & Succession Committee. Member of Remuneration Committee. Member of Safety, Health & Environment Committee.

Australian Listed Company Directorships held in the past three years: None other than Aurizon Holdings Limited.

L E Hockridge

Experience: Mr Hockridge became Managing Director & CEO of Aurizon, then known as QR National, in July 2010, to lead the Company through what would be the largest Initial Public Offering (IPO) in Australia in a decade.

Aurizon is midway through a major transformation program, to deliver world leading safety performance, customer service excellence, and superior operational and commercial capability. Mr Hockridge has more than 30 years' experience in the transportation and heavy industrial sectors in Australia and the United States with BHP Billiton and BlueScope Steel. At BHP Billiton, Mr Hockridge was a member of the leadership team that led BlueScope Steel's successful demerger from BHP and subsequent listing on the ASX. In 2005, Mr Hockridge was appointed President of BlueScope Steel's North American operations where he led a major turnaround in safety, production and financial performance.

Mr Hockridge is a member of the Business Council of Australia's Efficient Regulation Policy Committee and a regular participant in industry forums on transport infrastructure and reform. He was part of Q20, the business advisory group promoting Queensland investment as part of the G20 Summit in Brisbane in November 2014.

Mr Hockridge is a private sector member of the Australian Government's Department of Defence Gender Equality Advisory Board and a founding member of Queensland's Male Champions of Change group that is leading diversity initiatives in the workplace in Queensland. He also won the Australian Human Resource Institute Diversity CEO Champion of 2014. Through Mr Hockridge's leadership, Aurizon has an empowerment partnership with the Australian National Committee of United Nations (UN) Women. Mr Hockridge has spoken at UN Women's business events across Australia. On behalf of Aurizon he is a signatory of the UN Women's Empowerment Principles which have been signed by over 960 companies worldwide and only 26 companies in Australia. He is also the Chairman of The Salvation Army's South East Queensland Advisory Board.

Qualifications: FCILT, FAIM, MAICD.

Special Responsibilities: Director of Aurizon Network Pty Ltd. Member of Safety, Health & Environment Committee.

Australian Listed Company Directorships held in the past three years: None other than Aurizon Holdings Limited.

J Atkin

Experience: Mr Atkin has more than 30 years' experience in financial services and the legal profession in Australia and internationally. Mr Atkin is Chairman and Non-Executive Director of GPT Metro Office Fund, a Non-Executive Director of IPH Limited and The Australian Outward Bound Foundation, and a member of the Board of the State Library of NSW Foundation. Previously, Mr Atkin was Chief Executive Officer of The Trust Company Limited (2009–2013), Managing Partner of Blake Dawson (2002–2008), and a Corporate, and Mergers & Acquisitions partner at Mallesons Stephen Jaques (1987–2002).

Qualifications: BA (Hons), LLB (Hons), FAICD.

Special Responsibilities: Chairman and Non-Executive Director of Aurizon Network Pty Ltd. Member of Remuneration Committee.

Australian Listed Company Directorships held in the past three years: The Trust Company Limited – CEO and Executive Director (19 January 2009 – 15 April 2013).

R Caplan

Experience: Mr Caplan has extensive international experience in the oil and gas industry. In a 42-year career with Shell, he held senior roles in the upstream and downstream operations, and corporate functions in Australia and overseas. From 1997 to 2006 he held senior international postings in the UK, Europe and the USA. From 2006 to July 2010, he was Chairman of the Shell Group of Companies in Australia.

Mr Caplan is Chairman of Orica Limited and Chairman of the Melbourne and Olympic Parks Trust. He is a former Non-Executive Director of Woodside Petroleum Limited and a former Chairman of the Australian Institute of Petroleum.

Qualifications: LLB, FAICD, FAIM.

Special Responsibilities: Chairman of Remuneration Committee. Member of Audit, Governance & Risk Management Committee.

Australian Listed Company Directorships held in the past three years: Orica Limited – Non-Executive Director (1 October 2007 – ongoing).

J D Cooper

Experience: Mr Cooper has more than 35 years' experience in the construction and engineering sector in Australia and overseas. Currently, Mr Cooper also holds Non-Executive Directorships with NRW Holdings Limited and UGL Limited.

During his career as an executive, Mr Cooper's roles have encompassed large civil, commercial and infrastructure projects, and complex engineering and project management activities in the mining, oil and gas, engineering and property sectors.

Qualifications: BSc (Building) (Hons), FIE Aust, FAICD, FAIM.

Special Responsibilities: Non-Executive Director of Aurizon Network Pty Ltd. Member of Safety, Health & Environment Committee. Member of Nomination & Succession Committee.

Australian Listed Company Directorships held in the past three years: Southern Cross Electrical Engineering Limited – Chairman and Non-Executive Limited (30 October 2007). Flinders Mines Limited – Non-Executive Director (13 September 2010 – 18 December 2012), NRW Holdings Limited – Non-Executive Director (29 March 2011 – ongoing), Neptune Marine Services Ltd – Non-Executive Director (4 April 2012 – 25 June 2013), Clough Limited (24 August 2006 – 31 January 2010), UGL Limited – Non-Executive Director (15 April 2015 – ongoing).

K L Field

Experience: Mrs Field has more than three decades' experience in the mining industry in Australia and overseas, and has a strong background in human resources and project management.

Mrs Field is currently a Non-Executive Director of Sipa Resources and has held Non-Executive Directorships with the Water Corporation (Deputy Chairman), Centre of Sustainable Resource Processing, Electricity Networks Corporation (Western Power), MACA Limited and Perilya Limited. In addition, Mrs Field is a Director of a number of community-based organisations including aged care provider Amana Limited Inc and the University of Western Australia's Centenary Trust for Women.

Qualifications: B Econ, FAICD.

Special Responsibilities: Chairman of Safety, Health & Environment Committee. Member of Audit, Governance & Risk Management Committee. Member of Nomination & Succession Committee.

Australian Listed Company Directorships held in the past three years: Sipa Resources Limited – Non-Executive Director (16 September 2004 – ongoing), MACA Limited (27 May 2011 – 1 May 2012), Perilya Limited (16 August 2007 – 5 February 2009).

G T John AO

Experience: Mr John has 30 years' management experience in the transport operations sector, including 16 years as Managing Director of Australia Post. He was also a Senior Executive of TNT Australia Ltd.

Mr John is former commissioner of the Australian Football League and Board member of Racing Victoria. His previous roles include Chairman of Australian Air Express, Chairman of Star Track Express, Chairman of the Kahala Posts Group, Director of the International Post Corporation (Netherlands), Vice Chairman of Sai-Cheng Logistics International (China) and a trustee of the Committee for Melbourne and the MCG. He has received the Australian Sports Medal and Centenary Medal.

Qualifications: FCILT, MAICD.

Special Responsibilities: Non-Executive Director of Aurizon Network Pty Ltd. Member of Safety, Health & Environment Committee.

Australian Listed Company Directorships held in the past three years: Seven West Media Ltd Non-Executive Director (3 December 2008 – 12 November 2014).

Directors' Report (continued)

S L Lewis

Experience: Ms Lewis has extensive financial experience, including as a lead auditor of a number of major Australian listed entities. Ms Lewis has significant experience working with clients in the manufacturing, consumer business and energy sectors, and in addition to external audits, has provided accounting and transactional advisory services to other major organisations in Australia. Ms Lewis' expertise includes accounting, finance, auditing, risk management, corporate governance, capital markets and due diligence. Ms Lewis is currently a Non-Executive Director and Chairman of the Audit & Compliance Committee of Orora Limited. Previously, Ms Lewis was an Assurance & Advisory partner from 2000 to 2014 with Deloitte Australia.

Qualifications: BEcon, Member of the Institute of Chartered Accountants Australia, England and Wales, GAICD.

Special Responsibilities: Non-Executive Director of Aurizon Network Pty Ltd. Member of Audit, Governance & Risk Management Committee.

Australian Listed Company Directorships held in the past three years: Orora – Non-Executive Director (1 March 2014 – ongoing).

T M Poole

Experience: Mr Poole began his career in 1990 at Price Waterhouse before a long and successful period (1995 to 2007) helping to build Hastings Fund Management where he became Managing Director in 2005.

Mr Poole is currently Chairman of the investment committee of AustralianSuper, Chairman of Westbourne Credit Management Limited, and Lifestyle Communities Limited. He was also a Non-Executive Director of McMillan Shakespeare Limited and Japara Healthcare Limited.

He was formerly Chairman of Asciano Limited (2007 to 2009) and formerly a Non-Executive Director of Newcrest Mining Limited (2007 to 2015) and Victoria Racing Club Limited (2006 to 2014).

Qualifications: BCom, Member of the Institute of Chartered Accountants Australia.

Special Responsibilities: On the 14th August 2015, Mr Poole was appointed to the Nomination & Succession Committee, Remuneration Committee and the Safety, Health and Environment Committee.

Australian Listed Company Directorships held in the past three years: Lifestyle Communities Limited – Non-Executive Chairman (19 November 2007 – ongoing), Newcrest Mining Limited – Non-Executive Director (14 August 2007 – 30 July 2015), McMillan Shakespeare Limited – Non-Executive Director (17 December 2013 – ongoing), Japara Healthcare Limited – Non-Executive Director (19 March 2014 – ongoing).

G T Tilbrook

Experience: Mr Tilbrook has broad experience in corporate strategy, investment and finance. He joined Wesfarmers in 1985 and was an Executive Director from 2002 to 2009.

Between 2000 and 2006, when Wesfarmers was a joint owner of the Australian Railroad Group (ARG), he was a Director of ARG and Chairman of Westnet Rail. Mr Tilbrook is a Director of Woodside Petroleum, GPT Group, Orica Limited and the Bell Shakespeare Company. He is also a Councillor of Curtin University and the Australian Institute of Company Directors WA.

Qualifications: BSc, MBA, FAICD.

Special Responsibilities: Chairman of Audit, Governance & Risk Management Committee. Member of Remuneration Committee.

Australian Listed Company Directorships held in the past three years: Orica Limited – Non-Executive Director (14 August 2013 – ongoing), GPT Group Limited – Non-Executive Director (11 May 2010 – ongoing), Woodside Petroleum – Non-Executive Director (13 November 2014 – ongoing), Transpacific Industries Group Ltd – Non-Executive Chairman (3 September 2009 – 1 March 2013), Fletcher Building Limited – Non-Executive Director (1 September 2009 – 21 April 2015).

Company Secretary

Mr Dominic Smith was appointed Company Secretary of the QR Limited Group in May 2010 and to Aurizon Holdings Limited upon its incorporation on 14 September 2010.

Mr Smith has over 20 years' ASX listed company secretariat, governance, corporate legal and senior management experience across a range of industries.

Mr Smith holds a Masters of Laws degree from the University of Sydney and is a Fellow of both the Governance Institute of Australia and the Australian Institute of Company Directors.

Qualifications: BA, LLB, LLM, DipLegS, FGIA, FCSA, FCIS, FAICD.

Principal activities

The principal activities of entities within the Group, during the year, were:

- Integrated heavy haul freight railway operator
- Rail transporter of coal from mine to port for export markets
- Bulk, general and containerised freight businesses
- Large-scale rail services activities

Coal

Transport of coal from mines in Queensland and New South Wales to end customers and ports.

Freight

Transport of bulk mineral commodities (including iron ore), agricultural products, mining and industrial inputs, and general freight throughout Queensland and Western Australia, and containerised freight throughout Australia.

Network

Provision of access to and operation and management of, the CQCN. Provision of design, construction, overhaul, maintenance and management services to the Group, as well as to external customers.

Review of operations

A review of the Group's operations for the financial year, and the results of those operations, are contained in the Operating and Financial Review as set out on pages 10 to 24 of this report.

Dividends

An unfranked final dividend of 8.5 cents per fully paid ordinary share was paid on 22 September 2014, and an unfranked interim dividend of 10.1 cents per fully paid ordinary share was paid on 23 March 2015. Further details of dividends provided for or paid are set out in note 14 to the Consolidated Financial Statements.

Since the end of the financial year, the Directors have declared to pay a final dividend of 13.9 cents per fully paid ordinary share. The dividend will be 30% franked and is payable on 28 September 2015.

State of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review.

Events since the end of the financial year

The Directors are not aware of any events or developments which are not set out in this report that have, or would have, a significant effect on the Group's state of affairs, its operations or its expected results in future years.

Likely developments

Information about likely developments in the operations of the Group and the expected results of those operations are covered in the Chairman's Report set out on pages two to three of this report. In the opinion of the Directors, disclosure of any further information would be likely to result in unreasonable prejudice to the Group.

Environmental regulation and performance

Aurizon Holdings is committed to managing its operational activities and services in an environmentally responsible manner to meet legal, social and moral obligations. In order to deliver on this commitment, Aurizon Holdings seeks to comply with all applicable environmental laws and regulations. The Energy Efficiency Opportunity Act 2006 (EEO) (Cth) requires the Group to assess its energy usage including the identification, investigation and evaluation of energy-saving opportunities, and to report publicly on the assessments undertaken including what action the Group intends to take as a result. The Group continues to meet its obligations under the EEO Act.

The National Greenhouse and Energy Reporting Act 2007 (NGER) (Cth) requires the Group to report its annual greenhouse gas emissions and energy use. The Group has implemented systems and processes for the collection and calculation of the data required and is registered under the NGER Act. Further details of the Company's environmental performance are set out in the Sustainability Report on the Aurizon website **aurizon.com.au/sustainability**

Environmental prosecutions

There have been no environmental prosecutions during this financial year.

Risk management

The Company is committed to managing its risks in an integrated, systematic and practical manner. The overall objective of risk management is to assist the Company to achieve its objectives by appropriately considering both threats and opportunities, and making informed decisions.

The Audit, Governance & Risk Management Committee oversees the process for identification and management of risk in the Company (see page 46 of this Annual Report). The Company's Risk Management Division is responsible for providing oversight of the risk management function and assurance on the management of significant risks to the Managing Director & CEO and the Board.

The Company's risk management framework, responsibilities and accountabilities are aligned with the Company's business model where the individual businesses are accountable for demonstrating they are managing their risks effectively and in accordance with the Board-approved risk management policy and framework.

The risk management framework has a strong focus on key organisational controls. A focus on the key organisational controls helps to shape the strategies, capabilities and culture of the organisation, identify and address vulnerabilities, strengthen the system of internal controls and build a more resilient organisation.

The Company also has a risk register with risk profiles populated at the various layers of the organisation, and a management specification that outlines the processes for the prevention, detection and management of fraud within the Company, and for fair dealing in matters pertaining to fraud.

Directors' Report (continued)

TABLE 1 – DIRECTORS' MEETINGS AS AT 30 JUNE 2015

DIRECTOR	AURIZON HOLDINGS BOARD		AUDIT, GOVERNANCE & RISK MANAGEMENT COMMITTEE		REMUNERATION COMMITTEE		SAFETY, HEALTH & ENVIRONMENT COMMITTEE		NOMINATION & SUCCESSION COMMITTEE	
	A	B	A	B	A	B	A	B	A	B
J B Prescott AC	14[1]	14	-	-	7	7	4	4	13	13
L E Hockridge	14[1]	14	-	-	-	-	4	4	-	-
J Atkin	14	14	-	-	7	7	-	-	-	-
R R Caplan	14	14	9	9	7	7	-	-	-	-
J D Cooper	14	14	-	-	-	-	4	4	13	13
K L Field	14	14	9	9	-	-	4	4	13	13
G T John AO[5]	14	11	-	-	-	-	4	2	13	10
S L Lewis[4]	4	4	2	2	-	-	-	-	-	-
A J P Staines[2]	11	11	7	7	5	5	-	-	-	-
G T Tilbrook[6]	14	13	9	8	7	6	-	-	-	-
P Zito[3]	5	5	4	4	-	-	-	-	-	-

A Number of meetings held while appointed as a Director or Member of a Committee.

B Number of meetings attended by the Director while appointed as a Director or Member of a Committee.

1 In addition to the meetings above, a Committee of the Board comprising of Mr J B Prescott and Mr L E Hockridge met on two occasions.

2 Ms A Staines resigned as Non-Executive Director of Aurizon Holdings Limited effective 15 April 2015.

3 Mr P Zito resigned as Non-Executive Director of Aurizon Holdings Limited effective 24 October 2014.

4 Ms S L Lewis was appointed Non-Executive Director of Aurizon Holdings Limited and Director of Aurizon Network Pty Ltd on 17 February 2015.

5 Mr G T John was granted a Leave of Absence for three Nomination & Succession Committee, two Safety, Health & Environment Committee and two Aurizon Holdings Board meetings and was an apology for one Aurizon Holdings Board meeting.

6 Mr G T Tilbrook was granted a Leave of Absence for one Remuneration Committee meeting, one Audit, Governance & Risk Management Committee meeting and one Aurizon Holdings Board meeting.

During the year, the Aurizon Network Pty Ltd Board met on eight occasions with no apologies recorded.

On the 23 October 2014, the Remuneration, Nomination & Succession Committee was split into two separate Committees, one being a Remuneration Committee and the other being a Nomination & Succession Committee.

Directors' meetings

The number of Board meetings (including Board Committee meetings) and number of meetings attended by each of the Directors of the Company during the financial year are listed in Table 1 above.

During the year, the Aurizon Network Pty Ltd Board met on eight occasions with no apologies recorded.

Directors' interests

Directors' interests are as at 30 June 2015.

As set out in Table 2.

TABLE 2 – DIRECTORS' INTERESTS AS AT 30 JUNE 2015

DIRECTOR	NUMBER OF ORDINARY SHARES
J B Prescott AC	220,981
L E Hockridge	943,679
J Atkin	35,072
R R Caplan	82,132
G T John AO	57,132
G T Tilbrook	49,112
K L Field	14,245
J D Cooper	45,000
S L Lewis	14,600

Only Mr Hockridge Managing Director & CEO receives performance rights, details set out in the Remuneration Report.

Non-audit services

During the year the Company's auditor PricewaterhouseCoopers (PwC) performed other services in addition to its audit responsibilities.

The Directors are satisfied that the provision of non-audit services by PwC during the reporting period did not compromise the auditor independence requirements set out in the Corporations Act.

All non-audit services were subject to the Company's Non-Audit Services Policy and do not undermine the general principles relating to auditor independence set out in APES 110 Code of Ethics for Professional Accountants as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, or jointly sharing risks and rewards.

No officer of the Company was a former Partner or Director of PwC, and a copy of the Auditor's Independence Declaration as required under the Corporations Act 2001 is set out in, and forms part of, this Directors' Report.

Details of the amounts paid to the auditor of the Company and its related practices for non-audit services provided throughout the year are as set out below.

	2015 $'000
OTHER ASSURANCE SERVICES	
PwC Australian firm:	
Other assurance services	153
Total remuneration for other assurance services	**153**
TAXATION SERVICES	
PwC Australian firm:	
Tax compliance services	50
Total remuneration for taxation services	**50**
OTHER SERVICES	
PwC Australian firm:	
Advisory services	329
Total remuneration for other services	**329**

CEO and CFO declaration

The Managing Director & CEO, and Chief Financial Officer (CFO) have provided a written statement to the Board in accordance with Section 295A of the Corporations Act.

With regard to the financial records and systems of risk management and internal compliance in this written statement, the Board received assurance from the Managing Director & CEO and CFO that the declaration was founded on a sound system of risk management and internal control, and that the system was operating effectively in all material aspects in relation to the reporting of financial risks.

Indemnification and insurance of officers

The Company's Constitution provides that it may indemnify any person who is, or has been, an officer of the Group, including the Directors, the Secretaries and other Executive Officers, against liabilities incurred whilst acting as such officers to the extent permitted by law.

The Company has entered into a Deed of Access, Indemnity and Insurance with each of the Company's Directors. No Director or officer of the Company has received benefits under an indemnity from the Company during or since the end of the year.

The Company has paid a premium for insurance for officers of the Group. This insurance is against a liability for costs and expenses incurred by officers in defending civil or criminal proceedings involving them as such officers, with some exceptions. The contract of insurance prohibits disclosure of the nature of the liability insured against and the amount of the premium paid.

Proceedings against the Company

The Directors are not aware of any current or threatened civil litigation proceedings, arbitration proceedings, administration appeals, or criminal or governmental prosecutions of a material nature in which the Company is directly or indirectly concerned, which are likely to have a material adverse effect on the business or financial position of the Company.

Remuneration Report

The Remuneration Report is set out on pages 25 to 38 and forms part of the Directors' Report for the financial year ended 30 June 2015.

Rounding of amounts

The Group is within the class specified in ASIC Class Order 98/100 dated 10 July 1998 relating to the 'rounding off' of amounts in the Directors' Report and the Financial Report. Amounts in the Directors' Report and Financial Report have been rounded off to the nearest million dollars, in accordance with ASIC Class Order 98/100, except where stated otherwise.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration, as required under section 307C of the Corporations Act, is set out on page 39. The Directors' Report is made in accordance with a resolution of the Directors of the Company.

John B Prescott AC
Chairman

17 August 2015

Directors' Report (continued)
OPERATING AND FINANCIAL REVIEW

Consolidated results

The Group's financial performance is explained using measures that are not defined under International Financial Reporting Standards (IFRS) and are therefore termed non-IFRS measures. The non-IFRS financial information contained within the Directors' Report and Notes to the Financial Statements has not been audited in accordance with Australian Auditing Standards. The non-IFRS measures used to monitor group performance are EBIT (Statutory and Underlying), EBITDA (Statutory and Underlying), EBITDA margin – underlying, Operating Ratio – underlying, Return on Invested Capital (ROIC), Net debt and Net gearing ratios. Each of these measures is discussed in more detail on page 97.

1. Annual comparison

FINANCIAL SUMMARY

($M)		FY2015	FY2014	VARIANCE %
Total revenue		**3,780**	**3,822**	**(1%)**
Operating costs		**(2,291)**	**(2,472)**	**7%**
Employee benefits expense		(1,009)	(1,035)	3%
Energy and fuel		(291)	(383)	24%
Track access		(328)	(328)	0%
Consumables		(614)	(679)	10%
Other expenses		(49)	(47)	(4%)
EBITDA	**- underlying**	**1,489**	**1,350**	**10%**
	- statutory	1,489	964	54%
Depreciation and amortisation expense		(519)	(499)	(4%)
EBIT	**- underlying**	**970**	**851**	**14%**
	- statutory	970	465	109%
Net finance costs		(135)	(112)	(21%)
Income tax expense	- underlying	(231)	(216)	(7%)
NPAT	**- underlying**	**604**	**523**	**15%**
	- statutory	604	253	139%
Earnings per share[1] (Basic)	**- underlying**	**28.4**	**24.5**	**16%**
	- statutory	28.4	11.8	141%
Return on Invested Capital (ROIC)[2]		9.7%	8.8%	0.9ppt
Operating Ratio		**74.3%**	**77.7%**	**3.4ppt**
Cash flow from operating activities		1,516	1,191	27%
Final dividend per share (cps)		13.9	8.5	64%
Gearing (net debt/net debt + equity)		30.2%	28.4%	(1.8ppt)
Net tangible assets per share ($)		3.0	3.0	-

OTHER OPERATING METRICS

	FY2015	FY2014	VARIANCE %
Revenue/NTK ($/'000NTK)	52.2	51.7	1%
Labour costs/Revenue[3]	25.7%	27.1%	1.4ppt
NTK/FTE (MNTK)	10.5	9.8	7%
Operations net opex/NTK ($/'000 NTK)	34.9	35.2	1%
NTK (bn)	72.4	73.9	(2%)
Tonnes (m)	282.8	286.6	(1%)

UNDERLYING EBIT BY SEGMENT

($M)	FY2015	FY2014	VARIANCE %
Network	484	412	17%
Commercial and Marketing	3,079	3,134	(2%)
Operations	(2,527)	(2,599)	3%
Corporate Overhead	(66)	(96)	31%
Group	**970**	**851**	**14%**

1 Calculated on weighted average number of shares on issue – 2,129m in FY2015 and 2,137m in FY2014.

2 ROIC is defined as underlying rolling twelve month EBIT divided by the average invested capital. The average invested capital is calculated by taking the rolling twelve months average of net property, plant and equipment including assets under construction plus investments accounted for using the equity method plus current assets less cash, less current liabilities plus net intangibles.

3 Excludes $36m of Voluntary Redundancy Program (VRP) costs in FY2015 (and $69m in FY2014).

Variance analysis – annual

Underlying EBIT increased $119m or 14% to $970m, principally due to a $72m increase in Network earnings together with a reduction in operating costs from the ongoing transformation program and a $36m net benefit from the sale of the Redbank maintenance facility. This was partly offset by $36m in VRP costs and a $15m non-cash impairment relating to Galilee Basin greenfield expansion project costs. VRP costs and non-cash impairments were both treated as significant items in the comparative year. The Company realised sustainable transformation benefits of $123m in the period, with $20m of one-off costs (excluding VRP) to deliver these benefits. Underlying EBIT was also adversely affected by a 1% reduction in overall volumes.

With no underlying adjustments in FY2015, statutory EBIT was also $970m with the 109% growth reflecting the improved earnings together with the impact of $386m ($69m in VRP costs and $317m in asset impairments) of underlying adjustments in the prior corresponding period.

Network EBIT increased 17% or $72m due to access revenue being uncapped in FY2015, whereas it was capped in FY2014. Volumes (excluding Goonyella to Abbot Point Expansion - GAPE) were 9% higher than the regulatory forecast with total system volumes of 225.7mt, representing a new annual record.

Commercial and Marketing revenues decreased 4% due to a 1% decline in overall volumes and lower pass through fuel revenue:

- Coal volumes were flat principally due to the loss of the German Creek contract ending 30 November 2014, the ramp-up of a third operator in the Central Queensland Coal Network (CQCN) and the impact of severe weather events in NSW and Queensland in 2HFY2015, offset by the ramp-up in GAPE volumes and Whitehaven in NSW
- Iron Ore volumes declined 14% as previously advised due to the end of two customer contracts
- Freight volumes declined 1% with the disposal of CRT and weaker Intermodal volumes partly offset by 3% growth in Bulk

Additional information on the increase in underlying EBIT is below:

- A net increase of $96m in Network revenue reflecting the increase in transitional tariffs (indexation) applied to record uncapped volumes and commencement of Wiggins Island Rail Project (WIRP) railings. As noted previously, access revenues were not capped in FY2015
- A net decrease of $25m from lower volumes (net of access and fuel):
  - $33m decrease in Iron Ore revenue due to a 14% reduction in volumes
  - $5m decrease in Bulk revenue due to customer mix; partly offset by
  - $10m increase in Intermodal revenue despite a 6% reduction in volumes, due to customer mix
  - $3m increase in Coal revenue on flat volumes
- A net increase of $3m in revenue quality as follows:
  - $10m benefit from Coal revenue despite a $25m decrease in performance bonuses due to flat volume environment
  - $8m benefit in Freight reflecting improved pricing, partly offset by a
  - $15m decrease in payments due to a reduction in contracted services under the TSC
- A net $15m negative impact from notable items:
  - $36m of VRP costs
  - $15m non-cash impairment relating to Galilee Basin greenfield expansion project costs
  - $3m loss on sale of CRT; partly offset by
  - $36m net benefit on sale of the Redbank maintenance facility
  - $3m benefit from non-cash provision adjustments due to changes in bond yields
- A net benefit of $103m from transformation initiatives (refer to section 4 for additional detail)
  - $99m from Operations including labour and fleet productivity improvements, reductions in rollingstock maintenance transformation, consumable savings and improved fuel efficiency
  - $24m from Support including reductions in labour, professional services, lease costs and travel; partly offset by
  - $20m one-off costs to deliver transformation (excluding VRP costs)
- A net increase of $43m in operating costs and other expenses including:
  - $20m increase in depreciation due to additional capital spend and part commissioning of WIRP in March 2015
  - $15m due to escalation in volume related consumables (excluding fuel and access charges)
  - $14m due to escalation of employee benefits and rate increases relating to contract employees, staff awards and other non-Queensland based awards
  - $9m increase in costs associated with the derailment at Broadlea in the Goonyella system in December 2014; partly offset by:
    - $9m decrease in volume related operating costs (excluding fuel and access charges) in Iron Ore
    - $7m increase in share of net profit from Moorebank

Directors’ Report (continued)

OPERATING AND FINANCIAL REVIEW

Reconciliation to statutory earnings

Underlying earnings is a non-statutory measure and is the primary reporting measure used by Management and the Group’s chief operating decision making bodies for the purpose of managing and assessing financial performance of the business. Underlying earnings is derived by adjusting statutory earnings for significant items as noted in the following table:

($M)	FY2015	FY2014
Underlying EBIT	**970**	**851**
Significant Items		
Voluntary Redundancy Program (VRP)	-	(69)
Transformation related asset impairments	-	(190)
Other impairments	-	(127)
Statutory EBIT	**970**	**465**
Net finance costs	(135)	(112)
Statutory Profit Before Tax (PBT)	**835**	**353**
Taxation expense	(231)	(100)
Statutory NPAT	**604**	**253**

2. Other financial information

CASH FLOW SUMMARY[1]

($M)	FY2015	FY2014
Statutory EBITDA	1,489	964
Working capital and other movement	7	342
Cash from operations	**1,496**	**1,306**
Interest received	9	9
Income taxes refunded/(paid)	11	(124)
Net cash inflow from operating activities	**1,516**	**1,191**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment (PP&E)	170	37
Payments for PP&E & intangibles	(1,083)	(871)
Interest paid on qualifying assets	(28)	(34)
Net (payments for)/distributions from investment in associates	(220)	4
Net cash (outflow) from investing activities	**(1,161)**	**(864)**
Cash flows from financing activities		
Net proceeds from borrowings	103	343
Payment for share buy-back and share based payments	(81)	(24)
Interest paid	(128)	(90)
Dividends paid to Company shareholders	(396)	(346)
Net cash (outflow) from financing activities	**(502)**	**(117)**
Net increase/(decrease) in cash	**(147)**	**210**

1 Cash flow summary has changed from prior periods with interest paid on qualifying assets now classified as an investing activity and interest paid now classified as a financing activity. Both were previously classified as an operating activity.

Cash flow movements

Net cash inflow from operating activities increased by $325m (27%) to $1,516m largely due to:

- $190m (15%) growth in cash from operations due to $525m (54%) increase in statutory EBITDA, party offset by a:
  - $317m reduction in non-cash impairments and $37m reduction in net benefit on asset sales which is included in proceeds on asset sales in investing activities
- $135m reduction in income taxes paid primarily due to lower tax payable as a result of the treatment of impairments in FY2014 and a $28m refund (received in FY2015) relating to an adjustment to Aurizon's tax depreciation charge. Since IPO, Aurizon's tax depreciation charge for a portion of its PP&E was conservative as it was based on an announced but un-enacted change in the tax law. This position was reversed following the Federal Government announcement in December 2013 that the previously announced change in tax law would not proceed

Net cash outflow from investing activities increased by $297m (34%) to $1,161m, largely due to:

- $187m increase in capital expenditure for WIRP, Hexham, Whitehaven, Rolleston electrification and Network sustaining capital
- $225m acquisition (inclusive of transaction costs) of Aurizon's share of Aquila completed in July 2014, partly offset by proceeds of asset sales including the sale of Redbank, rollingstock and CRT

Net cash outflow from financing activities increased by $385m to $502m due to:

- $69m invested in the on-market share buy-back of 15.3m shares
- Increase in dividend payments
- Increase in interest paid reflecting increased borrowings

BALANCE SHEET SUMMARY

($M)	30 JUNE 2015	30 JUNE 2014
Total current assets	934	1,314
Property, plant and equipment	9,900	9,441
Other non-current assets	502	193
Total Assets	**11,336**	**10,948**
Total current liabilities	(845)	(852)
Total borrowings	(2,983)	(2,841)
Other non-current liabilities	(1,002)	(882)
Total Liabilities	**(4,830)**	**(4,575)**
Net Assets	**6,506**	**6,373**
Gearing (net debt/net debt plus equity)	**30.2%**	**28.4%**

Balance sheet movements

Total current assets have decreased by $380m largely due to:

- Reduction in cash and cash equivalents of $147m after the acquisition of Aquila in July 2014
- Reduction in trade and other receivables of $60m
- Reduction in assets classified as held for sale of $90m, following the disposal of Redbank, CRT and rollingstock in the year
- Reduction in inventories of $26m due to improvements in inventory control

Total non-current assets have increased by $768m largely due to:

- $459m net increase in PP&E reflecting capital spend on major projects including WIRP, Rolleston electrification and Hexham
- $235m increase in investments principally relating to acquisition of minority interest in Aquila ($225m) in July 2014

Dividend

- The Board has increased Aurizon's dividend payout ratio range to 70-100% of NPAT
- In respect of the current year, and taking into account the forecast reduction in capex, continued improvements in operating performance, and investment decisions regarding strategic growth projects not expected until late Calendar Year (CY) 2016, the Board has declared a final dividend of 13.9 cents (30% franked) based on a payout ratio of 100%
- Based on current expectations, the interim FY2016 dividend will be franked between 30%-60%

The relevant final dividend dates are:

- 28 August 2015 – ex-dividend date
- 1 September 2015 – record date
- 28 September 2015 – payment date

Share Buy-back

On 11 November 2014, Aurizon announced an opportunistic on-market buy-back of up to 5% of its issued share capital, a maximum of 107 million shares, over a 12 month period. Additional details are as follows:

- Commenced 27 November 2014
- 15.3m shares were bought back and subsequently cancelled in FY2015, at a total cost of $69m
- Impact of buy-back will be excluded from calculation of EPS for remuneration purposes

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW

Funding

During the period the Group further diversified funding sources with a debut issuance in the European debt capital markets. Aurizon Network issued a 10 year Euro 500m EMTN in September 2014 with coupon of 2.0% per annum. When swapped back into Australian dollars, this equates to a floating rate of 183 basis points over the Australian 90-day bank bill swap rate. The proceeds were used to repay existing bank debt maturing in 2016. Remaining bank debt facilities were re-priced and extended during the period. Other points to note about funding include:

- Strong cash flow resulted in repayment of Group level revolving debt facilities, with all long-term debt currently held in Aurizon Network
- Debt maturity profile average tenor increased to 4.3 years (FY2014 – 3.5 years)
- Liquidity at 30 June 2015 $1bn (undrawn facility + cash + working capital)
- Credit ratings unchanged at BBB+/Baa1
- Interest cost on drawn debt was flat at 4.9%
- Group gearing increased to 30.2% (FY2014 – 28.4%)

Tax

Income tax expense for FY2015 was $231m, representing an effective tax rate of 27.7%. The cash tax rate for FY2015 was 13.5%, which is less than 30% primarily due to IPO related tax adjustments and accelerated fixed asset related adjustments, including accelerated tax depreciation and capitalised deductible expenditure e.g. interest during construction and tax deductible repair and maintenance costs.

The effective tax rate for FY2016 is expected to be in the range of 28-30% and the cash tax rate is expected to be in the range of 18-23%.

3. Operating Ratio update

FY2015

Aurizon delivered on its target to achieve a 75% OR (25% EBIT margin) in respect of FY2015 despite above rail volumes being well below IPO estimates.

The OR for FY2015 was 74.3%, a 1.0ppt improvement from 1HFY2015 (75.3%) and a 3.4ppt improvement from FY2014 (77.7%).

Supporting the achievement of the 74.3% OR was the generation of $252m of sustainable cost out and productivity improvements between 1 July 2013 and 30 June 2015:

- Operations delivered $195m in transformation against a FY2015 target range of $160m-$200m
- Support delivered $57m in transformation, with $43m required to meet the FY2016 target of $100m

FY2015 delivered $123m in transformation benefits, with a net cost to deliver $56m ($36m VRP; $20m non-VRP).

- Operations – $99m
  - $42m in labour productivity – reflects a 5% reduction in average FTEs, productivity improvements driven by rostering changes and removal of deployment inefficiencies in turn reducing overtime and allowances, progressive depot consolidation for maintenance and Intermodal operations
  - $25m in fleet productivity – ongoing rationalisation and standardisation of fleet through running longer denser trains, and improved turnaround time and reliability, resulting in the cascade of assets to replace old inefficient fleet and minimising leasing costs through increased asset utilisation
  - $17m in rollingstock transformation reflecting revised maintenance schedules, reduction in wheel consumption and technology enhancements including on train repair and condition monitoring
  - $9m in other initiatives including lower consumable spend through better procurement, reduced requirements and improved safety performance
  - $6m in fuel and energy due to a 2% improvement in fuel consumption rates, driven by improvements in gross train weights, rationalisation of older, less fuel efficient fleet and enablement of fuel technology solutions
- Support – $24m
  - $15m reduction in professional services, lease costs, travel and other discretionary spend resulting from centralisation of activities, consolidation and rationalisation of the property portfolio, prioritisation for support of services and projects including improved utilisation of internal resources
  - $9m improvement in labour productivity following functional reviews addressing support activity effectiveness and efficiency which enabled a net reduction of FTEs

Corporate support cost review

Solid progress has been made on the structural reform of the corporate support functions, with a further $12m reduction achieved in 2HFY2015 ($24m for FY2015), bringing the cumulative savings since 1 July 2013 to $57m. Savings are accelerating in FY2016, with the following activities already commenced to achieve the targeted saving of $100m by FY2016:

- Reduction in layers and increases in spans of control across support functions
- Centralisation of administrative and support resources
- Ongoing consolidation and rationalisation of the property portfolio
- Implementation of alternative service delivery models, including outsourcing
- Right sizing of remuneration levels
- Process and resourcing efficiencies driven through investment in technology

Consultation on restructuring has already commenced in Human Resources, Enterprise Real Estate and Safety Health and Environment with other areas to follow.

FY2016-FY2018

Having achieved the 75% OR target for FY2015, Aurizon is seeking to leverage the strength of its safety, operational and commercial transformation into the next phase of its journey to drive shareholder value. Aurizon's OR targets for the next three years are as follows: FY2016 – 73.0%, FY2017 - 71.5% and FY2018 - 70.0%. Aurizon's ROIC target is a minimum average of 10.5% over the same period.

Aurizon Blueprint

Building on the achievements since IPO, Aurizon has evolved its long-term strategic direction. The 'Aurizon Blueprint' articulates our refreshed Vision, Mission, Strategy and Values.

Aurizon's vision is to be a world leading rail-based transport business that partners with customers for growth. As a company we aspire to be recognised for our exceptional capabilities and performance within our industry.

Aurizon's mission defines our purpose as a business and highlights our focus on delivering sustainable value for all of our stakeholders. Aurizon achieves this by applying a long-term focus and balanced approach to our decision-making. Aurizon is Australia's largest rail-freight company and has played a defining role in the development of the Australian rail industry. Aurizon's mission is to combine this strong legacy and proven track record with a global orientation to bring new opportunities, ideas and innovation into the markets that we serve.

Aurizon's values of safety, people, integrity, customer and excellence express what we stand for and guide how we will achieve our vision, live our mission and execute our strategy.

Aurizon's strategy

Aurizon's strategy is to develop and operate multi-customer, rail-based, integrated supply chains. This strategy leverages capability in the development of rail-based infrastructure and operation of sophisticated rail-based supply chains for multiple customers transporting a range of freight types.

Aurizon's foremost priority is to strengthen and grow our current business across all freight markets. Substantial progress has been made since our IPO in 2010 and we will continue the momentum of our safety, operational and commercial transformation into a world leading rail-based company.

Aurizon's strategy focuses Aurizon on three key themes to drive value creation: customer focus, productivity improvement and growth opportunities.

Customer focus

Helping Aurizon's customers prosper and grow is a priority and is essential if Aurizon is to do the same. Aurizon is driving changes throughout our business to enhance the customer experience and consistently deliver on what we promise. By collaborating with our customers, and taking an 'integrated supply chain' mindset, we will create win-win outcomes for our customers and Aurizon.

Aurizon's key priorities under customer focus are:

- Delivering great service
- Innovating commercial approaches
- Deepening relationships

Productivity improvement

Aurizon's productivity improvement drive is about doing more with less. Aurizon takes a national approach to our operations and is redesigning and standardising our practices to ensure a safe and efficient operation that delivers consistent and optimal outcomes across the supply chain. This is supported by people and technology investments that will enable higher levels of asset productivity and supply chain performance.

Aurizon's key priorities under productivity improvement are:

- Embedding safe, efficient and effective processes
- Driving disciplined execution
- Optimising assets and capital
- Implementing enabling technologies
- Growing people, diversity and capabilities
- Facilitating supply chain coordination

Growth opportunities

Aurizon will continue to pursue growth opportunities which are consistent with, or adjacent to, today's business to enable long-term, sustainable growth in shareholder returns.

Aurizon is aiming to diversify our portfolio by leveraging our capabilities into new bulk and general freight opportunities.

Over the past five years, Aurizon has had success in transferring its capabilities and diversifying its portfolio into new markets. For example, we have launched greenfield start-ups in NSW Hunter Valley Coal and WA Iron Ore and have also completed acquisitions such as WA Diversified Bulk Freight.

Aurizon is seeking to build on this success through the disciplined pursuit of existing growth opportunities and the identification, evaluation and execution of new opportunities where our capabilities and services, either alone or in partnership, can create value. Examples of these include the West Pilbara Iron Ore Project, Moorebank and the Galilee Basin Rail and Abbot Point Port Project.

Directors' Report (continued)
OPERATING AND FINANCIAL REVIEW

Segment review

Network

Aurizon Network operates the 2,670km CQCN. The open access network is the largest coal rail network in Australia and one of the country's most complex, connecting multiple customers from more than 50 mines to three ports. The CQCN includes four major coal systems the Moura, Blackwater, Goonyella and Newlands.

NETWORK FINANCIAL SUMMARY

	FY2015 $M	FY2014 $M	VARIANCE %
Total revenue	**1,108**	**1,012**	**9%**
Access	1,048	951	10%
Services/Other	60	61	(2%)
Operating costs	**(409)**	**(402)**	**(3%)**
Employee benefits expense	(121)	(125)	3%
Energy and fuel	(107)	(111)	4%
Consumables	(165)	(148)	11%
Other expenses	(16)	(18)	11%
EBITDA	**699**	**610**	**15%**
EBITDA margin	63.1%	60.3%	2.8ppt
Depreciation and amortisation expense	(215)	(198)	(9%)
Underlying EBIT	**484**	**412**	**17%**
Operating Ratio	**56.3%**	**59.3%**	**3.0ppt**

NETWORK OPERATING METRICS

	FY2015	FY2014	VARIANCE %
Tonnes (m)	225.7	214.5	5%
NTK (bn)	56.2	54.2	4%
Access revenue/NTK ($/000 NTK)	18.6	17.5	6%
Maintenance/NTK ($/000 NTK)	2.5	2.5	-
Opex/NTK ($/'000 NTK)	11.1	11.1	-

Network performance overview

Underlying EBIT increased $72m to $484m, driven by an increase of $96m in total revenues partially offset by a $24m increase in depreciation and operating expenditure.

As Access Undertaking 2013 (UT4) was not finalised during FY2015, transitional tariffs remained in place for the entire year and were the basis on which access revenue was recognised.

In addition, access revenue was not capped in FY2015 unlike FY2014, therefore revenue growth of 9% exceeded volume growth of 5%. This resulted in a 6% increase in access revenue per NTK. Transitional revenue earned during FY2015 was broadly consistent with the QCA's Draft UT4 Maximum Allowable Revenue (MAR) decision, as transitional tariffs were applied to actual volumes (refer Network operational update for further details).

The Network business established new performance records in FY2015, including record railings across the CQCN of 225.7mt, a 5% increase, whilst setting a number of operational and performance records:

- Reliability benchmarks set in FY2014 were maintained whilst successful execution of efficiency initiatives underpinned the delivery of a 4% increase in NTKs, including:
  - FY2015 CQCN volumes increased 11mt (5%) with average payloads increasing 1.7% with longer trains delivering an additional ~3mt or 30% of volume growth. A 20% reduction in closure hours was also a key enabler for the delivery of an additional ~8mt or 70% of volume growth
  - Network delays improved 3% to 20.7 from 21.3 (measured as below rail delays excluding crossings greater than 15 minutes per train service)
  - Network caused cancellations as a percentage of completed services reduced 5ppt from FY2014
  - New CQCN railing records were set in 11 of the 12 months
- Successfully deployed the first stage of the mechanised fleet upgrade program comprising two high production tampers and regulators and 24 ballast spoil wagons
- Commissioned the first stage of WIRP on time and under budget, enabling first export coal to be shipped through the Wiggins Island Coal Export Terminal (WICET) on 20 May 2015
- Rolleston branch line electrification commissioned in December 2014 with first railings on 15 December 2014

Network variance analysis

The $72m increase in underlying EBIT was attributable to:

- A net increase in revenue of $96m principally due to:
  - $89m increase in underlying access revenue:
    - The transitional MAR (excluding GAPE) agreed for FY2014 was rolled forward into FY2015, adjusted for CPI and revenue cap, resulting in a $38m uplift to the FY2015 MAR to $777m
    - FY2015 Network revenues were uncapped i.e. the transitional tariff was applied to actual volumes railed which exceeded the volume forecast of 193.7mt (ex. GAPE). The FY2014 MAR revenue was capped and based on forecast volumes of 186mt (excluding GAPE) with a resulting $70m over collection due to higher railings returned to customers at the end of FY2014
  - $12m of revenue relating to the 2013 flood claim of $18m. The remaining $6m will be collected in FY2016
  - $6m access revenue from WIRP which commenced railing in May 2015, at the approved transitional Blackwater and Moura tariffs; partly offset by
  - $10m reduction in Electric Charge (EC) revenue due to a stepped reduction in the EC rate resulting from the removal of the carbon tax
- A net increase in operating costs of $7m (2%), despite a 5% increase in volumes due to tighter cost control and lower traction costs
- A net increase in depreciation of $17m mainly relating to ballast, asset renewals, completion and commissioning of various WIRP segments (Rocklands to Stanwell duplication, Dingo to Bluff and Balloon Loop) and the Rolleston electrification

Network operational update

Access Undertaking 2013 (UT4)

- The Queensland Competition Authority (QCA) has split its draft decision with respect to UT4 into two parts:
  - Draft Decision on MAR released on 30 September 2014
  - Draft Decision on UT4 Policy and Pricing Matters released on 30 January 2015
- To enable the continuation of existing 2010 Access Undertaking (UT3) until finalisation of UT4, Aurizon Network on 23 March 2015 submitted a third extension Draft Amending Access Undertaking (DAAU) to the QCA for approval. Subsequent addendums were provided to this DAAU on 15 April 2015 and 11 May 2015, following the announcement by the QCA on 4 May 2015 of a delay to the issuance of a final UT4 decision to October 2015
- The DAAU proposed to extend the terminating date for UT3 to the earlier of 29 February 2016 or the date on which the undertaking is withdrawn in accordance with the QCA Act

Transitional tariff arrangements

- In June 2014, a 'Transitional Tariffs' DAAU was approved by the QCA to further extend UT3 to the earlier of 30 June 2015 and the QCA's final decision on UT4, and to apply transitional reference tariffs for FY2015
- The transitional reference tariffs recover a total MAR for FY2015 of $777m, inclusive of the FY2013 revenue cap (including Weighted Average Cost of Capital – WACC) of circa $35m, but excluding EC and rebates, with forecast volumes of 193.7mt. Both the MAR and volumes are exclusive of the GAPE which operates under different contractual obligations
- On 10 June 2015, the QCA approved the March 2015 DAAU, which set the FY2016 transitional tariffs to align with the QCA's Draft UT4 MAR decision and finalised the FY2015 transitional tariffs, System Volume Forecasts and System Allowable Revenues (SAR). The true-up of the FY2014 and FY2015 MAR between the actual FY2014 and FY2015 revenue is to be determined by the QCA in its final UT4 decision expected in FY2016
- The DAAU approved in June 2015 also confirmed an increase of $12m to the FY2015 allowable revenue (and tariffs) for Blackwater ($9m) and Moura ($3m) relating to the 2013 Flood event. The remaining $6m is to be recovered in FY2016

Standard User Funding Agreements (SUFA)

- The SUFA framework provides customers with an alternative mechanism for funding the expansion and growth of the CQCN, should Aurizon Network elect not to fund such an expansion
- The QCA issued its draft decision on 31 October 2014 and requested parties provide submissions on the matters raised by 16 January 2015
- Aurizon Network lodged a submission in response to the draft decision to the QCA by the due date
- The QCA expects to have issued a final SUFA decision in August 2015 with inclusion of the applicable provisions in the final UT4 Access Undertaking

Growth

- Wiggins Island Rail Project (WIRP)
  - WIRP links the mines in the Southern Bowen Basin with the new WICET at the Port of Gladstone and increases the total capacity of the Moura and Blackwater systems by 27mtpa, or approximately 30%
  - The rail works required for the first coal shipments were commissioned progressively to align to the commencement of WICET's operations and were completed in March 2015
  - The WIRP fee (those earnings above the regulated fee) and ramp-up of regulated earnings will commence in FY2016, and are based on the total cost of the project of $818m (excluding capitalised interest and $13m of Wiggins Island Balloon Loop electrification and Callemondah Feeder Station costs)
  - On 31 July 2015 the QCA issued a Supplementary Draft Pricing Decision for WIRP Reference Tariffs. The QCA proposes WIRP Moura and Blackwater revenues be socialised within their existing systems with the Moura and Rolleston WIRP traffic being subject to a system premium, and all other WIRP traffic paying the respective system tariff. The QCA proposes that WIRP regulatory revenues ramp up in line with the WIRP customer access contracts. The final outcome on WIRP pricing will be decided as part of the UT4 final decision
- Hay Point Terminal expansion
  - Construction of the Goonyella system expansion to support the Hay Point Coal Terminal upgrade (a further 11mtpa, lifting the Goonyella system capacity to 140mtpa) has been completed
  - Commissioning of this infrastructure was reliant on the commissioning of the Wotonga Feeder Station which was completed in June 2014 and was connected to the Powerlink Network in July 2015
  - The Hay Point Coal Terminal expansion is expected to be commissioned in September 2015
  - The project was delivered under budget at $121m
- Rolleston Electrification Project
  - Electrification of the existing 107km Rolleston spur line commenced in July 2013 and was completed in December 2014, at a total cost of $150m
  - First electric railings commenced on 15 December 2014

Directors' Report (continued)
OPERATING AND FINANCIAL REVIEW

Commercial & Marketing

The Commercial & Marketing function is the key interface between customers and Aurizon, responsible for the management of Coal, Freight and Iron Ore customer relationships. Also included was the incubated CRT Industrials business until that business was divested on 1 December 2014.

COMMERCIAL & MARKETING SUMMARY

	FY2015 $M	FY2014 $M	VARIANCE %
Total revenue	3,151	3,271	(4%)
Coal	1,894	1,864	2%
Above Rail	1,187	1,215	(2%)
Below Rail[1]	707	649	9%
Freight	919	1,029	(11%)
Iron Ore	338	378	(11%)
Operating Costs	**(67)**	**(126)**	**47%**
Employee benefits expense	(47)	(60)	22%
Energy and fuel	(1)	(4)	75%
Consumables	(29)	(63)	54%
Other expenses	10	1	> 100%
EBITDA	**3,084**	**3,145**	**(2%)**
Depreciation and amortisation expense	(5)	(11)	55%
Underlying EBIT	**3,079**	**3,134**	**(2%)**

1 An amount equivalent to below rail revenue is included in Operations' costs, reflecting the pass through nature of access tariffs.

COMMERCIAL & MARKETING OPERATING METRICS

	FY2015	FY2014	VARIANCE %
Coal			
Total tonnes hauled (m)	211.2	210.4	0%
Queensland	168.3	169.9	(1%)
NSW	42.9	40.5	6%
% Volumes under new form contracts	64%	53%	11.0ppt
Contract utilisation	92%	91%	1.0ppt
Total NTK (bn)	49.1	49.2	0%
Queensland	42.0	42.8	(2%)
NSW	7.1	6.4	11%
Total revenue/NTK ($/'000 NTK)	38.6	37.9	2%
Above rail revenue/NTK ($/'000 NTK)	24.2	24.7	(2%)
Below rail revenue/NTK ($/'000 NTK)	14.4	13.2	9%
Above rail revenue/GCNTK ($/'000 NTK)	21.7	22.5	(4%)
Freight			
Total tonnes hauled (m)	46.0	46.3	(1%)
Total NTK (bn)	12.9	12.5	3%
Total revenue/NTK ($/'000 NTK)	71.2	82.3	(13%)
Iron Ore			
Total tonnes hauled (m)	25.6	29.9	(14%)
Contract utilisation	106%	100%	6.0ppt
Total NTK (bn)	10.4	12.2	(15%)
Total revenue/NTK ($/'000 NTK)	32.5	31.0	5%

Commercial & Marketing performance overview

Underlying EBIT decreased 2% to $3,079m from $3,134m due to a $120m (4%) decrease in revenue partly offset by $65m reduction in operating costs and depreciation.

Coal volumes were marginally up 0.8mt to 211.2mt, with Queensland volumes down 1% at 168.3mt reflecting the closure of Peabody's Wilkie Creek mine, the end of Rio Tinto's Hail Creek contract in the prior year and Cyclone Marcia in February 2015. NSW volumes were 6% higher at 42.9mt reflecting the ramp-up of the Whitehaven contract which commenced 1 March 2015, partly offset by severe weather in April 2015. Coal volumes hauled under new form contracts increased 11ppts to 64% with contract utilisation increasing 1ppt to 92%.

While total Coal revenues increased, above rail revenue decreased due to a $25m reduction in annual performance bonuses, reflecting the flat volume environment as well as a $27m reduction in pass through fuel revenues due to the fall in diesel prices, with above rail revenue/NTK decreasing 2% and above rail revenue/GCNTK decreasing 4%. Below rail revenue increased 9% due to increased access revenue from uncapped Network revenues and higher transitional tariffs, resulting in below rail revenue/NTK increasing 9%.

Freight volumes declined 1% (0.3mt) to 46.0mt with Bulk up 3% and Intermodal down 6% (excluding CRT). Bulk volumes increased due to improvements in nickel (impact of Indonesian embargo in prior corresponding period), fertiliser, alumina, grain and sugar volumes partly offset by the expiry of two Queensland contracts. Intermodal tonnages were impacted by the severe weather in NSW which closed the North-South rail line for 18 days in April and May, as well as continuing soft market conditions impacting the broader market.

Iron Ore volumes decreased 14% due to the end of the Mineral Resources 4mtpa and Mt Gibson's Tallering Peak 3mpta contracts as previously advised.

Partly offsetting the lower revenue was a reduction in operating costs of $59m (47%) and depreciation of $6m (55%) largely due to the disposal of CRT.

Commercial & Marketing variance analysis

The $55m (2%) decrease in underlying EBIT can be attributed to:

- Coal revenue increased by $30m (2%) despite flat volumes
  - Below rail revenue increased $58m (9%) due to uncapped Network revenue (revenue was capped in FY2014) together with indexation of transitional tariffs, partly offset by lower take-or-pay pass through revenue
  - Above rail revenue decreased $28m (2%) principally reflecting:
    - $27m reduction in pass through fuel revenue
    - $25m reduction in annual performance bonuses; partly offset by a
    - $24m increase from escalation of freight rates ($18m) and marginal volume growth ($6m)
- Freight revenue declined by $110m (11%) due to:
  - $68m decrease in CRT revenue to $38m following the disposal of the business on 1 December 2014
  - $32m decrease in pass through fuel revenue
  - $15m decrease in TSC revenue reflecting lower contracted services; partly offset by a
  - $5m increase in Intermodal revenue due to changes in customer and product mix more than offsetting the 6% decline in volumes
- Iron Ore revenue declined by $40m (11%) due to the 14% volume decrease noted above and reduced pass through fuel revenue
- Operating costs and depreciation reduced by $65m (47%) principally reflecting the disposal of CRT in December 2014

Customer update

The current environment continues to be challenging for our customers across most commodities due to depressed commodity prices. Aurizon has worked diligently with customers throughout the year, employing a range of logistical and commercial strategies in response to the market conditions.

Coal

Aurizon's contracts

- 96% of contracts expected to be new form by FY2018 (based on forecast contracted volumes)
- Weighted average remaining contract length as at 30 June 2015 was 7.5 years (QLD 7.3 years, NSW 7.9 years)
- FY2015 above rail revenue – 53% fixed: 47% variable

Major developments for FY2015:

- Reached agreement with Anglo American and Mitsui to renew the haulage agreement for the Dawson and Callide mines on the Moura corridor, effective 1 July 2015. This involved a 10 year agreement for significant coal volumes, on a performance-based, new form contract
- Executed a long-term, performance-based contract with Caledon Coal, for up to 4mtpa from the Cook mine to WICET on the Blackwater corridor. The new form agreement is for 11 years through to June 2026, and replaces the previous 0.5mtpa agreement
- Yancoal's Yarrabee mine converted to a new form contract on 1 July 2014. Volumes increased to 3.2mt for a term of 10 years and are contracted to include haulage to WICET once complete
- Haulage for Whitehaven's Maules Creek mine commenced 1 January 2015 under an existing spot contract. The long-term haulage contract commenced 1 March 2015 at 6.4mtpa, and Whitehaven has nominated an increased annual tonnage from 6.4mtpa to 7.2mtpa commencing 1 April 2016
- The Anglo American German Creek 2mtpa contract ended on 30 November 2014 and was not renewed
- The new long-term performance-based contract with BMA/BMC commenced on 1 July 2015 for its Blackwater corridor mines, representing approximately a third of the BMA/BMC portfolio volumes. Goonyella corridor mines commence under the new agreement on 1 July 2016. This new form contract replaces the previous 2005/06 legacy agreement, providing a flexible, performance-based contract for BMA/BMC for up to 12 years

Directors' Report (continued)
OPERATING AND FINANCIAL REVIEW

Freight

Aurizon's Freight business includes haulage of Bulk commodities in Queensland (East) and Western Australia (West) and Intermodal containerised freight and logistical solutions across Australia.

Bulk

Bulk accounts for 88% of Freight railings with Alumina, Bauxite, Nickel and Sugar making up over half of the bulk commodities railed in QLD and WA.

The volume environment remains challenging in the medium-term due to competition from road and lower commodity prices. A number of key customer contracts expired during the year and were not renewed primarily due to unviable operations at current commodity prices including Glencore Bulk concentrates, Cement Australia in QLD and Griffin Coal and Rosslyn Hill (lead carbonate) in WA.

Given this, a key focus for Bulk has been on improving revenue quality, by transforming legacy agreements to new form commercial arrangements. Aurizon remains on target for 80% of volumes to be under new form contracts by FY2017 with examples of contracts converted during the year detailed below. In addition to improving revenue quality, Aurizon remains focussed on cost control, improving operational efficiencies and exploring new revenue opportunities.

FY2015 legacy agreements transformed to new form:

- Queensland Nickel import (10 years)
- BHPB Cannington (seven years)
- Cement Australia Mt Isa (three years) with option to extend by one year
- Murrin Operations Pty Ltd (Minara) – sulphur, ammonia, nickel (10 years)

FY2015 new agreements and renewals:

- Queensland Nickel Glen Geddes domestic - one year with opportunity for an additional 12 months – 1.3mt
- The General Freight Transport Services Contract (TSC) which was due to expire on 30 June 2015 is currently operating under a short-term extension. Aurizon is in the process of negotiating extended commercial arrangements for both the General Freight and Livestock services. FY2016 TSC Revenue is expected to reduce by approximately $65m (60%)

Intermodal

Growth in the Australian economy remained below average throughout FY2015 which has translated into challenging conditions in the domestic containerised freight market. While growth in some categories of Australian retailing such as household durable goods has improved, volume growth in Australian food retailing and North Queensland construction remains particularly subdued.

Aurizon continued to focus on unique segments of the market by targeting beneficial freight owners (BFO) who require direct collaboration with rail provider. BFO customers now account for 68% of volumes. This strategy is expected to drive moderate volume and revenue growth.

Aurizon is seeing above trend growth in the Melbourne to Brisbane corridor driven by a new service offering implemented in October 2014 and supported by materially improved reliability. The new scheduling has increased capacity by up to ~14%, with growth continuing into FY2016 with the signing of some key customers converting from road to rail. Ongoing fleet upgrades will further enhance capacity management, reduce lease costs and maximise reliability of services. Aurizon will continue to focus on this corridor during FY2016 with the aim of implementing a seamless Melbourne to Cairns (East Coast) supply chain.

Iron Ore

Iron Ore railings account for 9% of Aurizon's total railings, operating solely in Western Australia. The US dollar iron ore spot price fell 37% in FY2015 creating a challenging environment for Aurizon's customers. However, a 19% decline in the Australian dollar against the US dollar in FY2015 has somewhat reduced the impact.

Total volumes in FY2015 were 25.6mt with average contract utilisation at 105% and a weighted average contract life of 6.5 years at 30 June 2015. Significant commodity price reductions in FY2015 has created a challenging operating environment for our customers and Aurizon is having some active discussions regarding near-term contract adjustments offset by long-term security including future exclusivity and extended tenures.

Operations

The Operations function is responsible for the national delivery of all coal and freight haulage services. This includes yard operations, fleet maintenance, operations engineering and technology, program delivery and safety, health and environment. Operations also deliver below rail engineering, project management and maintenance services to the Network business as well as external customers.

Operations is comprised of six divisions that leverage Aurizon's key operational capabilities, including Operations Planning, Engineering and Maintenance, Service Delivery Coal Markets, Service Delivery Freight, Program Delivery and Safety, Health and Environment.

OPERATIONS SUMMARY

	FY2015 $M	FY2014 $M	VARIANCE %
Total revenue	**332**	**336**	**(1%)**
Total operating costs	**(2,564)**	**(2,648)**	**3%**
Employee benefits expense	(787)	(790)	0%
Energy and fuel	(183)	(268)	32%
Track access	(973)	(916)	(6%)
Consumables	(604)	(641)	6%
Other expenses	(17)	(33)	48%
EBITDA	**(2,232)**	**(2,312)**	**3%**
Depreciation and amortisation expense	(295)	(287)	(3%)
Underlying EBIT	**(2,527)**	**(2,599)**	**3%**
Underlying EBIT (excluding access)	**(1,554)**	**(1,683)**	**8%**

OPERATIONS OPERATING METRICS

	FY2015	FY2014	VARIANCE %
Net opex[1]/NTK ($/'000 NTK)	34.9	35.2	1%
Net opex[2]/NTK (excluding access) ($/'000 NTK)	21.5	22.8	6%
Total tonnes hauled (m)	282.8	286.6	(1%)
Net tonne kilometres - NTK (bn)	72.4	73.9	(2%)
FTE (monthly average)	5,403	5,666	5%
NTK/FTE	13.4	13.0	3%
NTK/Active loco	10.33	9.59	8%
Active locos (as at 30 June)	567	597	5%
NTK/Active wagon	0.43	0.41	5%
Active wagons (as at 30 June)	13,960	14,264	2%
Average payload coal (tonnes)	8,188	7,920	3%
Turnaround time[3] – CQCN (hrs)	25.10	25.43	1%
Fuel consumption (l/d GTK)	3.19	3.27	2%

1 Net opex/NTK is calculated as Operations Underlying EBIT/NTK (i.e. this metric represents operational expenditure net of revenue). Net expenditure is used to measure above rail productivity, as Operations revenue includes intercompany revenue for services provided (and therefore costs incurred) for Network. In addition, Operations also incurs expenditure in generating revenue on commercial rollingstock and infrastructure maintenance contracts.

2 Net opex/NTK (excluding access) excludes track access costs in order to measure productivity net of access costs which are generally passed through to above rail customers (and shown in Commercial & Marketing revenue).

3 As average turnaround time can be influenced by the mix of hauls and mine/port combinations, in FY2016 Aurizon will transition to report velocity (train speed).

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW

Operations performance overview

Underlying EBIT improved 3% in FY2015, as a result of productivity improvements driven by the ongoing transformation program and by lower pass through diesel fuel costs, partly offset by an increase in track access costs.

Operations delivered total volumes of 282.8mt in FY2015, a decrease of 1% on the prior year. Volumes were impacted by:

- Lower Iron Ore volumes as expected due to the end of two customer contracts
- Lower Coal volumes in the Goonyella system with the operational ramp-up of a third above rail operator
- Severe weather event in NSW and Cyclone Marcia in QLD affecting Coal and Freight volumes

Transformation benefits totalling $99m were delivered during the period with key components being labour productivity ($42m), fleet productivity ($25m), rollingstock transformation ($17m), consumables savings ($9m) and fuel efficiency ($6m). In addition, a further $16m of transformation benefits were realised in Support and allocated to operations through labour productivity ($6m) and consumables savings ($10m).

Operations variance analysis

The $72m or 3% improvement in underlying EBIT was largely due to:

- A net decrease in revenue of $4m, due to reduced volume of Queensland Rail rollingstock maintenance works (including Townsville workshop contract ceasing 30 June 2014), offset by profits on disposal of excess rollingstock
- Overall operating costs (excluding track access but including depreciation) reduced by $133m:
  - Employee benefits expense - decreased $3m largely driven by transformational savings of $48m (inclusive of Support transformation allocations) including FTE reduction, overtime and contractor reductions offset by VRP costs of $30m, wage escalation and lower performance pay in prior corresponding period of $13m
  - Energy and fuel – $85m reduction driven by $70m benefit from lower diesel fuel prices, $9m from lower volumes, and transformation initiatives delivering a 2.3% improvement in fuel efficiency (l/DGTK), saving $6m
  - Consumables and other expenses – majority of the $53m savings were realised through transformation programs ($61m) including rollingstock maintenance transformation and fleet productivity benefits partly offset by cost escalation
  - Depreciation – higher depreciation of $8m driven by new capital investment including the new Whitehaven fleet as well as bulk wagon overhauls
- Track access – the $57m (6%) increase reflects the impact of uncapped Network revenues in FY2015, whereas revenues were capped in FY2014. This resulted in coal customers paying access costs for every tonne railed in FY2015, unlike FY2014 where access costs above the capped level were refunded (refer Commercial & Marketing commentary)

Operational update

People

- Aurizon achieved significant milestones in reform across the industrial relations landscape after two years of negotiations. This breakthrough will enable the next phase of the continuous improvement journey to continue
- FTE reduced 5% from FY2014 to 5,403. Employee productivity (NTK/Employee) improved 3% driven by the reduction in FTEs from the following initiatives:
  - Ongoing organisational structural reform in technical, office, support and project-based roles focussed on alignment of accountabilities, conversion of contractors to FTEs, and continued focus on driving productivity improvements
  - Reduction in 191 maintenance employees associated with the partial closure of the Redbank and Townsville workshops resulting from the termination of the Queensland Rail contracts
  - National scale advantages leveraged through relocation of employees on temporary and permanent basis (WA and Toowoomba) into Coal, reducing recruitment and training requirements

Fleet productivity

FY2015 saw ongoing increases in locomotive and wagon productivity of 8% and 5% respectively driven through improvements in train design. Benefits realised include reduction in dwell time and train starts, fleet standardisation, improvement in availability and reliability, increased train lengths, densities and velocities, exit of rollingstock leases and further disposals of surplus fleet.

Energy and fuel efficiency

Uplift in fuel efficiency of 2% against FY2014 was realised, driven by improved train design in WA, Intermodal and CQCN as well as driver behaviour. Continued operational improvements have also been made through rollout of new technology and use of higher grade fuel. The Driver Advisory System (DAS) continues to be rolled out in CQCN as well as a progressive rollout of trip optimiser technology from FY2016. Electricity consumption intensity improved 6% in FY2015 driven by regenerative braking technology initiatives introduced in the Blackwater and Goonyella corridors.

Engineering and maintenance

Transformation continued with ongoing focus on safe, reliable, low cost operations. A strong systematic approach to maintenance, together with integrated planning and execution has resulted in locomotive and wagon availability improving 2% and 3% to 92% and 94% respectively.

Consolidation of the maintenance footprint has continued in line with the reduction of non-core external services carried out at the heavy maintenance facilities:

- The contract for the maintenance of the Queensland Rail (QR) passenger fleet expired on 30 June 2015. Accordingly, these services have now ceased, with an estimated revenue impact of $60m in FY2016. External maintenance services to QR in the form of scheduled maintenance and compliance certifications will continue at Redbank as contracted until 31 December 2016
- The Redbank locomotive and wheel shop for Aurizon's locomotive fleet will continue to operate until 30 June 2017 when the facility will then close. Work under the QR contract in Townsville ceased on 30 June 2014, with only the wheel shop remaining open in Townsville during FY2015
- The restructure of both the Redbank and Townsville shops resulted in a reduction of 191 employees in FY2015 through voluntary redundancies and attrition, with an additional 80 employees leaving in early FY2016

Wayside condition monitoring technology allows the electronic inspection for assessing rollingstock condition and is an enabler for future transformation of the maintenance business. Key benefits include the removal of reliability examinations and physical inspection tasks, with a focus on large and consistent fleets. Regulatory approval was received enabling timing of physical reliability examinations to increase from 21 to 42 days in the Goonyella system following the successful installation of equipment at supersites in Blackwater and Goonyella during 2HFY2015.

Condition monitoring has enabled a number of other initiatives including the on-train repair (OTR) program. OTR will deliver the infrastructure and systems required to safely and sustainably deliver unit train maintenance, reducing requirements to break trains and shunt. On-train wheel change processes are now in operation within Jilalan in the wagon yard. Key benefits include running components to full life, eliminating unscheduled maintenance and utilising reliability examinations to perform maintenance tasks.

Operations capital programs

Aurizon Operations continue to focus on growth and transformational projects. Significant project updates are as follows:

- The construction of the Hexham Train Support Facility (TSF) was completed on time and budget of $186m. Operational benefits are being delivered through dedicated provisioning facilities and on-site maintenance allowing for increased capacity, decreased operational cost and improved turn-around times. The site is a key enabler in allowing Aurizon to meet its commitments to Whitehaven's Maules Creek mine
- The Whitehaven Implementation Project has focussed on the delivery and testing of new rollingstock for the start-up of Whitehaven's Maules Creek mine. Three new consists were commissioned and progressively introduced into service in 2HFY2015. The second tranche of investment in 88 new wagons has been ordered and is anticipated to be in service in 2HFY2016. Future investment is contingent on mine and contract ramp-up
- The Freight Management Transformation (FMT) involves upgrading core business applications and re-engineering our processes to drive step change improvements through optimising scheduling, billings, yard operations and train operations at a total capital cost of $100m. FMT is due to go-live with the first of three national deployments in late CY2015. Financial benefits will be realised through improved operating methodology and improved billings systems which are aligned to operating requirements

Other

Other includes miscellaneous activities such as non-rollingstock asset sales and corporate overheads that have not been allocated to Network, Commercial & Marketing and Operations. The percentage of support costs allocated to these functions in FY2015 was 70% (FY2014 69%).

OTHER SUMMARY

	FY2015 $M	FY2014 $M	VARIANCE %
Total revenue	**46**	**17**	**171%**
Operating costs	**(108)**	**(110)**	**2%**
Employee benefits expense	(54)	(60)	10%
Consumables	(25)	(46)	46%
Other expenses	(29)	(4)	> (100%)
EBITDA	**(62)**	**(93)**	**33%**
Depreciation and amortisation expense	(4)	(3)	(33%)
Underlying EBIT	**(66)**	**(96)**	**31%**

OTHER METRICS

	FY2015	FY2014	VARIANCE %
FTE	528	671	21%
Operating costs /Revenue	3.0%	3.0%	0.0ppt

Variance analysis

Underlying EBIT improved $30m (31%) to ($66m) due to:

- A net increase in revenue of $29m comprising the net benefit from asset sales including the Redbank maintenance facility and CRT
- A net decrease in operating costs and depreciation of $1m principally due to $11m relating to lower project costs and tighter discretionary spend and $8m in transformation benefits
- Offset by $15m non-cash impairment relating to the Galilee Basin Greenfield expansion project costs and $3m increase in VRP costs

Other activities

Senior management changes

Dr Jennifer Purdie commenced in the role of Executive Vice President (EVP) Enterprise Services on 1 August 2015. Jennifer will have responsibility for Information Technology, Group Legal and General Counsel, Office of the Company Secretary, National Policy and Safety, Health and Environment.

Risk

Aurizon operates a mature system of risk management that is focussed on delivering objectives and is aligned to international standards. Aurizon's Board is actively engaged in setting the tone and direction of risk management, with a clear articulation of risk appetite aligned to the company strategy and risk management practices that support consistent delivery of expected outcomes. Aurizon has full confidence in the management of Aurizon's key risks and acknowledge that internal and external factors can influence financial results.

The most significant factors relating to future financial performance are set out in the following commentary.

Product demand, commodity prices and general economic conditions

Aurizon's customers in core markets are reliant on demand from large export markets such as China, Japan, South Korea and India. Fluctuations in demand in turn impact commodity prices, product volumes and investment in growth projects. Whilst Aurizon has confidence in the long-term prospects for the key commodities of coal and iron ore, in the short-term Aurizon's core markets may not deliver the same levels of growth that have been experienced in the recent past.

Major growth projects

Aurizon's involvement in significant projects in the West Pilbara and Galilee Basin, if proceeding to execution, will involve large-scale capital investment. We retain optionality regarding final investment decisions on these projects and will only proceed once satisfied on key commercial terms such as financial viability, execution risk and funding options. Capitalised costs may be impaired should projects not proceed.

Regulatory risk of the Access Undertaking (UT4)

Aurizon is continuing to work with the QCA and industry stakeholders to secure acceptable regulatory outcomes for the CQCN in accordance with the processes set out in the relevant legislation. Not attaining appropriate pricing and policy regulatory settings may negatively impact revenue, operational complexity, capital investment and administrative overhead.

Adverse weather events

Aurizon's business is exposed to extreme weather events in core markets that, if experienced, could have a material impact on customers, supply chains and Aurizon's operational performance. Each of these factors in turn may impact Aurizon's financial performance. Weather can also have an impact on bulk haulage volumes for agricultural commodities such as grain, sugar and fertiliser.

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW

Competitor activity and customer contracts
Aurizon's competitors may adopt irrational pricing when bidding for contestable contracts, new competitors may emerge or Aurizon's competitive position may become weakened over time. Aurizon's most significant customer contracts are secured on long-dated terms however failure to win or retain customer contracts will always be a risk to future financial performance.

General regulatory risk
Aurizon's operations and financial performance are subject to legislative and regulatory oversight. Unfavourable changes may be experienced with respect to access regimes, safety accreditation, taxation, environmental and industrial (including occupational health and safety) regulation, government policy and approval processes. These changes may have a material adverse impact on project investment, Aurizon's business in general and Aurizon's customers.

Asset impairment
Aurizon's assets are subject to impairment testing each year. With a large portfolio of fixed assets, there is the potential that if we were to experience reduced haulage volumes, some assets may become impaired.

Concentration of key customers and markets
Aurizon's earnings are concentrated in coal and iron ore markets across a relatively small number of customers. Issues relating to contract renewals, supply chains disruptions or macro-industry issues may have a material adverse impact on Aurizon's financial performance.

Enterprise Agreement (EA) update
During the year, Aurizon made significant progress towards negotiating replacement Enterprise Agreements that are fair, competitive and commercially sustainable. The 14 Queensland legacy agreements that cover ~4,500 staff represented by six unions expired in December 2013 and Aurizon has been bargaining with unions since April 2013.

- The Staff Enterprise Agreement covering ~1400 non-operational and some supervisory employees was approved by the Fair Work Commission and implemented on 28 January 2015
- The proposed Construction and Maintenance (C&M) EA covering ~1,500 employees received a positive vote by employees on 15 July 2015
- The proposed Train Crew and Transport Operations (TC&TO) EA covering ~1,700 received a positive vote by employees on 27 July 2015

These two outstanding agreements have been subsequently lodged with the Fair Work Commission (FWC) and will be in force seven days after approval.

Sustainability
Aurizon is committed to building a long-term sustainable business that delivers lasting value for its shareholders, customers, employees and communities. In November 2014, Aurizon released its inaugural Sustainability Report relating to FY2014. Please refer to **aurizon.com.au/sustainability** for a detailed analysis of material sustainability priorities.

Aurizon's FY2015 Sustainability Report will be released in November 2015. Central to the reporting process is the process the Global Reporting Initiative (GRI) describes as 'identifying material aspects', being those issues that reflect the organisation's significant economic, environmental and social impacts or issues that substantively influence assessments and decisions of stakeholders.

For consistency with prior reporting, a brief summary of Aurizon's performance in connection with Safety, Environmental Management and Organisational Capability is outlined below.

Safety
Aurizon's commitment to safety has ensured another year of significant improvement in our performance. Lost Time Injury Frequency Rate (LTIFR) improved 43% to 0.16 and Total Reportable Injury Frequency Rate (TRIFR) improved 14% to 2.41. Between 30 June 2010 and 30 June 2015, Aurizon has now achieved a 97% reduction in LTIFR and a 92% reduction in TRIFR. These results demonstrate that Aurizon is a world leading organisation where safety is the core value and intrinsic in our decision-making processes.

FY2015 will always be remembered for the terrible incident at Stanwell in which two of our colleagues and a contractor were killed in what was a most tragic road accident. The accident irrevocably affected the lives of family, colleagues and friends, and at an organisational level, such a tragedy reinforces Aurizon's commitment to safety - all injuries can be prevented. As a result of this incident, our first obligation was to redouble our efforts to avoid any repeat and to continue the journey of safety improvement that we've pursued in recent years. Aurizon is working with Queensland Police, the Department of Transport & Main Roads and industry partners to improve rail corridor safety by upgrading level crossings and working with communities and school children.

Aurizon remains committed to **ZERO**Harm. Key enabling initiatives include: refinement of critical training, further process re-engineering, operational technology solutions and yard terminal optimisation.

FY2015 key enterprise milestones include:

- A Total Reportable Injury free year in each of the Service Delivery Bulk North, Rollingstock Maintenance Heavy Maintenance and Network Operations Maintenance South operational businesses
- A Lost Time Injury free year in 11 other operational businesses

Environmental management
Aurizon has continued to focus on improving environmental performance. To achieve this, Aurizon focuses on environmental reporting, governance of environmental matters and environmental issues relating to major projects.

In order to facilitate the governance of environmental matters, Aurizon's Environment Community of Competence continues to govern the management of key environmental issues such as coal dust, noise and diesel emissions.

Organisational capability
In FY2015, diversity was embedded as part of Aurizon's refreshed Enterprise values sending a strong message on the importance of diversity to Aurizon's workforce. A particular focus is gender diversity with an Enterprise target to increase the number of female employees across the company to 30% from a base of 14.2% within five years. As at 30 June 2015, the percentage of female employees across the company was 15.3%.

The measurable objectives for gender diversity, agreed by the Aurizon Board for FY2015, (along with the FY2015 outcomes) are:

- At least one female Director at all times (two out of nine or 22%)
- Minimum of 27% females in the Management Leadership Team (27%)
- Minimum of 35% of females in middle management roles (32%)
- Minimum of 33% females of trainees, apprentices and graduates (52%)

Aurizon is committed to growing its Indigenous employee population which sits at 3.3% as at 30 June 2015. As a signatory to the Australian Employment Covenant, Aurizon is expanding opportunities for Indigenous employment with 48 new Indigenous recruits employed in FY2015.

More information on Organisational Capability at Aurizon will be included in Aurizon's FY2015 Sustainability Report.

Directors' Report (continued)
REMUNERATION REPORT

Dear Fellow Shareholders,

On behalf of the Board, we are pleased to present Aurizon's Financial Year (FY) 2015 Remuneration Report.

Over the past 12 months, Aurizon has continued its record of strong performance against our corporate targets, both financial and non-financial. This capitalises on our successful transition from a government-owned corporation to an ASX top 50 company. Aurizon has continued to provide solid returns for shareholders, with Total Shareholder Return (TSR) delivering a compound annual growth rate (CAGR) of 18.3% over the past five years, compared to a CAGR of 8.2% for our ASX200 peers.

Management's focus on cost and productivity has enabled Aurizon to outperform its key financial target, the 75% Operating Ratio (OR). By the end of the FY2015, the Company's OR performance was better than target at 74.3%.

In addition to this milestone achievement, Underlying Earnings Before Interest and Tax (EBIT) improved by 14% in FY2015, TSR was 7.1% and Earnings Per Share (EPS) increased substantially.

The 2012 Long Term Incentive (LTI) Award was tested in FY2015. In accordance with its terms, the EPS component of the 2011 Award was also eligible for retesting. Given the strong earnings performance over the applicable periods, the EPS components of both Awards vested in full. As the Company outperformed the OR target of 75%, the OR component of the 2012 Award also vested in full. The third performance measure, relative TSR, vested to 88% of maximum, as Aurizon's relative TSR performance over the three year performance period (FY2012 - FY2015) against our peer group rated between the median and top quartile. The remaining portion of this award will be subject to a single retest in FY2016 (over the longer four year period from its initial grant).

The Board considers these remuneration outcomes to be reflective of shareholder outcomes.

Strong performance across most of the Company's key measures is also reflected directly in the Short Term Incentive (STI) payments for our Key Management Personnel (KMP), which range from 60% to 66% of their potential maximum. Despite the Company's impressive continued improvement in overall safety performance, the year was overshadowed by three fatalities in a road accident in Stanwell in October 2014. As such the Board has exercised discretion so Executives have not been rewarded for any STI component related to the Total Reportable Injury Frequency Rate.

At the Company's Annual General Meeting in November 2014, 93% of the total vote received from shareholders supported the FY2014 Remuneration Report, indicating strong support for the changes to the Remuneration Framework implemented for FY2015. Over the past year we have continued our proactive engagement with internal and external stakeholders and the Board believes the current Remuneration Framework remains effective in driving performance and rewarding the creation of long-term shareholder value.

Having regard to prevailing economic and market conditions and the competitiveness of the Company's current remuneration levels, the Board and management have agreed not to increase Fixed Remuneration for KMP for the third consecutive year, with the exception of those Executives who have been promoted, those with changed duties and those whose remuneration level is clearly anomalous.

The Board recognises its responsibility to maintain shareholder confidence in Aurizon's leadership and remuneration practices. We assure you the Company is focussed on delivering value for our shareholders, and the Directors are committed to maintaining an Executive Remuneration Framework aligned to this objective.

While we have made some changes to our disclosure in this year's Remuneration Report, the substance of the Company's Remuneration Policy and approach remains unchanged from the one that received endorsement in 2014. As always, we are grateful for your ongoing support and value all feedback.

We look forward to welcoming you to our 2015 Annual General Meeting.

Yours faithfully

John B Prescott AC
Chairman

Russell Caplan
Chairman, Remuneration Committee

Directors' Report (continued)
REMUNERATION REPORT

1. Remuneration Report Introduction

Aurizon's remuneration practices are aligned with the Company's strategy of providing Executive rewards that drive and reflect the creation of shareholder value.

The Remuneration Report for the year ended 30 June 2015 is set out as per *Table 1*. The information in this Report has been audited.

TABLE 1 – TABLE OF CONTENTS

2. Directors and Executives

The Key Management Personnel (KMP) of the Group (being those whose remuneration must be disclosed in this Report) include the Non-Executive Directors and those Executives who have the authority and responsibility for planning, directing and controlling the activities of Aurizon.

The Non-Executive Directors and Executives that formed part of the KMP for the whole of the Financial Year (FY) ended 30 June 2015 are identified in *Table 2*.

TABLE 2 – KEY MANAGEMENT PERSONNEL

NAME	POSITION
NON-EXECUTIVE DIRECTORS	
J B Prescott AC	Chairman, Independent Non-Executive Director
J Atkin	Independent Non-Executive Director
R R Caplan	Independent Non-Executive Director
J D Cooper	Independent Non-Executive Director
K L Field	Independent Non-Executive Director
G T John AO	Independent Non-Executive Director
S L Lewis[1]	Independent Non-Executive Director
G T Tilbrook	Independent Non-Executive Director
EXECUTIVE KMP	
L E Hockridge	Managing Director and Chief Executive Officer
J M Franczak	Executive Vice President, Operations
A Kummant	Executive Vice President, Network
K Neate	Executive Vice President and Chief Financial Officer
M Neves De Moraes	Executive Vice President, Commercial and Marketing

1 S L Lewis was appointed a Director on 17 February 2015.

As announced on 3 June 2015, Mr T M Poole was appointed a Director of Aurizon on 1 July 2015. It is intended that Mr Poole will assume the Chairmanship on the retirement of the present Chairman, Mr J B Prescott AC, on 1 September 2015.

Table 3 identifies other persons who were KMP at some time during FY2015.

TABLE 3 – FORMER KEY MANAGEMENT PERSONNEL

NAME	POSITION
FORMER NON-EXECUTIVE DIRECTORS	
A J P Staines[1]	Independent Non-Executive Director
P Zito[2]	Independent Non-Executive Director

1 A J P Staines ceased in the role on 15 April 2015.

2 P Zito ceased in the role on 24 October 2014.

3. Remuneration Framework Components

Total Potential Remuneration

Aurizon's Remuneration Framework for each Executive comprises three components:

- **Fixed Remuneration** (not subject to performance conditions) that comprises salary and other benefits, including superannuation
- **STIA** ('at risk' component, awarded on the achievement of performance conditions over a 12 month period) that comprises both a cash component and a component deferred into equity
- **LTIA** ('at risk' component, awarded on the achievement of performance conditions over, in general, a three year period) that comprises only an equity component

The structure is intended to provide an appropriate mix of fixed and variable remuneration, and provide a combination of incentives intended to drive performance against the Company's short and longer term business objectives.

The mix of potential remuneration components for FY2015 for the MD & CEO and Executive KMP is set out in *Figure 1: Total Potential Remuneration Financial Year 2015*.

Executive remuneration governance

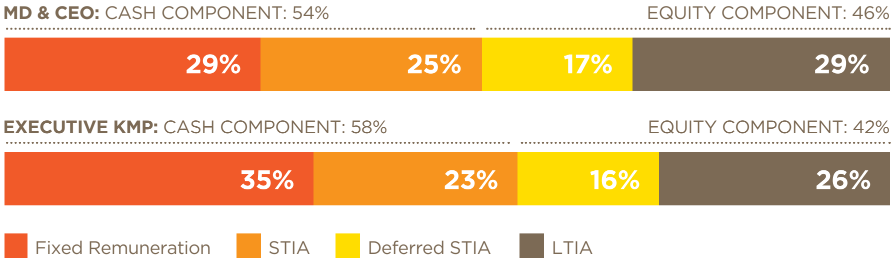
Figure 2 represents Aurizon's remuneration governance framework. During FY2015, the Board commissioned an independent review of the structure and operation of the remuneration governance framework and has implemented a number of changes.

Details on the composition of the Remuneration Committee (Committee) are set out on page 8 of this report. The Committee's Charter is available in the Governance section of the Company's website at **aurizon.com.au**

Remuneration Framework and objectives FY2015

Figure 3 summarises the Remuneration Framework and objectives for FY2015.

FIGURE 1 – TOTAL POTENTIAL REMUNERATION FINANCIAL YEAR 2015[1]



1 Assumes achievement of the stretch performance hurdle outcomes for STIA, full provision of Deferred STIA in future and vesting of the LTIA at a value equal to the original award, i.e. assuming no share price appreciation.

FIGURE 2 – REMUNERATION GOVERNANCE FRAMEWORK

BOARD

The Board:

- Approves the overall remuneration policy and ensures it is competitive, fair and aligned with the long-term interests of the Company
- Approves Non-Executive Director remuneration, Executive Director and Executive remuneration
- Assesses the performance of, and determines the STIA outcome for the MD & CEO giving due weight to objective performance measures while retaining discretion to determine final outcomes
- Considers and determines the STIA outcomes of the Executive Committee based on the recommendations of the MD & CEO

REMUNERATION COMMITTEE

The Remuneration Committee is delegated responsibility by the Board to review and make recommendations on:

- The remuneration policies and framework for the Company
- Non-Executive Director remuneration
- Remuneration for Executive Directors and Executives
- Executive incentive arrangements

MANAGEMENT

- Provides information relevant to remuneration decisions and makes recommendations to the Remuneration Committee
- Obtains remuneration information from external advisors to assist the Remuneration Committee (i.e. factual information, legal advice, accounting advice, tax advice)

CONSULTATION WITH SHAREHOLDERS AND OTHER STAKEHOLDERS

REMUNERATION CONSULTANTS AND OTHER EXTERNAL ADVISORS

In performing duties and making recommendations to the Board, the Chairman of the Remuneration Committee may from time to time appoint and engage independent advisors directly in relation to Executive remuneration matters. These advisors:

- Review and provide recommendations on the appropriateness of the MD & CEO and Executive remuneration
- Provide independent advice, information and recommendations relevant to remuneration decisions

Any advice or recommendations provided by external advisors are used to assist the Board – they do not substitute for the Board and Remuneration Committee processes

Directors' Report (continued)
REMUNERATION REPORT

FIGURE 3 – REMUNERATION FRAMEWORK AND OBJECTIVES FOR FINANCIAL YEAR 2015

	PERFORMANCE MEASURE	STRATEGIC OBJECTIVES AND LINK TO PERFORMANCE
FIXED REMUNERATION	Considerations: › Experience and qualifications › Role and responsibility › Retain key talent › Reference to remuneration paid by similar sized companies in similar industry sectors › Internal and external relativities	› To attract and retain Executives with the right talent to achieve results
SHORT TERM INCENTIVE AWARD	› **Safety and Environment (17.5%)** › **Transformation (17.5%)** › **Underlying EBIT (35%)** › **Individual (30%)** Measured over a one year performance period STIA at Risk: **MD & CEO: Target 100% of Fixed Remuneration and maximum 150% of Fixed Remuneration** **Remaining Executive KMP: Target 75% of Fixed Remuneration and maximum 112.5% of Fixed Remuneration**	› Participation levels set with reference to the appropriate levels of short term incentive offered by our peers in the market The non-financial and financial performance measures were chosen because: › **Safety and Environment** captures the need to continuously improve safety and reduce our environmental footprint across all aspects of a heavy industry business › **Transformation** captures the need to strengthen and grow our current business through a focus on our customers and by improving productivity › **Underlying EBIT** delivers direct financial benefits to shareholders
LONG TERM INCENTIVE AWARD	› **OR Improvement (34%)** › **Relative Total Shareholder Return (TSR) (33%)** › **Return on Invested Capital (ROIC) (33%)** Measured over a three year performance period In the event that the company hurdle is not achieved, a stronger hurdle is set and the performance period may be extended for a further year at the discretion of the Board LTIA at Risk: **MD & CEO: Maximum 100% of Fixed Remuneration** **Remaining Executive KMP: Maximum 75% of Fixed Remuneration**	› **OR Improvement** is a key measure of our success in transforming Aurizon into a world class rail company – maximising the profit earned from each dollar of revenue generated › **Relative TSR** is a measure of the return generated for Aurizon's shareholders over the performance period relative to a peer group of companies (ASX100) › **ROIC** reflects the fact that Aurizon operates a capital intensive business and our focus should be on maximising the level of return generated on the capital we invest Note: Minimum shareholding requirements for Executives encourages retention of shares and alignment with shareholder interests

Total remuneration

Overall, Executive remuneration is designed to support delivery of superior shareholder returns by placing a significant proportion of an Executive's total target remuneration at risk and awarding a significant portion of at risk pay in equity

4. Company Performance Financial Year 2015

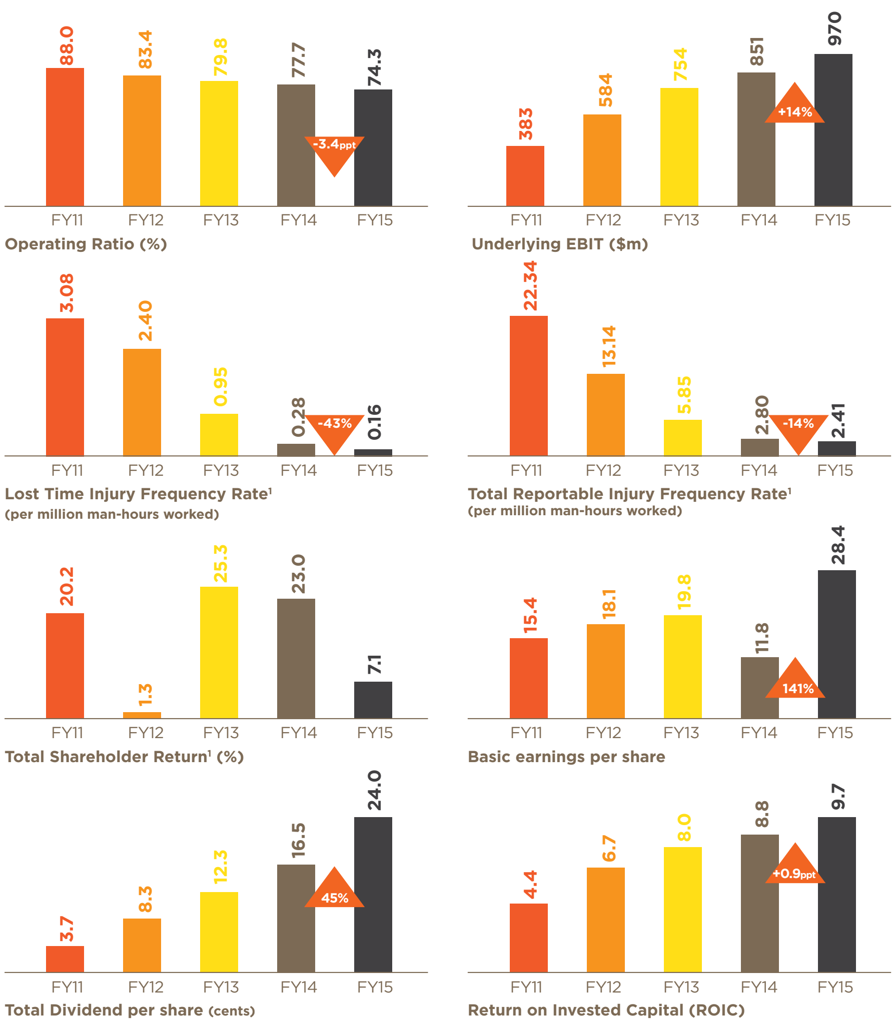
Aurizon has reached many key milestones throughout FY2015, highlights of which include:

- Beating the OR target in a deteriorating environment
- A 14% improvement in Underlying EBIT, a 0.9ppt increase in ROIC and 7% total shareholder return
- Continued operational productivity improvements such as the introduction of Aurizon's longest ever train at 136 wagons with 11,000 tonnes of coal
- Delivery of Stage 1 of WIRP (on time, on budget) that supports an extra 27mtpa of coal to the new WICET, Gladstone, with new revenue streams for the Network business and rail haulage services
- The successful joint bid for Aquila Resources and the subsequent establishment of the preliminary stages of West Pilbara Iron Ore Project
- The commencement of the phased closure of Redbank and Townsville Rollingstock Workshops, which are planned to continue until 2017
- The release of Aurizon's inaugural Sustainability Report
- Attainment of four diversity awards including the Australasian Industry Awards – Workplace Diversity; Australian Human Resources Institute – Gender Equality in the Workplace; Inaugural Hunter Diversity Awards – Gender Equity Champion Australian Workplace Equity Index – Bronze award for LGBTIQ inclusiveness

Further detail related to performance against the FY2015 Short Term Incentive Award (STIA) performance measures is provided in Table 5 (page 31) whilst Table 8 (page 33) provides additional information related to the Long Term Incentive Award (LTIA) performance outcomes.

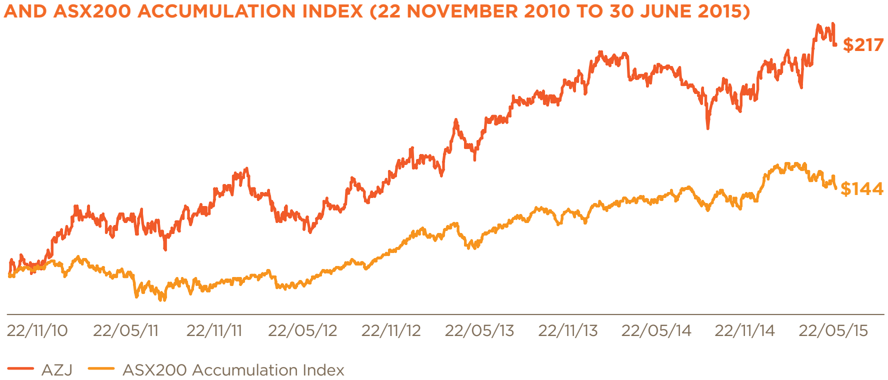
A key benefit for Aurizon shareholders is the share price appreciation since IPO. *Figure 5* shows the movement in both the Aurizon share price and ASX200 Accumulation Index value over the period from listing date 22 November 2010 to 30 June 2015. The diagram assumes that a shareholder starts with an initial investment of $100 in each of Aurizon and the ASX200 Accumulation Index and shows the change in the value of those investments over the period assuming dividend reinvestment. For Aurizon, the diagram assumes a starting price of $2.45, being the initial retail share price at listing.

FIGURE 4 – HISTORICAL COMPANY PERFORMANCE



1 Unaudited.

FIGURE 5 – INVESTMENT RETURN FROM AURIZON HOLDINGS (AZJ) AND ASX200 ACCUMULATION INDEX (22 NOVEMBER 2010 TO 30 JUNE 2015)



Directors' Report (continued)

REMUNERATION REPORT

5. Take home pay

Table 4 identifies the actual remuneration earned during FY2015 and *Figure 6* represents the proportion of FY2015 actual and forfeited remuneration for the Managing Director & CEO and an illustrative Executive KMP member. The sections shown in stripes in *Figure 6* indicate potential awards either forfeited or subject to retesting.

The table and diagram have not been prepared in accordance with accounting standards but have been provided to ensure shareholders are able to clearly understand the remuneration outcomes for Executive KMP. Executive remuneration outcomes which are prepared in accordance with the accounting standards are provided in *Section 10*.

The remuneration outcomes identified in *Table 4* and in *Figure 6* are directly linked to the Company performance described in *Section 6* and *Section 7*.

The actual STIA is dependent on Aurizon and individual performance as described in *Table 5*.

Strong performance across most of our key measures is also reflected directly in the STI payments for our Executive KMP, which range from 60% to 66% of their potential maximum.

The actual vesting of the LTIA is dependent on Aurizon performance and the outcomes are further described in *Table 8*.

The EPS component of the 2011 Award and all three components of the 2012 Award were tested in FY2015.

Given Aurizon's earnings performance over the applicable periods, the EPS components of both awards vested in full. As OR outperformed the target of 75%, the OR component of the 2012 Award also vested in full.

Relative TSR vested to 88% of maximum, as relative TSR performance over the three year performance period against the peer group rated between the median and top quartile.

TABLE 4 – REMUNERATION EARNED IN FINANCIAL YEAR 2015

NAME	FIXED REMUNERATION $'000	NON-MONETARY BENEFITS[1] $'000	STIA CASH[2] $'000	STIA DEFERRED[3] $'000	LTIA VESTING[4] $'000	ACTUAL FY2015 REMUNERATION OUTCOMES $'000
EXECUTIVE KMP						
L E Hockridge	1,950	9	1,164	360	4,134	7,617
J M Franczak	1,000	179	424	136	1,103	2,842
A Kummant	840	136	341	112	926	2,355
K Neate	730	4	316	95	608	1,753
M Neves De Moraes	750	43	315	-	-	1,108

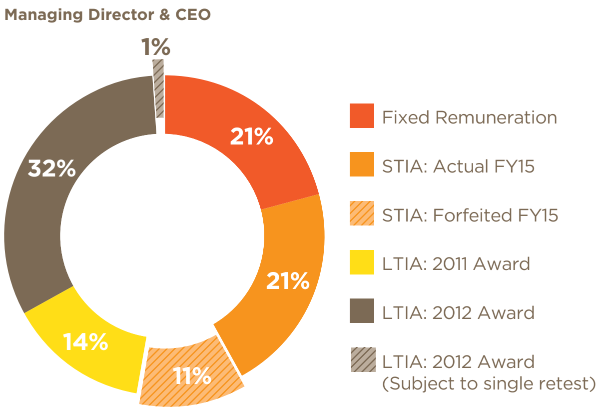
1 The amount relates to reportable fringe benefits (car parking, motor vehicle lease payments and travel benefits).

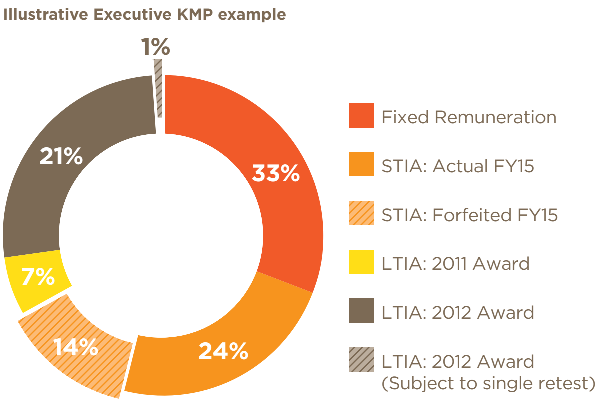
2 The amount relates to the cash component (60%) of the FY2015 STIA which will be paid in September 2015.

3 The amount relates to the deferred component (20%) of the FY2014 STIA which was awarded in performance rights which will become unrestricted in September 2015 assuming a share price of $5.13. The deferral component (40%) of the FY2015 STIA is not included within the table as it will become unrestricted in September 2016.

4 The amount is the value of rights which vest after the end of FY2015 (i.e. the retested 2011 Award and the 2012 Award) assuming a share price of $5.13.

FIGURE 6 – PROPORTIONAL REMUNERATION OUTCOMES FOR FINANCIAL YEAR 2015[1]





1 Remuneration outcomes are shown as a proportion of Total Potential Remuneration, addressed with reference to Company performance and vesting outcomes of the FY2015 STIA (including the cash and deferral component), the 2011 Award and 2012 Award assuming a share price of $5.13. The proportional remuneration outcome does not include the deferral component of the FY2014 STIA.

6. Short Term Incentive Award

What is the STIA and who participates?

The STIA is 'at risk' remuneration subject to the achievement of pre-defined individual and Company performance hurdles which are set annually by the Board at the beginning of the performance period. For each component of the STIA, three performance levels are set:

- *Threshold*, below which no STIA is paid for that component
- *Target*, which typically reflects an improvement on historical achievement or a business improvement targeted outcome, in both cases in line with relevant corporate plans and budgets
- *Stretch*, which is materially better than Target

The STIA applies in a similar manner to all non-enterprise agreement employees.

What are the company performance measures?

The performance measures which apply to all participants are Underlying EBIT, Transformation, Safety and Environment. The measures capture the need to continuously improve safety across all aspects of the business, reducing our environmental footprint and the need to strengthen and grow our current business. This is achieved through a focus on our customers and by improving productivity whilst at the same time, delivering benefits to shareholders. Individual performance hurdles relate to each specific role and measure an individual's contribution. Examples include outcomes in capital management, marketing, organisational change and leadership. *Table 5* identifies the performance measures, relevant weightings and outcomes for FY2015.

What is the amount that participants can earn through an STIA?

The employment agreements specify a target STIA, expressed as a percentage of Fixed Remuneration (100% for the MD & CEO and 75% for remaining Executive KMP). Each participant can earn between 0% up to a maximum of 150% of this target percentage, depending on performance and subject to Board discretion. Depending on performance assessed at year end, participants may earn for each enterprise measure: 0% for performance below *Threshold*, 50% at *Threshold* (for measures other than Underlying EBIT, for which *Threshold* earnings are 30%) with a linear scale up to 100% at *Target* performance; and a further linear scale to 200% at *Stretch* performance. FY2015 actual outcomes for Executive KMP are identified within *Table 6*.

TABLE 5 – SHORT TERM INCENTIVE AWARD FINANCIAL YEAR 2015 OBJECTIVES

DESCRIPTION	WEIGHTING	TARGET	OUTCOME
EBIT: Underlying EBIT delivers financial benefits to shareholders through growth in underlying operating earnings	35%	$1,016m	**$970m** Between *Threshold* and *Target*
Safety and Environment: Captures the need to continuously improve across all aspects of the Company, measured through: › Total Accident Rate (TAR) (derailments and rollingstock collisions) › Total Reportable Injury Frequency Rate (TRIFR) › Total environmental notifiable incidents (ENI) › Safety interactions (SI)	17.5%	20% reduction in TAR and TRIFR. 25% reduction in ENI and greater than one SI per employee per month	**19%** TAR; **0%** TRIFR; **2** ENI; **1.48** SI Between *Target* and *Stretch*[1]
Transformation: Our priority to transform Aurizon continues to be a strategic imperative. Our priority is to strengthen and grow our current business through a relentless focus on our customers and by improving productivity. Performance is defined in terms of project and program completion (or milestone achievement) and benefits delivery (or progression towards delivery for lengthy transformational projects). An assessment is then performed by the Remuneration Committee of the level of achievement in relation to each transformation project, considering pre-determined levels of expected achievement. For FY2015 the transformation projects included: › Customer focus › Specific commercial objectives › Operational improvements › Market initiatives › People initiatives	17.5%	Substantial transformation having regard to specified milestones and outcomes	Overall below *Target* but well above *Threshold* Between *Threshold* & *Target*
Aggregate Enterprise Outcome (Sub-total)	70%		Just below *Target*
Individual: Performance hurdles for the Executive KMP are established on an annual basis by the MD & CEO. In the case of the MD & CEO the individual hurdles are established by the Chairman after consultation with the Board. For FY2015 the MD & CEO's individual performance parameters included: › Stakeholder and external relationship management › Management and organisational effectiveness › Measured growth and operational improvement › Capital management	30%	Personal outcomes varied between *Threshold* and *Stretch* depending on performance against individual KPIs	Varies by individual

1 The outcome for the Safety and Environment component of the STIA has been adjusted to take into consideration the fatalities which occurred during the year. Whilst Total Reportable Injury Frequency Rate improved by 14%, Executives will not be rewarded for this metric.

TABLE 6 – SHORT TERM INCENTIVE AWARDED IN FINANCIAL YEAR 2015

			AWARDED FY2015 STIA ($'000)				
NAME	TARGET STIA $'000	MAXIMUM POTENTIAL STIA ($'000)	CASH COMPONENT	DEFERRED SHARE COMPONENT[1]	TOTAL STIA PAYMENT	% OF TARGET STIA	% OF MAXIMUM STIA[2]
EXECUTIVE KMP							
L E Hockridge	1,950	2,925	1,164	775	1,939	99%	66%
J M Franczak	750	1,125	424	283	707	94%	63%
A Kummant	630	945	341	227	568	90%	60%
K Neate	548	821	316	210	526	96%	64%
M Neves De Moraes	563	844	315	210	525	93%	62%

1 A portion awarded in the form of rights to shares, which vest on the first anniversary of payment of the cash component subject to Board's ability to 'clawback'. The deferred component has increased from 20% in FY2014 to 40% in FY2015.

2 Executives have forfeited between 34% to 40% of their maximum potential outcome.

7. Long Term Incentive Award

What is the LTIA and who participates?

The LTIA is the component of Total Potential Remuneration linked to providing long term incentives for selected Executives whom the Board has identified as being able to contribute directly to the generation of long term shareholder returns. This includes the MD & CEO, Executive KMP, the remaining Executive Committee (direct reports to the MD & CEO), the direct reports to the Executive Committee and a small number of other management employees.

How is the LTIA determined?

The number of performance rights issued under the LTIA to each participant is calculated by dividing their respective LTIA potential remuneration (expressed as a percentage of Fixed Remuneration) by the five day Volume Weighted Average Price (VWAP) of Aurizon shares at the time of their award.

Each performance right is a right to receive one share in Aurizon upon vesting. The number of performance rights that vest is determined by performance outcomes compared with predetermined company hurdles as described in *Table 7* and *Table 8.*

What happens when performance rights vest?

Performance rights awarded under the LTIA vest subject to the satisfaction of company hurdles. Rights vest and the resulting shares are transferred to the participant at no cost to the participant. Company performance against LTIA subject to testing in FY2015 is identified in *Table 8*.

What is the amount Executives can earn through an LTIA?

The maximum potential remuneration (expressed as a percentage of Fixed Remuneration) available through the LTIA is 100% in the case of the MD & CEO, and 75% for the remaining Executive KMP.

What is the performance period?

The company hurdles for the LTIA are measured over a three year period. In the event that the company hurdle is not achieved, the performance period may be extended for a further year at the discretion of the Board. In the event of a performance period extension, in order for any additional performance rights to vest on the later date, Aurizon has to achieve stronger performance than that required for the original performance period in the final year.

TABLE 7 – LONG TERM INCENTIVE AWARD PERFORMANCE HURDLES

OR	OR improvement essentially measures the operating cost as a percentage of revenue. Aurizon is committed to reducing OR through further implementation of transformation initiatives, growth initiatives and continued tight operational and financial discipline. The target OR in FY2017 of 71.5% and FY2018 of 70% is considered by the Board to be very challenging and the rate of improvement may not be maintained in the longer-term.
TSR	The vesting of rights for relative TSR growth is conditional on Aurizon's TSR performance relative to a peer group of companies in the ASX100 Index that are broadly comparable to Aurizon (i.e. with which Aurizon competes for capital and/or talent). Accordingly, financial, medical, telecommunications, pharmaceutical, gaming and property trusts are excluded from this group. TSR measures the growth in the price of shares plus cash distributions notionally reinvested in shares. The TSR of Aurizon over the performance period will be compared to the TSR of all of the companies in the peer group which are still listed at the end of the performance period. The relevant share prices will be determined by reference to a VWAP over a period to smooth any short-term 'peaks' or 'troughs'. Relative TSR performance is monitored by an independent expert at the end of each Financial Year.
ROIC	ROIC, for the purposes of the LTIA, will be calculated on the same basis as the published ROIC except to the extent of the differences explained in this section. Essentially, ROIC is Underlying EBIT divided by invested capital. For the purposes of LTIA, invested capital will not include major (infrastructure investments with an approved budgeted capital expenditure over $250m) assets under construction (AUC) until these investments are planned to generate income, subject to Board discretion (for example, in the case of a delay judged to be outside the control of management and not able to be foreseen or mitigated).

2014 AWARD	WEIGHTING	PERFORMANCE PERIOD (01/07/2014 – 30/06/2017) MINIMUM VESTING POINT		PERFORMANCE PERIOD (01/07/2014 – 30/06/2017) MAXIMUM VESTING POINT	RETESTING (01/07/2014 – 30/06/2018)
OR Improvement	34%	50% of the rights will vest with an OR of 73%		100% of the rights will vest with an OR of 71.5%	100% of the rights will vest at or below an OR of 70%. 0% will vest with an OR above 70%
Relative TSR: *against peer group within ASX100 Index*	33%	30% of the rights will vest at the 50th percentile	75% of the rights will vest at the 62.5th percentile	100% of the rights will vest at the 75th percentile	100% of the rights will vest at the 75th percentile. 0% will vest below the 75th percentile
ROIC *Average annual ROIC FY2015 – FY2017*[1]	33%	50% of the rights will vest with an average ROIC of 10.5%		100% of the rights will vest with an average ROIC of 11.5%	100% of the rights will vest with an average ROIC of 12.5%. 0% of the rights will vest below 12.5% ROIC
	100%	All rights will vest pro-rata on a straight-line basis between the minimum and maximum vesting points			

1 The average ROIC has been adjusted to exclude the Wiggins Island Rail Project currently under construction until it is planned to generate income (which is expected during the performance period). Subsequent to the acquisition of the investment in Aquila Resources Limited, invested capital in the ROIC definition has been revised to include investments accounted for using the equity method. In addition, gross intangibles has been replaced with net intangibles to better reflect the nature of these assets. The revision of the definition does not impact the ROIC targets for remuneration purposes and management will not benefit from this change.

2015 AWARD	WEIGHTING	PERFORMANCE PERIOD (01/07/2015 – 30/06/2018) MINIMUM VESTING POINT		MAXIMUM VESTING POINT	RETESTING (01/07/2015 – 30/06/2019)
OR Improvement	34%	50% of the rights will vest with an OR of 71.5%		100% of the rights will vest with an OR of 70%	100% of the rights will vest at or below an OR of 69%. 0% will vest with an OR above 69%
Relative TSR: *against peer group within ASX100 Index*	33%	30% of the rights will vest at the 50th percentile	75% of the rights will vest at the 62.5th percentile	100% of the rights will vest at the 75th percentile	100% of the rights will vest at the 75th percentile. 0% will vest below the 75th percentile
ROIC *Average annual ROIC FY2016 – FY2018*	33%	50% of the rights will vest with an average ROIC of 10.5%		100% of the rights will vest with an average ROIC of 11.5%	100% of the rights will vest with an average ROIC of 12.5%. 0% of the rights will vest below 12.5% ROIC
	100%	All rights will vest pro-rata on a straight-line basis between the minimum and maximum vesting points			

TABLE 8 – COMPANY PERFORMANCE AGAINST LONG TERM INCENTIVE AWARDS SUBJECT TO TESTING IN FINANCIAL YEAR 2015

COMPANY HURDLE AND PERFORMANCE MEASUREMENT PERIOD		WEIGHTING	RESULT	% VESTED	% FOR RETESTING	% LAPSED
2011 AWARD: RETEST 01 JULY 2012 – 30 JUNE 2015 (EPS)						
EPS: *IPO Offer Document FY2011 EBIT plus average annual EPS growth from FY2012 – FY2014*	50% of the rights vest with an average annual growth rate of 7.5%, up to 100% at an average annual growth rate of 10% (with rights vesting pro-rata on a straight-line basis) *FY2012 to FY2014 EPS growth was negative due to the impairment charges announced in December 2013 and June 2014*	*50%*	*-17.4% (as at FY2014)*	*0%*	*100% of this component was subject to a single retest in FY2015*	
Retest: *Average annual EPS growth from FY2012 – FY2015*			*18.9% (Retest in FY2015)[1]*	*100%*	*N/A*	*0%*
2012 AWARD: 01 JULY 2012 – 30 JUNE 2015						
OR Improvement[2]	50% of rights will vest with a FY2015 OR of 79.5%, up to 100% at 75% (with rights vesting pro-rata on a straight-line basis)	*33%*	*75%*	*100%*	*0%*	*0%*
EPS: *Average annual EPS growth from FY2012 –FY2015*	50% of rights vest with an average annual growth rate of 7.5%, up to 100% at an average annual growth rate of 10% (with rights vesting pro-rata on a straight-line basis)	*33%*	*18.9%*[1]	*100%*	*0%*	*0%*
Relative TSR: *against peer group within ASX100 Index*	50% of rights vest at the 50th percentile, up to 100% at the 75th percentile (with rights vesting pro-rata on a straight-line basis)	*33%*	*Between median and top quartile*	*88%*	*12% of this component will be subject to a single retest in FY2016*	

1 If all the share buy backs are ignored and the original number of shares is used to calculate EPS the result is an average annual growth of 15.3%. This exceeds the hurdle of 10% average annual growth.

2 OR for FY2015 was 74.3%. The OR improvement hurdle for the purposes of remuneration is measured against the ratio calculated by including any diesel fuel rebate in revenue. OR with this adjustment is 74.96%.

Directors' Report (continued)

REMUNERATION REPORT

8. Executive Service Agreements

Executive Service Agreements

Remuneration and other term terms of employment for the MD & CEO and Executive KMP are formalised in a Service Agreement as summarised in *Table 9*.

Minimum shareholding policy for Executives

To align Directors and Executives with shareholders, the Company requires that Directors and Executives accumulate share ownership, which requires:

- Non-Executive Directors to accumulate and maintain one year's Directors' fees worth of shares in the Company
- The MD & CEO to accumulate and maintain one year's Fixed Remuneration worth of shares in the Company
- The remaining Executive KMP and Executive Committee to accumulate and maintain 50% of one year's Fixed Remuneration worth of shares in the Company

This is to be achieved within six years of the date of listing of the Company or their appointment (whichever is the later). This will be calculated with reference to the Directors' fees and Executives' Fixed Remuneration during the period divided by the number of years.

Details of KMP shareholdings as at 30 June 2015 are set out in *Table 10*.

Hedging and margin lending policies

Aurizon has in place a policy that prohibits Executives from hedging economic exposure to unvested Rights that have been issued pursuant to a Company employee share plan. The policy also prohibits margin loan arrangements for the purpose of purchasing Aurizon shares. Adherence to this policy is monitored regularly and involves each Executive signing an annual declaration of compliance with the policy.

TABLE 9 – SERVICE AGREEMENT SUMMARY

	DURATION OF SERVICE AGREEMENT	FIXED REMUNERATION AT END OF FINANCIAL YEAR 2015[1]	NOTICE PERIOD[2] BY EXECUTIVE	NOTICE PERIOD[2] BY COMPANY[3]
EXECUTIVE KMP				
L E Hockridge	Ongoing	$1,950,000	6 months	12 months
J M Franczak	Ongoing	$1,000,000	3 months	12 months
A Kummant	Ongoing	$ 840,000	3 months	12 months
K Neate	Ongoing	$ 730,000	3 months	6 months
M Neves De Moraes	Ongoing	$ 750,000	3 months	6 months

1 Fixed Remuneration includes a superannuation component.

2 Post employment restraint in any competitor business in Australia is aligned to the notice period.

3 Any termination payment (notice and severance) will be subject to compliance with the Corporations Act and will not exceed 12 months.

TABLE 10 – KMP SHAREHOLDINGS AS AT 30 JUNE 2015

NAME	BALANCE AT THE START OF THE YEAR	RECEIVED DURING THE YEAR ON VESTING	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
NON-EXECUTIVE DIRECTORS				
J B Prescott AC	220,981	N/A	-	220,981
J Atkin	35,072	N/A	-	35,072
R R Caplan	82,132	N/A	-	82,132
J D Cooper	40,000	N/A	5,000	45,000
K L Field	14,245	N/A	-	14,245
G T John AO	57,132	N/A	-	57,132
S L Lewis[1]	-	N/A	14,600	14,600
G T Tilbrook	49,112	N/A	-	49,112
EXECUTIVE KMP				
L E Hockridge	1,196,586	247,093	(500,000)	943,679
J M Franczak	100,000	100,000	(200,000)	-
A Kummant	200,000	-	-	200,000
K Neate	36,567	45,637	-	82,204
M Neves De Moraes	75,000	75,000	(50,000)	100,000

1 S L Lewis was appointed a Director on 17 February 2015.

9. Non-Executive Director Remuneration

Fees for Non-Executive Directors are set at a level to attract and retain Directors with the necessary skills and experience to allow the Board to have a proper understanding of, and competence to deal with, current and emerging issues for Aurizon.

The Directors' Fee is a composite fee and covers all responsibilities of the respective members including Board and Committee duties. The Fee is also a total fee in that it covers both cash and any contributions to a fund for the purposes of superannuation benefits.

There are no other retirement benefits in place for Non-Executive Directors. Non-Executive Directors do not receive performance-based pay.

What are the aggregate fees approved by shareholders?

$2.5m. The cap does not include remuneration for performing additional or special duties for Aurizon at the request of the Board or reasonable travelling, accommodation and other expenses of Directors in attending meetings and carrying out their duties.

The current annual base fees for the Non-Executive Directors are set out in *Table 11: Directors' Fees*. There has been no increase applied to the Directors' fees since 1 July 2012.

How are individual fees determined?

Within the aggregate cap, remuneration for Non-Executive Directors is reviewed by the Committee and set by the Board, taking into account recommendations from an external expert. Fees and payments to Non-Executive Directors are reviewed annually by the Board and reflect the demands which are made on, and the responsibilities of, the Directors.

The Chairman's fees are determined independently to the fees of Non-Executive Directors, based on comparative roles in the external market. The Chairman is not present at any discussions relating to the determination of his own remuneration.

The actual remuneration outcomes for the Non-Executive Directors of the Company are summarised in *Table 12*.

TABLE 11 – DIRECTORS' FEES

DIRECTORS	TERM	SERVICE AGREEMENT SUMMARY
Chairman	Directors' fees (inclusive of all responsibilities and superannuation)	$475,000
Other Non-Executive Directors	Directors' fees (inclusive of all responsibilities and superannuation)	$190,000

TABLE 12 – NON-EXECUTIVE DIRECTORS' REMUNERATION

		SHORT-TERM EMPLOYEE BENEFITS		POST-EMPLOYMENT BENEFITS	
NAME	YEAR	SALARY AND FEES $'000	NON-MONETARY BENEFITS[1] $'000	SUPERANNUATION $'000	TOTAL REMUNERATION $'000
NON-EXECUTIVE DIRECTORS					
J B Prescott AC	**2015**	**447**	**4**	**28**	**479**
	2014	447	4	28	479
J Atkin	**2015**	**174**	**-**	**16**	**190**
	2014	174	-	16	190
R R Caplan	**2015**	**174**	**-**	**16**	**190**
	2014	174	-	16	190
J D Cooper	**2015**	**174**	**-**	**16**	**190**
	2014	174	-	16	190
K L Field	**2015**	**174**	**-**	**16**	**190**
	2014	174	-	16	190
G T John AO	**2015**	**174**	**-**	**16**	**190**
	2014	174	-	16	190
S L Lewis[2]	**2015**	**63**	**-**	**6**	**69**
G T Tilbrook	**2015**	**174**	**-**	**16**	**190**
	2014	174	-	16	190
FORMER NON-EXECUTIVE DIRECTORS					
A J P Staines[3]	**2015**	**131**	**-**	**21**	**152**
	2014	174	-	16	190
P Zito[4]	**2015**	**53**	**-**	**21**	**74**
	2014	72	-	38	110
Total	**2015**	**1,738**	**4**	**172**	**1,914**
	2014	1,737	4	178	1,919

1 Non-monetary benefits represent the value of Reportable Fringe Benefits for the respective FBT year ending 31 March and consist of the estimated value of car parking provided.

2 S L Lewis was appointed a Director on 17 February 2015.

3 A J P Staines ceased in the role on 15 April 2015.

4 P Zito was appointed a Director on 1 December 2013 and ceased in the role on 24 October 2014.

10. Executive remuneration FY2015

Details of the remuneration paid to Executives are set out below and have been prepared in accordance with the accounting standards.

TABLE 13 – EXECUTIVE REMUNERATION

		SHORT-TERM EMPLOYEE BENEFITS				POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS		EQUITY-SETTLED SHARE-BASED PAYMENTS		PROPORTION OF COMPENSATION PERFORMANCE RELATED	REMUNERATION CONSISTING OF RIGHTS FOR THE YEAR
NAME	YEAR	CASH SALARY AND FEES $'000	CASH BONUS[1] $'000	NON-MONETARY BENEFITS[2] $'000	OTHER $'000[3]	SUPER-ANNUATION $'000	LONG-SERVICE LEAVE $'000	TERMIN-ATION BENEFITS $'000	RIGHTS[4] $'000	TOTAL $'000	% (B+H)/I	% (H/I)
EXECUTIVE KMP		A	B	C	D	E	F	G	H	I	J	K
L E Hockridge	**2015**	**1,915**	**1,164**	**42**	**-**	**35**	**82**	**-**	**2,242**	**5,480**	**62**	**41**
	2014	1,915	1,306	200	-	35	99	-	1,566	5,121	56	31
J M Franczak	**2015**	**1,000**	**424**	**(24)**	**175**	**-**	**14**	**-**	**784**	**2,373**	**51**	**33**
	2014	1,000	491	29	-	-	7	-	1,253	2,780	63	45
A Kummant	**2015**	**780**	**341**	**6**	**86**	**19**	**13**	**-**	**699**	**1,944**	**53**	**36**
	2014	781	407	141	129	18	6	-	482	1,964	45	25
K Neate	**2015**	**695**	**316**	**(5)**	**-**	**35**	**6**	**-**	**531**	**1,578**	**54**	**34**
	2014	705	344	21	-	25	21	-	325	1,441	46	23
M Neves De Moraes	**2015**	**723**	**315**	**3**	**38**	**16**	**5**	**-**	**772**	**1,872**	**58**	**41**
	2014	369	-	30	563	-	3	-	725	1,690	43	43
Total Executive KMP compensation (group)	**2015**	**5,113**	**2,560**	**22**	**299**	**105**	**120**	**-**	**5,028**	**13,247**	**57**	**38**
	2014[5]	4,770	2,548	421	692	78	136	-	4,351	12,996	53	33

1 The short term incentives (cash bonus) and deferred short term incentives and long term incentives (equity-settled share-based payments) represent the at risk performance-related remuneration. Cash bonus for FY2014 represents 80% STIA award and FY2015 represents 60% STIA.

2 Non-monetary benefits represent the value of Reportable Fringe Benefits for the respective Fringe Benefits Tax year ending 31 March, the estimated value of car parking provided, motor vehicle lease payments and annual leave accrued or utilised during the financial year.

3 Other short-term employee benefits include sign on bonus, relocation assistance and travel benefits.

4 The accounting expense recognised for the deferred STIA and LTIA rights granted in the year, is based on fair value at grant date. This is independently calculated using standard Monte-Carlo simulation techniques and progressively expensed over the vesting period. Refer to note 27 for further details regarding the fair value of Rights. These values may not represent the future value that the Executive will receive, as the vesting of the Rights is subject to the achievement of performance conditions.

5 Total Executive KMP compensation for FY2014 has been adjusted to ensure a direct comparison of the KMP peer group. Total Executive KMP compensation (Group) as disclosed in FY2014 is $19,451,000 and as disclosed in FY2014 includes remuneration for three Executives who no longer met the definition of KMP as at 1 July 2014 given the change in functional segment reporting.

The table below details the number and value of movements in equity awards during FY2015.

TABLE 14 – RIGHTS GRANTED AS COMPENSATION

NAME	INCENTIVE PLAN	BALANCE AT BEGINNING OF YEAR NO.	RIGHTS AWARDED DURING THE YEAR NO.	VALUE OF RIGHTS GRANTED IN YEAR[1] $'000	VESTED IN YEAR %	EXERCISED DURING THE YEAR NO.	FORFEITED IN YEAR NO.	FORFEITED IN YEAR %	VALUE OF RIGHTS FORFEITED IN YEAR $'000	BALANCE AT END OF YEAR NO.
EXECUTIVE KMP										
L E Hockridge	**2011**	494,186	-	-	50	(247,093)	-	-	-	247,093
	2012	582,090	-	-	-	-	-	-	-	582,090
	2013	432,373	-	-	-	-	-	-	-	432,373
	2014 STIAD	-	70,200	326	-	-	-	-	-	70,200
	2014	-	401,234	1,431	-	-	-	-	-	401,234
J M Franczak	**2012**	223,880	-	-	-	-	-	-	-	223,880
	2013 – Ret B	100,000	-	-	100	(100,000)	-	-	-	-
	2013	166,298	-	-	-	-	-	-	-	166,298
	2014 STIAD	-	26,419	123	-	-	-	-	-	26,419
	2014	-	154,321	550	-	-	-	-	-	154,321
A Kummant	**2012**	188,059	-	-	-	-	-	-	-	188,059
	2013	139,690	-	-	-	-	-	-	-	139,690
	2014 STIAD	-	21,867	102	-	-	-	-	-	21,867
	2014	-	129,630	462	-	-	-	-	-	129,630
K Neate	**2011**	58,140	-	-	50	(29,070)	-	-	-	29,070
	2012	93,152	-	-	-	-	-	-	-	93,152
	2012 STIAD	16,567	-	-	15	(16,567)	-	-	-	-
	2013	121,397	-	-	-	-	-	-	-	121,397
	2014 STIAD	-	18,509	86	-	-	-	-	-	18,509
	2014	-	112,654	402	-	-	-	-	-	112,654
M Neves De Moraes	**2013**	124,722	-	-	-	-	-	-	-	124,722
	2014 – Ret A&B	150,000	-	-	50	(75,000)	-	-	-	75,000
	2014	-	115,740	413	-	-	-	-	-	115,740

1 For remuneration purposes, Aurizon does not use fair value to determine LTI Awards. The number of performance rights awarded, as described in Section 7, is a function of the market price (five day VWAP) at the time of the award, that is, 'face value'. The 'fair' value reported in Table 15 is disclosed to allow for an estimate of the value of awards yet to vest, in accordance with the accounting standards.

10. Executive Remuneration Financial Year 2015 (continued)

Details of the assumptions and grant information for outstanding equity awards are set out below.

TABLE 15 – FAIR VALUE ASSUMPTIONS FOR RIGHTS GRANTED AS COMPENSATION

INCENTIVE PLAN	DATE GRANTED	FAIR VALUE PER RIGHT AT GRANT DATE[1] $	EXERCISE PRICE $	DATE ON WHICH GRANT VESTS	EXPIRY DATE
2011 – TSR	22-Aug-11	1.28	5.08	22-Aug-14	31-Dec-15
2011 – EPS	22-Aug-11	2.93		22-Aug-14	31-Dec-15
2012 – TSR	23-Aug-12	2.06		23-Aug-15	31-Dec-16
2012 – EPS	23-Aug-12	3.29		23-Aug-15	31-Dec-16
2012 – OR	23-Aug-12	3.29		23-Aug-15	31-Dec-16
2012 STIAD	10-Oct-12	3.46	4.73	10-Oct-14	10-Oct-14
2013 – TSR	16-Aug-13	2.78		16-Aug-16	31-Dec-17
2013 – EPS	16-Aug-13	4.07		16-Aug-16	31-Dec-17
2013 – OR	16-Aug-13	4.07		16-Aug-16	31-Dec-17
2013 – Ret B	4-Apr-13	4.01		28-Jan-15	4-Apr-16
2014 – Ret A	1-Jan-14	4.89	4.92	1-Jan-15	1-Jan-17
2014 – Ret B	1-Jan-14	4.89		1-Jan-16	1-Jan-17
2014 – TSR	18-Aug-14	2.05		18-Aug-17	18-Aug-18
2014 – OR	18-Aug-14	4.31		18-Aug-17	18-Aug-18
2014 – ROIC	18-Aug-14	4.31		18-Aug-17	18-Aug-18
2014 STIAD	22-Sept-14	4.65		22-Sept-15	22-Sept-15

1 For remuneration purposes, Aurizon does not use fair value to determine LTI Awards. The number of performance rights awarded, as described in Section 7, is a function of the market price (five day VWAP) at the time of the award, that is, ‘face value’. The ‘fair’ value reported in Table 15 is disclosed to allow for an estimate of the value of awards yet to vest, in accordance with the accounting standards.

Auditor's Independence Declaration

As lead auditor for the audit of Aurizon Holdings Limited for the year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Aurizon Holdings Limited and the entities it controlled during the period.

John Yeoman
Partner
PricewaterhouseCoopers

Brisbane
17 August 2015

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Sustainability

Sustainability represents resilience over time – a sustainable business is one which has long-term focus and a balanced approach to decision-making which takes into account economic, social and environmental considerations.

Our sustainability commitments

Our approach to sustainability is underpinned by three sustainability commitments:

- **Long-term Focus:** We are committed to building a long-term sustainable business that delivers lasting value for our shareholders, customers, employees and communities
- **Efficiency:** We aim to take the safest, most efficient and least resource-intensive approach to the services we provide
- **Balanced Approach:** We apply a balanced view when assessing risk and making decisions, encompassing social, environmental and economic considerations

It is also reflected in Aurizon's new mission statement:

"We are an Australian rail-based transport business with a global orientation that **creates value sustainably** for our customers, shareholders, employees and the communities in which we operate."

Sustainability governance

In response to the introduction of Recommendation 7.4 of the Corporate Governance Principles, Aurizon produced its inaugural Sustainability Report in November 2014. Aurizon also implemented a sustainability governance framework leveraging tiered strategic forums to:

- Identify the material economic, environmental and social sustainability risks we face
- Determine our response to those risks
- Set appropriate benchmarks against which we will measure and report performance

Aurizon's Sustainability Steering Committee provides strategic direction in relation to sustainability, assessment of key trends and risks, and ensures appropriate reporting across the organisation. The Committee is comprised of senior executives from each of our business functions. The Aurizon Holdings Limited Board sits at the apex of Aurizon's sustainability governance framework.

FIGURE 1 – SUSTAINABILITY GOVERNANCE AT AURIZON

Our reporting approach

Aurizon's Sustainability Report seeks to address the requirements of Recommendation 7.4 of the Corporate Governance Principles. We are committed to producing a Sustainability Report on an annual basis not only to comply with Recommendation 7.4, but in order to:

› Define and discuss the issues which we perceive as being material to the long-term sustainability of our business
› Highlight the sustainability initiatives we have undertaken during the financial year and our planned initiatives to build on our past performance

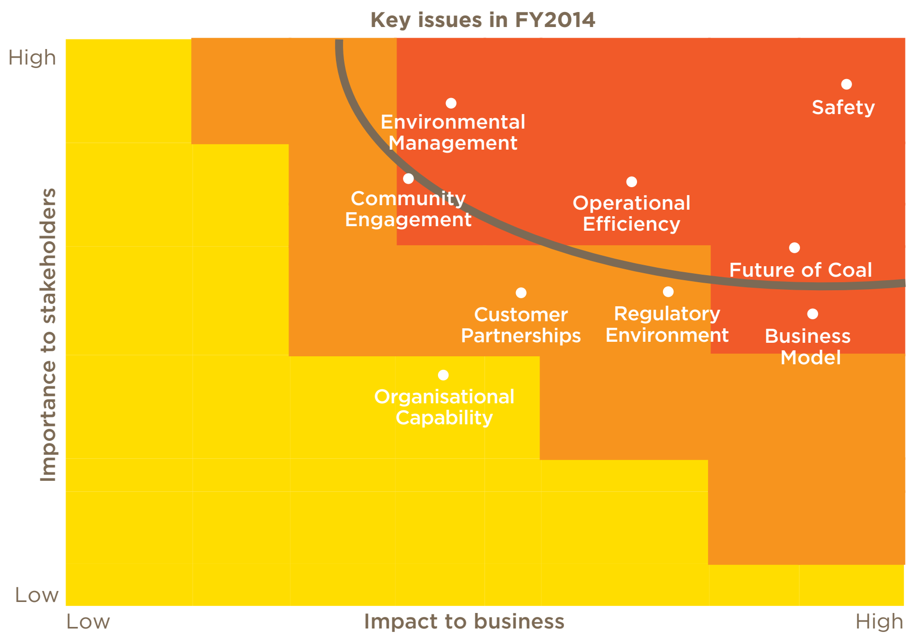
Our Sustainability Report is prepared in accordance with the Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines (G4 Reporting Guidelines). Aurizon's Sustainability Report on the FY2015 period will be published in November 2015.

In accordance with the G4 Reporting Guidelines, our reporting cycle begins and ends with internal and external stakeholder engagement as illustrated in Figure 2. Stakeholder feedback procured through our engagement process is used in concert with other information, such as internal risk assessments and a senior management review, to inform our assessment of those issues of greatest importance to our stakeholders and greatest potential to impact our business (i.e. our materiality assessment). As illustrated in Figure 3, last year this process led to the identification of nine key issues as depicted in the chart 2014 Material Priority Areas.

For more information on sustainability at Aurizon, please see:
aurizon.com.au/sustainability

FIGURE 2 – SUSTAINABILITY REPORTING CYCLE

FIGURE 3 – 2014 MATERIAL PRIORITY AREAS



Corporate Governance Statement

Aurizon Holdings Limited and the entities it controls (Aurizon Holdings or Company) believe corporate governance is a critical pillar on which business objectives and, in turn, shareholder value must be built.

The Board has adopted a suite of charters and key corporate governance documents which articulate the policies and procedures followed by Aurizon Holdings.

These documents are available in the Governance section of the Company's website, **aurizon.com.au**. These documents are reviewed regularly to address any changes in governance practices and the law.

This Statement explains how Aurizon Holdings complies with the ASX Corporate Governance Council's '*Corporate Governance Principles and Recommendations - 3rd Edition*' (ASX Principles or Recommendations), published on 27 March 2014.

This Statement was adopted by the Board on 14 August 2015.

Principle 1: Lay solid foundations for management and oversight

RECOMMENDATION	AURIZON HOLDINGS' COMPLIANCE WITH RECOMMENDATIONS	
1.1 Role of Board and management	The Board has established a clear distinction between the functions and responsibilities reserved for the Board and those delegated to management, which are set out in the Aurizon Holdings Limited Board Charter (Charter). The Charter also provides an overview of the roles of the Chairman, individual Directors, the Managing Director & CEO and the Company Secretary. A copy of the Charter is available in the Governance section of the Company's website, **aurizon.com.au**	✓
1.2 Information regarding election and re-election of Director candidates	Aurizon carefully considers the character, experience, education, skill set as well as interests and associations of potential candidates for appointment to the Board and conducts appropriate checks to verify the suitability of the candidate prior to their election. During the year the Board used professional search firms to assist in employing two additional Directors, and as part of the search, received assurance on the background of the Directors who were subsequently appointed to the Board. Aurizon has appropriate procedures in place to ensure material information relevant to a decision to elect or re-elect a Director is disclosed in the Notice of Meeting provided to shareholders.	✓
1.3 Written contracts of appointment	In addition to being set out in the Charter, the roles and responsibilities of Directors are also formalised in the letter of appointment which each Director receives and commits to on their appointment. The letters of appointment specify the term of appointment, time commitment envisaged, expectations in relation to committee work or any other special duties attaching to the position, reporting lines, remuneration arrangements, disclosure obligations in relation to personal interests, confidentiality obligations, insurance and indemnity entitlements and details of the Company's key governance policies, such as the Securities Dealing Policy. A copy of the key governance policies can be found on the Company's website **aurizon.com.au** Each Senior Executive enters into a service contract which sets out the material terms of employment, including a description of position and duties, reporting lines, remuneration arrangements and termination rights and entitlements. Contract details of senior executives who are Key Management Personnel can be found in this Report on page 34.	✓
1.4 Company Secretary	The Company Secretary is accountable to the Board for facilitating the Company's corporate governance processes and the proper functioning of the Board. Each Director is entitled to access the advice and services of the Company Secretary. In accordance with the Company's Constitution, the appointment or removal of the Company Secretary is a matter for the Board as a whole. Details of the Company Secretary's experience and qualifications are set out on page six of this Report.	✓

RECOMMENDATION	AURIZON HOLDINGS' COMPLIANCE WITH RECOMMENDATIONS	
1.5 Diversity	Aurizon Holdings has adopted a Diversity Policy which sets out its objectives and reporting practices with respect to diversity and is available in the Governance section of the Company's website, **aurizon.com.au** The measurable objectives for gender diversity, agreed by the Aurizon Holdings Board for FY2015, are set out below: › At least one female Director at all times › 27% of female representation on the Management Leadership Team (MLT) › 35% of female representation in middle management › 33% of female representation of combined Trainees, Apprentices and Graduates (TAGs) The outcomes and a comparative of Aurizon Holdings' female employees between 30 June 2014 and 30 June 2015 is set out below and illustrates the Company's progress towards achieving its objectives: › 22% (2/9) of the Board at 30 June 2015 (20% at 30 June 2014) › 27% (19/71) of MLT at 30 June 2015 (26% at 30 June 2014) › 32% (162/513) of middle management roles at 30 June 2015 (34% at 30 June 2014) › 51% (57/111) of TAGs at 30 June 2015 (27% as 30 June 2014) › 15.3% of total employees at 30 June 2015 (13.8% at 30 June 2014) Further details on the Company's diversity performance and activities can be found on the Company website **aurizon.com.au**	✓
1.6 Board reviews	A performance review is undertaken annually in relation to the Board and the Board Committees. In addition to individual evaluation sessions between the Chairman and individual Directors, a formal self-evaluation questionnaire is used to facilitate the annual performance review process. Periodically the Board also engages a professional independent consultant experienced in Board reviews to conduct a review of the Board and its Committees and the effectiveness of the Board as a whole. During the year the annual review of the position of the Chairman of the Board was facilitated by the Board and a review and evaluation of the performance of the Board, the Chairman, each Director and each Board Committee was conducted in accordance with the internal assessment process described above.	✓
1.7 Management reviews	Each year the Board sets financial, operational, management and individual targets for the Managing Director & CEO. The Managing Director & CEO (in consultation with the Board) in turn, set targets for direct reports. Performance against these targets is assessed periodically throughout the year, and a formal performance evaluation for senior management is completed for the year end. Details of the process followed are set out on page 27 of the Remuneration Report.	✓

Principle 2: Structure the Board to add value

RECOMMENDATION	AURIZON HOLDINGS' COMPLIANCE WITH RECOMMENDATIONS	
2.1 Nominations committee	The Nomination & Succession Committee comprises four members (including the Chairman), all of whom are Independent Non-Executive Directors. Details of the membership of the Nomination & Succession Committee, including the names and qualifications of the Committee members, are set out on pages four to six of the Annual Report. The number of meetings held and attended by each member of the Nomination & Succession Committee during the financial year are set out on page eight of the Directors' Report within the Annual Report. The Charter governing the conduct of the Nomination & Succession Committee is reviewed annually and is available in the Governance section of the Company's website, **aurizon.com.au**	✓

Corporate Governance Statement
(continued)

RECOMMENDATION	AURIZON HOLDINGS' COMPLIANCE WITH RECOMMENDATIONS	
2.2 Board skills matrix	The below skills and diversity attributes have been identified as the optimum skills and diversity attributes Aurizon Holdings seeks to achieve across its Board membership. The Aurizon Holdings Board currently possesses a very good blend of these skills and diversity attributes. **General** › Other Board experience › Management expertise including partnering and joint venture **Governance** › Understanding of legal, ethical and fiduciary duties › Governance committee experience › Risk management **Behavioural** › Communication › Analytical › Strategic **Technical** › Financial qualifications › Legal › Engineering, including transport, railway and port, infrastructure and operations › Human resources **Industry/experience** › Global/international › Transport and engineering › Mining and resources › Government **Diversity** › Female › Male › International › Non-caucasian ethnicity › Language other than English Further details regarding the skills and experience of each Director are included on pages four to six of this Report.	✓
2.3 Disclose independence and length of service	In accordance with the Board Charter, the majority of Directors are independent. Only the Managing Director & CEO is not considered independent, by virtue of the role being an Executive of the Company. Details regarding which Directors are considered independent and the length of their service are set out on page four of this Report.	✓
2.4 Majority of Directors independent	In accordance with the Board Charter and as disclosed against Recommendation 2.3, the majority of Directors are independent. Only the Managing Director & CEO is not considered independent, by virtue of him being an Executive of the Company. Further details regarding the independence of the Directors are set out on pages four to six of the Annual Report.	✓
2.5 Chair independent	The Chairman, Mr Prescott, is an Independent Non-Executive Director. The role of CEO is performed by another Director. Further details regarding the Directors are set out on pages four to six of the Annual Report.	✓
2.6 Induction and professional development	An induction process including appointment letters and ongoing education exists to promote early, active and relevant involvement of new members of the Board. All Aurizon Holdings Directors are members of the Australian Institute of Company Directors (AICD) and are encouraged to further their knowledge through participation in seminars hosted by the AICD and other forums sponsored by professional, industry, governance and government bodies. In addition to peer review, interaction and networking with other Directors and industry leaders, Aurizon Holdings' Directors participate, from time to time, in Aurizon Holdings' leadership forums and actively engage with Aurizon Holdings employees by visiting Aurizon Holdings' operations to gain an understanding of our operational environment. During the course of the year Directors receive accounting policy updates, especially around the time when the Board considers the Half Year and Full Year accounts. The Board also includes educative sessions from time to time on legal, accounting, regulatory change, developments in communication including social media and human resource management. Directors are encouraged and given the opportunity to broaden their knowledge of the business by visiting offices in different locations. During the financial year, Directors made a number of visits to operational sites and to Company comparator sites.	✓

Principle 3: Act ethically and responsibly

RECOMMENDATION	AURIZON HOLDINGS' COMPLIANCE WITH RECOMMENDATIONS	
3.1 Code of Conduct	The Board has established a Code of Conduct for its Directors, senior executives and employees, a copy of which is available in the Governance section of the Company's website, **aurizon.com.au**	✓

Principle 4: Safeguard integrity in corporate reporting

RECOMMENDATION	AURIZON HOLDINGS' COMPLIANCE WITH RECOMMENDATIONS	
4.1 Audit Committee	The Audit, Governance & Risk Management Committee comprises four members (including the Chairman), all of whom are Independent Non-Executive Directors. Details of the membership of the Audit, Governance & Risk Management Committee, including the names and qualifications of the Committee members, are set out on pages four to six of this Report. In addition to the Audit, Governance & Risk Management Committee members, the Managing Director & CEO, CFO, Chief Internal Auditor, external auditors and Company Secretary regularly attend the Audit, Governance & Risk Management Committee meetings. The number of meetings held and attended by each member of the Audit, Governance & Risk Management Committee during the financial year are set out on page eight of this Report. The Audit, Governance & Risk Management Committee Charter is reviewed annually and is available on the Aurizon Holdings website, **aurizon.com.au**	✓
4.2 CEO and CFO certification of financial statements	The Board has obtained a written assurance from the Managing Director & CEO and CFO that the declaration provided under section 295A of the Corporations Act (and for the purposes of Recommendation 4.2) is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial reporting and material business risks.	✓
4.3 External auditor at AGM	Aurizon Holdings' external audit function is performed by PricewaterhouseCoopers (PwC). Representatives of PwC will attend the Annual General Meeting (AGM) and be available to answer shareholder questions regarding the audit.	✓

Principle 5: Make timely and balanced disclosure

RECOMMENDATION	AURIZON HOLDINGS' COMPLIANCE WITH RECOMMENDATIONS	
5.1 Disclosure and Communications Policy	Aurizon Holdings has adopted a Disclosure and Communications Policy which sets out the processes and practices that ensure its compliance with the continuous disclosure requirements under the ASX Listing Rules and the Corporations Act. Aurizon Holdings has also established guidelines to assist officers and employees of the Company with complying with the Company's Disclosure and Communications Policy. A copy of the policy and guidelines are available on the Aurizon Holdings' website, **aurizon.com.au**	✓

Principle 6: Respect the rights of security holders

RECOMMENDATION	AURIZON HOLDINGS' COMPLIANCE WITH RECOMMENDATIONS	
6.1 Information on website	Aurizon Holdings keeps investors informed of its corporate governance, financial performance and prospects via its website. Investors can access copies of all announcements to ASX, notices of meeting, annual reports and financial statement investor presentations webcasts and/or transcripts of those presentations and a key events calendar via the 'Investors' tab and can access general information regarding the Company and the structure of its business under the 'About Us', 'Our Services', 'Networks', 'Projects' and 'Sustainability' tabs.	✓
6.2 Investor relations programs	Aurizon Holdings conducts regular market briefings including interim and full year results announcements, investor days, site visits, and also attends regional and industry specific conferences in order to facilitate effective two-way communication with investors and other financial markets participants. Access to Executive and Operational Management is provided to investors and analysts at these events, with separate one-on-one or group meetings offered whenever possible. The presentation material provided at these events is sent to the ASX prior to commencement and subsequently posted on Aurizon Holdings' Investor Centre website, including the webcast and transcript if applicable.	✓
6.3 Facilitate participation at meetings of security holders	Aurizon Holdings uses technology to facilitate the participation of security holders in meetings including webcasting of the AGM. Shareholders are encouraged to participate and are given an opportunity to ask questions of the Company and its auditor at the AGM.	✓
6.4 Facilitate electronic communications	Aurizon provides its investors the option to receive communications from and send communications to, the Company and the share registry electronically.	✓

Corporate Governance Statement
(continued)

Principle 7: Recognise and manage risk

RECOMMENDATION	AURIZON HOLDINGS' COMPLIANCE WITH RECOMMENDATIONS	
7.1 Risk committee	Aurizon Holdings' Audit, Governance & Risk Management Committee oversees the process for identifying and managing material risks in the Company in accordance with the Risk Management, Compliance & Assurance Policy (Risk Policy). A copy of the Risk Policy is available in the Governance section of the Company's website, **aurizon.com.au** Further details regarding the Committee, its membership and the number of meetings held during the financial year are set out in response to Recommendation 4.1.	✓
7.2 Annual risk review	The Board has mandated Internal Audit to provide independent assurance on the effectiveness of the Company's risk management practices and report its findings to the Audit, Governance & Risk Management Committee. The purpose of the review is to confirm the Company's governance processes and practices continue to be sound and that the entity manages risk within the Board approved risk appetite. Internal audit conducted its review during the financial year, utilising a specialist third party and concluded that controls over risk management processes were adequate and effective.	✓
7.3 Internal audit	The Company has an internal audit function that operates under a Board approved Internal Audit Charter. The internal audit function is independent of management and the external auditor and is overseen by the Audit, Governance & Risk Management Committee. In accordance with the Committee Charter the appointment or removal of the Chief Internal Auditor is a matter for this Committee. The Chief Internal Auditor provides ongoing internal audit reports to the Audit, Governance & Risk Management Committee, as well as an annual assessment of the adequacy and effectiveness of the Company's control processes and risk management procedures. The Chief Internal Auditor provides regular reports to the Audit, Governance & Risk Management Committee on control environment matters as well as an annual assessment of the adequacy and effectiveness of the Company's internal controls and risk management processes.	✓
7.4 Sustainability risks	Aurizon Holdings identifies and manages material exposures to economic, environmental and social sustainability risks in accordance with its enterprise risk management framework incorporating the Board-approved risk appetite. The Company's sustainability aspiration is to deliver world-class performance underpinned by three sustainability commitments: › The Company is committed to building a long-term sustainable business that delivers lasting value for our shareholders, customers, employees and communities › The Company aims to take the safest, most efficient and least resource-intensive approach to the services we provide › The Company applies a balanced view when assessing risk and making decisions, encompassing social, environmental and economic considerations In our operations, we continue to make progress on a number of sustainability aspects, including our safety performance, our operational efficiency and environmental management. A key element of our approach is the ongoing reduction in resource use across all of our operations with a strong focus on longer trains, higher-density trains, increased reliability and improved average train velocity. During FY2015, the Company published its inaugural Sustainability Report for the period ending 30 June 2014. A copy of this report is available in the Sustainability section of the Company's website, **aurizon.com.au** The Company's inaugural Sustainability Report identified areas of focus and priority that relate to the Company's ability to create or preserve value for shareholders over the short, medium or long-term and outlined how the Company manages or intends to manage the material risks identified. The Company has set appropriate benchmarks against which we will measure and report FY2015 performance and material economic, environmental and social sustainability risks. The Company's FY2015 Sustainability Report will be released in November 2015. Consistent with the inaugural report, it will be based on the GRI G4 Sustainability Reporting Guidelines and will describe the impact of the Company's operations against the core elements of economic, environmental, social and governance performance. It will also identify those issues that reflect the organisation's significant economic, environmental and social impacts or that substantively influence assessments and decisions of stakeholders.	✓

Principle 8: Remunerate fairly and responsibly

RECOMMENDATION	AURIZON HOLDINGS' COMPLIANCE WITH RECOMMENDATIONS	
8.1 Remuneration Committee	Aurizon Holdings' remuneration function is performed by the Remuneration Committee, comprising four members (including the Chairman), all of whom are Independent Non-Executive Directors. Details of the membership of the Remuneration Committee, including the names and qualifications of the Committee members, are set out on pages four to six of this Report. The number of meetings held and attended by each member of the Remuneration, Committee during the financial year are set out on page eight of this Report. The Charter governing the conduct of the Remuneration Committee is reviewed annually and is available in the Governance section of the Company's website, **aurizon.com.au**	✓
8.2 Disclosure of Executive and Non-Executive Director remuneration policy	The Company seeks to attract and retain high performance Directors and Executives with appropriate skills, qualifications and experience to add value to the Company and fulfil the roles and responsibilities required. It reviews requirements for additional capabilities at least annually. Executive remuneration is to reflect performance and accordingly, remuneration is structured with a fixed component and performance-based remuneration component. Non-Executive Directors are paid fixed fees for their services in accordance with the Company's Constitution. Fees paid are a composite fee (covering all Board and Committee responsibilities) and any contributions by Aurizon Holdings to a fund for the purposes of superannuation benefits for a Director. No other retirement benefits schemes are in place in respect to Non-Executive Directors. The Company has in place a Share Holding and Retention Policy which applies to Non-Executive Directors, the Managing Director & CEO and the direct reports of the Managing Director & CEO, Key Management Personnel. Further details regarding remuneration and share retention policies and the remuneration of Executive and Non-Executive Directors, are set out on pages 31 to 38 of the Remuneration Report.	✓
8.3 Policy on hedging equity incentive schemes	Aurizon Holdings' Executives must not enter into any hedge arrangement in relation to any performance rights they may be granted or otherwise entitled to under an incentive scheme or plan, prior to exercising those rights or, once exercised, while the securities are subject to a transfer restriction. For the purposes of this policy, hedging includes the entry into any transaction, arrangement or financial product which operates to limit the economic risk of a security holding in the Company and includes financial instruments such as equity swaps and contracts for differences. The term 'Executive' is broadly defined to include Aurizon Holdings Executive Vice Presidents and their direct reports, Directors and officers and any other person entitled to participate in an Aurizon Holdings performance rights plan. Further details regarding the Company's hedging policy are set out in the Company's Securities Dealing Policy which is available on the Governance section of the website, **aurizon.com.au**	✓

Financial Report
for the year ended 30 June 2015

FINANCIAL STATEMENTS

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Consolidated income statement
for the year ended 30 June 2015

	Notes	2015 $m	2014 $m
Revenue from continuing operations	2(a)	**3,732**	3,812
Other income	2(b)	**48**	10
Total revenue and other income		**3,780**	**3,822**
Employee benefits expense	3	**(1,009)**	(1,104)
Energy and fuel		**(291)**	(383)
Track access		**(328)**	(328)
Consumables	3	**(614)**	(679)
Depreciation and amortisation	3	**(519)**	(499)
Impairment losses	3	**(20)**	(317)
Other expenses		**(43)**	(54)
Share of net profit of associates and joint venture partnerships accounted for using the equity method		**14**	7
Operating profit		**970**	465
Finance income		**9**	10
Finance expenses	3	**(144)**	(122)
Net finance costs		**(135)**	(112)
Profit before income tax expense		**835**	353
Income tax expense	4	**(231)**	(100)
Profit for the year		**604**	**253**
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	5	**28.4**	11.8
Diluted earnings per share	5	**28.3**	11.8

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated statement of comprehensive income
for the year ended 30 June 2015

	Notes	2015 $m	2014 $m
Profit for the year		**604**	253
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges	15(b)	**(17)**	(27)
Income tax relating to these items	4(c)	**6**	8
Other comprehensive income for the year, net of tax		**(11)**	(19)
Total comprehensive income for the year		**593**	**234**

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

Consolidated balance sheet
as at 30 June 2015

	Notes	2015 $m	2014 $m
ASSETS			
Current assets			
Cash and cash equivalents		**171**	318
Trade and other receivables	6	**543**	603
Inventories	7	**189**	215
Derivative financial instruments	18	**1**	1
Current tax receivables		**–**	47
Prepayments		**9**	19
Assets classified as held-for-sale	24	**21**	111
Total current assets		**934**	1,314
Non-current assets			
Inventories	7	**37**	41
Derivative financial instruments	18	**19**	–
Property, plant and equipment	8	**9,900**	9,441
Intangible assets	9	**127**	64
Investments accounted for using the equity method	19	**318**	83
Other receivables		**1**	5
Total non-current assets		**10,402**	9,634
Total assets		**11,336**	10,948
LIABILITIES			
Current liabilities			
Trade and other payables	10	**368**	461
Borrowings	16	**59**	42
Derivative financial instruments	18	**–**	2
Current tax liabilities		**76**	–
Provisions	11	**346**	340
Other liabilities	12	**55**	42
Liabilities directly associated with assets classified as held-for-sale		**–**	7
Total current liabilities		**904**	894
Non-current liabilities			
Borrowings	16	**2,924**	2,799
Derivative financial instruments	18	**43**	27
Deferred tax liabilities	4(e)	**606**	493
Provisions	11	**97**	103
Other liabilities	12	**256**	259
Total non-current liabilities		**3,926**	3,681
Total liabilities		**4,830**	4,575
Net assets		**6,506**	**6,373**
EQUITY			
Contributed equity	15(a)	**1,508**	1,508
Reserves	15(b)	**3,459**	3,534
Retained earnings		**1,539**	1,331
Total equity		**6,506**	**6,373**

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

for the year ended 30 June 2015

		Attributable to owners of Aurizon Holdings Limited			
	Notes	Contributed equity $m	Reserves $m	Retained earnings $m	Total equity $m
Balance at 1 July 2013		1,508	3,563	1,424	6,495
Profit for the year		–	–	253	253
Other comprehensive income	15(b)	–	(19)	–	(19)
Total comprehensive income for the year		–	(19)	253	234
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	14(a)	–	–	(346)	(346)
Share-based payments	15(b)	–	(10)	–	(10)
		–	(10)	(346)	(356)
Balance at 30 June 2014		1,508	3,534	1,331	6,373
Balance at 1 July 2014		**1,508**	**3,534**	**1,331**	**6,373**
Profit for the year		**–**	**–**	**604**	**604**
Other comprehensive income	15(b)	**–**	**(11)**	**–**	**(11)**
Total comprehensive income for the year		**–**	**(11)**	**604**	**593**
Transactions with owners in their capacity as owners:					
Buy-back of ordinary shares		**–**	**(69)**	**–**	**(69)**
Dividends provided for or paid	14(a)	**–**	**–**	**(396)**	**(396)**
Share-based payments	15(b)	**–**	**5**	**–**	**5**
		–	**(64)**	**(396)**	**(460)**
Balance at 30 June 2015		**1,508**	**3,459**	**1,539**	**6,506**

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

Consolidated statement of cash flows
for the year ended 30 June 2015

	Notes	2015 $m	2014 $m
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**4,170**	4,162
Payments to suppliers and employees (inclusive of GST)		**(2,674)**	(2,856)
Interest received		**9**	9
Income taxes received (paid)		**11**	(124)
Net cash inflow from operating activities	**23**	**1,516**	**1,191**
Cash flows from investing activities			
Payments for property, plant and equipment		**(1,013)**	(826)
Proceeds from sale of business/property, plant and equipment		**170**	37
Payments for intangibles		**(70)**	(45)
Interest paid on qualifying assets	3	**(28)**	(34)
Payments for investment in associates		**(226)**	(2)
Distributions received from associates		**6**	6
Net cash (outflow) from investing activities		**(1,161)**	**(864)**
Cash flows from financing activities			
Proceeds from borrowings		**1,142**	845
Repayment of borrowings		**(1,035)**	(500)
Payment of transaction costs related to borrowings		**(4)**	(2)
Payments for share buy-back		**(69)**	-
Payments for shares acquired for share based payments	15(b)	**(12)**	(24)
Dividends paid to Company's shareholders	14(a)	**(396)**	(346)
Interest paid		**(128)**	(90)
Net cash (outflow) from financing activities		**(502)**	**(117)**
Net (decrease) increase in cash and cash equivalents		**(147)**	210
Cash and cash equivalents at the beginning of the financial year		**318**	108
Cash and cash equivalents at the end of the financial year		**171**	**318**

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

Notes to the consolidated financial statements
30 June 2015

About this report

Aurizon Holdings Limited is a company limited by shares, incorporated and domiciled in Australia and is a for-profit entity for the purposes of preparing the financial statements. The financial statements are for the consolidated entity consisting of Aurizon Holdings Limited (the Company) and its subsidiaries and together are referred to as the Group or Aurizon.

The financial statements were approved for issue by the Directors on 17 August 2015. The Directors have the power to amend and reissue the financial statements.

The financial statements are general purpose financial statements which:

- Have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB)
- Have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value
- Are presented in Australian dollars, with all amounts in the financial report being rounded off in accordance with Class Order 98/100 to the nearest million dollars, unless otherwise indicated
- Where necessary, comparative information has been restated to conform with changes in presentation in the current year
- Adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2014
- Equity accounts for associates listed at note 19

The notes to the financial statements

The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant if, for example:

- The amount in question is significant because of its size or nature
- It is important for understanding the results of the Group
- It helps to explain the impact of significant changes in the Group's business – for example, acquisitions and impairment write downs
- It relates to an aspect of the Group's operations that is important to its future performance

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

KEEPING IT SIMPLE

The 'keeping it simple' explanations are designed to provide a high level overview of the accounting treatment of the more complex sections of the financial statements. Disclosures in the notes to the financial statements provide information required by accounting standards or ASX Listing Rules. The notes provide explanations and additional disclosure to assist readers' understanding and interpretation of the financial statements.

SIGNIFICANT JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates of future events. Judgements and estimates which are material to the financial statements include:

	Note
Revenue	2
Depreciation	3
Impairment	3
Property, plant and equipment	8

Key events and transactions for reporting period

The financial position and performance of the Group was particularly affected by the following events and transactions during the reporting period:

Issuance of Euro 500 million medium-term note

On 12 September 2014, Aurizon Network Pty Ltd diversified its funding sources by issuing a 10-year €500m Medium-term Note (EMTN) in the European market. The proceeds of the issue were used to repay existing bank debt. This EMTN marks a step forward in diversifying funding sources and lengthening the debt maturity profile. Cross currency interest rate swaps were executed concurrently to fully swap the issuance back to Australian dollar (A$) floating rate debt. The Aurizon Group uses interest rate swaps to convert its floating rate debt to fixed rate debt.

Change in accounting policy – early adoption of AASB 9 Financial Instruments

The Group early adopted AASB 9 Financial Instruments with a date of initial application of 1 July 2014. Please see note 29(a)(ii) for further details.

Acquisition of Aquila Resources Limited

In July 2014, Aurizon completed the acquisition of 15% interest in Aquila Resources Limited (Aquila) for $225m. Following the acquisition, Aurizon equity accounts for its share of Aquila's assets, liabilities and profit or loss.

On-market share buy-back scheme

On 11 November 2014, the Company announced an on-market buy-back program. Since commencement of this program, the Company has acquired 15 million shares and the total cost of the on-market buy-back program was $69m.

Disposal of non-core assets

During the year, the sale of CRT Group (CRT) Pty Ltd (a wholly-owned subsidiary of Aurizon) to Qube Logistics (Aust) Pty Limited and the disposal of the Redbank facility were completed for total consideration of $118m.

Notes to the consolidated financial statements

30 June 2015 (continued)

Key events and transactions for reporting period (continued)

Access Undertaking

The Queensland Competition Authority (QCA) is currently considering Aurizon Network Pty Ltd's latest 2014 Draft Access Undertaking (UT4). Given that the original term of the 2010 Access Undertaking (UT3) expired on 30 June 2013, Aurizon Network Pty Ltd has submitted a series of Draft Amending Access Undertakings (DAAU) which have extended the UT3 period and established transitional tariffs for the intervening period until the finalisation and approval of UT4. The most recent DAAU further extends UT3 to the earlier of finalisation of UT4 or February 2016, finalises the transitional tariffs for the 2015 financial year and establishes transitional tariffs for the FY2016. This submission was approved by the QCA on 5 June 2015.

The MAR for the year ended 30 June 2014 was capped with $70m returned to customers during the current year. The transitional MAR for the year ended 30 June 2015 was uncapped.

During the course of the 2015 financial year, the QCA issued two draft decisions pertaining to UT4. The first issued in September 2014 was the Draft MAR decision, to which Aurizon Network Pty Ltd responded in December 2014. The second draft decision was the Policy Decision to which Aurizon Network Pty Ltd responded on 17 April 2015. On 4 May 2015, the QCA issued a revised UT4 timetable and indicated their intention to issue a final UT4 Decision by 30 October 2015. Access revenue recognised in these financial statements is based on approved transitional tariffs applied to actual volumes.

Strategic projects – West Pilbara Iron Ore Project (WPIOP)

Aurizon delivered to the mine participants an initial, non-binding +/- 25% tariff for the mine-to-ship supply chain services in accordance with the Infrastructure Framework Agreement, at the end of March 2015. Aurizon and the mine participants are committed to continuing the technical and commercial stages of WPIOP, on the basis that it is most likely to deliver a competitive overall cost position compared with other major Pilbara producers. A key driver of this competitive cost position is the significant reduction in the 2012 capital cost estimates, which is expected to be achievable given the anticipated subdued market for major capital activity.

Senior executives of Aurizon and mine participants have made an in-principle decision that further Project governance measures be implemented to allow for 'whole of project' (mine and infrastructure) oversight and program management, including the holding of assessment stage gates.

Final Investment Decisions by all participants are currently contemplated to occur in late calendar year 2016.

Enterprise Agreement (EA)

During the year, Aurizon made significant progress towards negotiating replacement EAs that are fair, competitive and commercially sustainable. The 14 QLD EAs that cover approximately 4,500 staff represented by six unions expired in December 2013 and Aurizon has been bargaining with unions since April 2013.

In April 2014, Aurizon applied to the FWC under s.225 of the Fair Work Act 2009 (Cth) to terminate the 14 QLD EAs. This was heard by a Full Bench of the FWC in November 2014. As previously disclosed, the staff EA, which comprised two of the 14 expired EAs, covering approximately 1,400 non-operational and some supervisory employees was approved by the FWC and implemented on 28 January 2015.

On 22 April 2015, the FWC ruled in favour of the application to terminate the 12 remaining expired EAs which covered 3,500 employees including train drivers, rail operations employees, and construction and maintenance employees. Termination was effected on 18 May 2015. As a result, the terms of employment are currently governed by the Rail Industry Award 2010, National Employment Standards and Individual contracts of employment. Aurizon provided an undertaking to maintain a number of the current terms and conditions including base wages, superannuation and leave accruals for a period of six months ending 18 November 2015. Following the termination, immediate changes for affected employees included the 'no forced redundancy' clause ceasing to operate and removal of some allowances.

As at 30 June 2015, Aurizon had proposed EAs – Train Crew and Transport Operations EA and Construction and Maintenance EA to govern the employment conditions of approximately 3,600 QLD based Aurizon employees.

On 15 July 2015, Aurizon received a positive vote by employees on the proposed Construction and Maintenance Enterprise Agreement (C&M EA).

On 27 July 2015, the proposed Train Crew and Transport Operations EA received a positive vote by employees. Once the C&M EA and the Train Crew and Transport Operations EA are approved by the FWC, along with the staff EA, these will cover approximately 5,000 QLD based Aurizon employees.

Results for the year

IN THIS SECTION

Results for the year provides segment information and a breakdown of individual line items in the consolidated income statement that the Directors consider most relevant, including a summary of the accounting policies, judgements and estimates relevant to understanding these line items.

1 Segment information

KEEPING IT SIMPLE
Segment reporting requires presentation of financial information based on the information that is internally provided to the Managing Director and the Executive Committee (chief operating decision makers).

Aurizon determines and presents operating segments on a function basis as this is how the results are reported internally and how the business is managed. The Managing Director & CEO and the Executive Committee assess the performance of the Group based on the underlying EBIT.

(a) Description of segments

The following summary describes the operations in each of the Group's reportable segments:

Network
Provision of access to, operation and management of the Central Queensland Coal Rail Network. Provision of overhaul and maintenance of rail network assets.

Commercial & Marketing
The key interface between customers and Aurizon (excluding Network access customers), responsible for the commercial negotiation of sales contracts and customer relationship management.

Operations
Responsible for the national delivery of all coal, iron ore, bulk and intermodal haulage services. This includes yard operations, fleet maintenance, operations, engineering and technology, engineering program delivery and safety, health and environment. Responsible for the maintenance of rollingstock fleet assets.

Other
Corporate costs including costs in respect of the Managing Director & CEO, corporate finance, tax, treasury, internal audit, risk, governance and strategic projects.

Notes to the consolidated financial statements

30 June 2015 (continued)

1 Segment information (continued)

(b) Segment information

	Network $m	Commercial & Marketing $m	Operations $m	Other $m	Eliminations $m	Total continuing operations $m
2015						
External revenue	**458**	**3,148**	**128**	**46**	**–**	**3,780**
Internal revenue	**650**	**3**	**204**	**–**	**(857)**	**–**
Total functional revenue	**1,108**	**3,151**	**332**	**46**	**(857)**	**3,780**
Functional costs						
Employee benefits expense	**(121)**	**(47)**	**(787)**	**(54)**	**–**	**(1,009)**
Energy and fuel	**(107)**	**(1)**	**(183)**	**–**	**–**	**(291)**
Track access	**–**	**–**	**(973)**	**–**	**645**	**(328)**
Consumables	**(165)**	**(29)**	**(604)**	**(25)**	**209**	**(614)**
Other expenses	**(16)**	**10**	**(17)**	**(29)**	**3**	**(49)**
Total functional costs excluding depreciation and amortisation	**(409)**	**(67)**	**(2,564)**	**(108)**	**857**	**(2,291)**
EBITDA (underlying)*	**699**	**3,084**	**(2,232)**	**(62)**	**–**	**1,489**
Depreciation and amortisation	**(215)**	**(5)**	**(295)**	**(4)**	**–**	**(519)**
EBIT (underlying)*	**484**	**3,079**	**(2,527)**	**(66)**	**–**	**970**
Significant adjustments (note 1(c))						**–**
EBIT*						**970**
Net finance costs						**(135)**
Profit before income tax						**835**
Income tax expense						**(231)**
Profit for the year						**604**
2014						
External Revenue	422	3,263	120	17	–	3,822
Internal Revenue	590	8	216	–	(814)	–
Total functional revenue	1,012	3,271	336	17	(814)	3,822
Functional costs						
Employee benefits expense	(125)	(60)	(790)	(60)	–	(1,035)
Energy and fuel	(111)	(4)	(268)	–	–	(383)
Track access	–	–	(916)	–	588	(328)
Consumables	(148)	(63)	(641)	(46)	219	(679)
Other expenses	(18)	1	(33)	(4)	7	(47)
Total functional costs excluding depreciation and amortisation	(402)	(126)	(2,648)	(110)	814	(2,472)
EBITDA (underlying)*	610	3,145	(2,312)	(93)	–	1,350
Depreciation and amortisation	(198)	(11)	(287)	(3)	–	(499)
EBIT (underlying)*	412	3,134	(2,599)	(96)	–	851
Significant adjustments (note 1(c))						(386)
EBIT*						465
Net finance costs						(112)
Profit before income tax						353
Income tax expense						(100)
Profit for the year						253

* Refer to page 97 for a reconciliation of non-IFRS information.

Notes to the consolidated financial statements
30 June 2015 (continued)

1 Segment information (continued)

(c) Significant adjustments

In order to provide a more meaningful analysis of the underlying operational performance of the Group, it is necessary to adjust the statutory financial performance of the Group for a number of significant items that have affected the financial results. In the current year, there have been no significant adjustments. The significant adjustments related to the prior period were:

	2014 $m
Voluntary redundancy schemes (i)	69
Assets impairment (ii)	20
Assets under construction impairment (iii)	54
Strategic infrastructure project impairment (iv)	73
Rollingstock impairment (v)	170
Total significant adjustments	**386**

(i) Voluntary redundancy schemes

A voluntary redundancy scheme carried out during 2014 affected 910 employees at a total cost of $69m.

(ii) Assets impairment

Review of the Freight business carried out in 2014 resulted in an impairment of non-core assets of $20m.

(iii) Assets under construction impairment

The market conditions and the longer-term outlook within the global and domestic resources sector had seen many capital projects either deferred or cancelled. As a direct consequence, two projects under development by Aurizon Network Pty Ltd, Dudgeon Point and Wiggins Island Project Phase Two, were considered unlikely to progress in the near-term. On 20 June 2014, Northern Queensland Bulk Ports Corporation announced it was withdrawing its development proposal for the Dudgeon Point Coal Terminal (DPCT), noting a lack of demand to support the expansion. On a similar basis, whilst Aurizon remained fully committed to the Wiggins Island Project Phase One, the current and forecast demand did not support the continued development or investment in incremental capacity in respect of Phase Two. As a result, the Group recognised an impairment charge in 2014 of $54m.

(iv) Strategic infrastructure project impairment

A strategic infrastructure project review carried out in 2014 resulted in an impairment of assets under construction of $73m. An impairment was recognised in respect of Surat Basin Rail Joint Venture costs due to the termination of the joint venture in February 2014, following the announcement by Glencore Xstrata that its Wandoan Project was being put on hold. Costs associated with an alternative Galilee Basin rail development were impaired following the submission of a revised corridor proposal and Environmental Impact Study in August 2013 by alternative developers, together with consolidation of our own corridor with GVK Hancock, announced 25 November 2013. The Group recognised an impairment on the East Pilbara Independent Rail (EPIR) project due to the project becoming less probable in the short to medium-term given the focus on the West Pilbara following the successful acquisition by Aurizon and its partner Baosteel of Aquila Resources Ltd.

(v) Rollingstock impairment

Last year, the Group completed its annual Enterprise Rollingstock Master Plan which forecasts requirements for locomotives and wagons for the next 10 years. The strategy was based on estimated customer demand, expected productivity improvements through integrated service design and standardisation of the fleet to minimise operational complexity and maintenance cost. The review of equipment reallocation resulted in 200 locomotives and 2,775 wagons being identified as surplus to the requirements of the Group. Rollingstock and associated inventory identified as surplus were decommissioned and written down to net realisable value resulting in an impairment of $170m, relating to inventory of $15m and property, plant and equipment of $155m recognised in 2014.

(d) Customer disclosure

The nature of the Group's business is that it enters into long-term contracts with key customers. One customer with an A+ credit rating contributes more than 10% and represents approximately $571m (2014: $554m) of the Group's total revenue.

2 Revenue and other income

KEEPING IT SIMPLE

Aurizon recognises revenue from the provision of access to the CQCN and the provision of freight haulage services across Australia.

(a) Revenue from continuing operations

The revenue by commodity is as follows:

Network revenue: Provision of access to, and operation and management of the CQCN.

Coal revenue: Transport of coal from mines in QLD and NSW to end customers and ports.

Iron Ore revenue: Transport of iron ore from mines in WA to ports.

Freight revenue: Transport of bulk mineral commodities, agricultural products, mining and industrial inputs and general freight throughout QLD, NSW and WA and containerised freight throughout Australia.

Other revenue: Items of revenue of a corporate nature, ineffective hedging gains and losses and minor operations within the Group including third party above rail provision of overhaul and maintenance services to external customers.

Notes to the consolidated financial statements
30 June 2015 (continued)

2 Revenue and other income (continued)

(a) Revenue from continuing operations (continued)

	Network $m	Coal $m	Iron Ore $m	Freight $m	Other $m	Total $m
2015						
External revenue						
Revenue from external customers						
Services revenue						
Track access	**403**	**707**	**–**	**–**	**–**	**1,110**
Freight transport	**–**	**1,182**	**338**	**787**	**–**	**2,307**
Other services	**8**	**–**	**–**	**111**	**43**	**162**
Other revenue	**45**	**5**	**–**	**17**	**86**	**153**
Total revenue from external customers	**456**	**1,894**	**338**	**915**	**129**	**3,732**
Internal revenue						
Services revenue						
Track access	**645**	**–**	**–**	**–**	**–**	**645**
Freight transport	**–**	**–**	**–**	**3**	**–**	**3**
Other services	**5**	**–**	**–**	**–**	**204**	**209**
Other revenue	**–**	**–**	**–**	**–**	**–**	**–**
Total internal revenue	**650**	**–**	**–**	**3**	**204**	**857**
Total revenue	**1,106**	**1,894**	**338**	**918**	**333**	**4,589**
Other income (note 2(b))	**2**	**–**	**–**	**1**	**45**	**48**
Total revenue and other income	**1,108**	**1,894**	**338**	**919**	**378**	**4,637**
Internal elimination						**(857)**
Consolidated revenue and other income						**3,780**
2014						
External revenue						
Revenue from external customers						
Services revenue						
Track access	363	649	–	1	–	1,013
Freight transport	–	1,211	378	873	–	2,462
Other services	15	–	–	126	46	187
Other revenue	44	3	–	16	87	150
Total revenue from external customers	422	1,863	378	1,016	133	3,812
Internal revenue						
Services revenue						
Track access	588	–	–	–	–	588
Freight transport	–	–	–	8	–	8
Other services	2	–	–	–	216	218
Other revenue	–	–	–	–	–	–
Total internal revenue	590	–	–	8	216	814
Total revenue	1,012	1,863	378	1,024	349	4,626
Other income (note 2(b))	–	1	–	5	4	10
Total revenue and other income	1,012	1,864	378	1,029	353	4,636
Internal elimination						(814)
Consolidated revenue and other income						3,822

Other services (external) includes $111m (2014: $126m) from the State of Queensland for Transport Service Contracts for Regional Freight and Livestock.

Notes to the consolidated financial statements
30 June 2015 (continued)

2 Revenue and other income (continued)

SIGNIFICANT JUDGEMENTS

(i) Take or pay revenue
The calculation of take or pay revenue is based on an assessment of access charges from contracted railings that have not been achieved, subject to an adjustment for Aurizon Network Pty Ltd (below rail) cause. The estimate of take or pay revenue is based on management's judgement of below rail cause versus above rail operator/mine cancellations and is recognised in the year in which the contractual railings have not been achieved.

Take or pay revenue of $33m has been accrued for the Goonyella Abbot Point Expansion (GAPE) reflecting the GAPE contractual arrangements.

(ii) Access undertaking
The QCA is currently considering Aurizon Network's latest 2014 Draft Access Undertaking (UT4). Given that the original term of the 2010 Access Undertaking (UT3) expired on 30 June 2013, Aurizon Network has submitted a series of Draft Amending Access Undertakings (DAAU) which have extended the UT3 period and established transitional tariffs for the intervening period until the finalisation and approval of UT4. The most recent DAAU further extends UT3 to the earlier of finalisation of UT4 or February 2016, finalises the transitional tariffs for the 2015 financial year and establishes transitional tariffs for the 2016 financial year. This submission was approved by the QCA on 5 June 2015. Access revenue recognised in these financial statements is based on the approved transitional tariffs applied to actual volumes.

Recognition and measurement
The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities using the methods outlined below:

(i) Track access
Track access revenue includes revenue from regulated rail access services and non-regulated services.

Access revenue generated from the regulated rail network, the CQCN, is recognised as services are provided and is calculated on a number of operating parameters, including the volume hauled and regulator approved tariffs. The tariffs are determined by the total allowable revenue, applied to the regulatory approved annual volume forecast for each system.

Where annual actual volumes railed are less than the regulatory forecast, an annual take or pay may become operative. Take or pay is recognised in the year that the contractual railings were not achieved.

The majority of access revenue is subject to a revenue cap mechanism that serves to ensure the network recovers its system allowable revenue over the regulatory period. A revenue cap event results in the under or over recovery of regulatory access revenues (net of take or pay revenue) for a financial year being recognised in the accounting revenues in the second financial year following the event.

(ii) Freight transport
Revenue from freight transport services is calculated based on the rates agreed with customers on a tonnes per delivery basis either by way of long-term contract or on an ad-hoc basis. Revenue is recognised once the service has been provided.

(b) Other income

	2015 $m	2014 $m
Net gain on disposal of property, plant and equipment	**47**	10
Foreign exchange gains (net)	**1**	–
	48	10

Recognition and measurement
Disposal of assets
The gain or loss on disposal of assets is recognised at the date the significant risks and rewards of ownership of the asset passes to the buyer, usually when the purchaser takes delivery of the assets.
The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal and is recognised as other income or expenses in the income statement.

3 Expenses

Profit before income tax includes the following specific expenses:

	2015 $m	2014 $m
Employee benefits expenses		
Defined benefit superannuation expense	**19**	19
Defined contribution superannuation expense	**67**	68
Voluntary redundancies	**36**	69
Salaries, wages and allowances	**635**	691
Other employment expenses including on-costs	**252**	257
	1,009	1,104
Consumables		
Repairs and maintenance	**357**	327
Other	**257**	352
	614	679
Depreciation and amortisation expense		
Depreciation	**330**	322
Amortisation of leased assets	**182**	171
Amortisation of intangibles	**7**	6
	519	499

Notes to the consolidated financial statements
30 June 2015 (continued)

3 Expenses (continued)

	2015 $m	2014 $m
Impairment losses*		
Assets classified as held-for-sale	**1**	18
Inventory – rollingstock	**-**	15
Property, plant and equipment	**19**	284
	20	317

* Refer to note 1(c) for 2014 impairment information and note 8 for 2015 impairment information.

	2015 $m	2014 $m
Finance costs		
Interest and finance charges paid/payable	**152**	135
Provisions: unwinding of discount	**-**	1
Amortisation of capitalised borrowing transaction costs	**20**	20
	172	156
Amount capitalised to assets under construction	**(28)**	(34)
Finance costs expensed	**144**	122

SIGNIFICANT JUDGEMENTS

(i) Depreciation

Management estimates the useful lives and residual values of property, plant and equipment based on the expected period of time over which economic benefits from use of the asset will be derived. Management reviews useful life assumptions on an annual basis having given consideration to variables including historical and forecast usage rates, technological advancements and changes in legal and economic conditions. Refer to note 8 for details of current depreciation rates used.

(ii) Impairment

The Group considers annually whether there have been any indicators of impairment and then tests whether non-current assets have suffered any impairment, in accordance with the accounting policy stated in note 8. For the year ended 30 June 2015, the Intermodal and WA cash generating units (CGU) had indicators of impairment due to decline in market conditions. The recoverable amounts of CGU's for 30 June 2015 have been determined based on value-in-use calculations. The value-in-use is calculated based on a 3-year board approved corporate plan, a terminal growth rate of 2.7% and a pre-tax discount rate of 12.9%. The value-in-use calculations indicate headroom to the carrying value of the respective CGUs, therefore no impairment expense has been recognised.

The recoverable amount of the investment in Aquila is dependent on judgement made in relation to the long-term foreign exchange rates, metallurgical coal price, iron ore price and capital costs. No impairment losses were recognised in respect of our investment in Aquila.

Refer to note 8 and note 9 for further details on the carrying amounts of non-current assets subject to impairment testing.

4 Income tax

KEEPING IT SIMPLE

This note provides an analysis of the Group's income tax expense/benefit and deferred tax balances, including a reconciliation of income tax expense to accounting profit.

Differences between Australian tax law and Australian accounting standards result in non-temporary (permanent) and temporary (timing) differences between tax and accounting income. Income tax expense is equal to net profit before tax times by the applicable tax rate, adjusted for non-temporary differences. Temporary differences do not adjust income tax expense as they reverse over time. Until they reverse, a deferred tax asset or liability must be recognised on the balance sheet. This note also includes details of income tax recognised directly in equity.

(a) Income tax expense

	2015 $m	2014 $m
Current tax	**127**	12
Deferred tax	**118**	88
Current tax relating to prior periods	**(15)**	(5)
Deferred tax relating to prior periods	**1**	5
	231	100
Income tax expense is attributable to:		
Profit from continuing operations	**231**	100
Deferred income tax expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets (note 4(d))	**3**	26
Increase (decrease) in deferred tax liabilities (note 4(e))	**116**	67
	119	93

(b) Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable

Profit before income tax expense	**835**	353
Tax at the Australian tax rate of 30% (2014: 30%)	**251**	106
Tax effect of amounts which are not (taxable) deductible in calculating taxable income:		
Research and development	**(2)**	(2)
Non-assessable income	**(9)**	(6)
Other	**5**	2
Adjustments for tax of prior periods	**(14)**	–
	231	100

(c) Tax expense/(benefit) relating to items of other comprehensive income

	2015 $m	2014 $m
Cash flow hedges	**(6)**	(8)

4 Income tax (continued)

(d) Deferred tax assets

	2015 $m	2014 $m
Total deferred tax assets	**205**	202
Set-off of deferred tax liabilities pursuant to set-off provisions	**(205)**	(202)
Net deferred tax assets	**–**	–
Deferred tax assets expected to be recovered within 12 months	**104**	102
Deferred tax assets expected to be recovered after more than 12 months	**101**	100
	205	202

The table below outlines the temporary differences and movements in those temporary differences that comprise the deferred tax assets:

Movements	Provisions/ accruals $m	Customer contracts $m	Unearned revenue $m	Cash flow hedges $m	Other $m	Total $m
At 1 July 2013	130	75	5	–	10	220
(Charged)/credited						
– to profit or loss	(1)	(16)	(2)	–	(7)	(26)
– to other comprehensive income	–	–	–	8	–	8
At 30 June 2014	129	59	3	8	3	202

	Provisions/ accruals $m	Customer contracts $m	Unearned revenue $m	Cash flow hedges $m	Other $m	Total $m
At 1 July 2014	**129**	**59**	**3**	**8**	**3**	**202**
(Charged)/credited						
– to profit or loss	**3**	**(13)**	**(2)**	**5**	**4**	**(3)**
– to other comprehensive income	**–**	**–**	**–**	**6**	**–**	**6**
At 30 June 2015	**132**	**46**	**1**	**19**	**7**	**205**

(e) Deferred tax liabilities

	2015 $m	2014 $m
Total deferred tax liabilities	**811**	695
Set-off of deferred tax assets pursuant to set-off provisions (note 4(d))	**(205)**	(202)
Net deferred tax liabilities	**606**	493
Deferred tax liabilities expected to be settled after more than 12 months	**811**	695

The table below outlines the temporary differences and movements in those temporary differences that comprise the deferred tax liabilities:

Movements	Property, plant and equipment $m	Consumables and spares $m	Accrued income $m	Cash flow hedges $m	Other $m	Total $m
At 1 July 2013	600	20	5	–	3	628
Charged/(credited)						
– to profit or loss	70	1	(2)	–	(2)	67
At 30 June 2014	670	21	3	–	1	695
At 1 July 2014	**670**	**21**	**3**	**–**	**1**	**695**
Charged/(credited)						
– to profit or loss	**119**	**(9)**	**–**	**6**	**–**	**116**
At 30 June 2015	**789**	**12**	**3**	**6**	**1**	**811**

4 Income tax (continued)

(e) Deferred tax liabilities (continued)

Recognition and measurement

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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 to utilise those temporary differences and losses.

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.

To the extent that an item is recognised in other comprehensive income or directly in equity, the deferred tax is also recognised in other comprehensive income or directly in equity.

5 Earnings per share

KEEPING IT SIMPLE

Earnings Per Share (EPS) is the amount of post-tax profit attributable to each share.

(a) Basic earnings per share

Basic EPS is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding.

	2015 Cents	2014 Cents
Total basic EPS attributable to the ordinary equity holders of the Company	**28.4**	11.8

(b) Diluted earnings per share

Diluted EPS is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

	2015 Cents	2014 Cents
Total diluted EPS attributable to the ordinary equity holders of the Company	**28.3**	11.8

(c) Weighted average number of shares used as denominator

	2015 Number '000	2014 Number '000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**2,129,414**	2,137,285
Adjustments for calculation of diluted EPS:		
Rights	**9,255**	4,619
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted EPS	**2,138,669**	2,141,904

Operating assets and liabilities

IN THIS SECTION

Operating assets and liabilities provides information about the working capital of the Group and major balance sheet items, including the accounting policies, judgements and estimates relevant to understanding these items.

Notes to the consolidated financial statements
30 June 2015 (continued)

6 Trade and other receivables

	2015 $m	2014 $m
Current		
Trade receivables	**361**	376
Provision for impairment of receivables	**(8)**	(9)
Net trade receivables	**353**	367
Other receivables	**190**	236
	543	603

Past due but not impaired
These trade receivables relate to a number of customers for whom there is no recent history of default. The ageing of past due but not impaired trade receivables are as follows:

	2015 $m	2014 $m
Up to three months	**43**	48
Three to six months	**-**	2
Over six months	**4**	7
	47	57

Recognition and measurement
Trade receivables generally have credit terms ranging from seven to 31 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which requires the use of the lifetime expected loss provision for all trade receivables.

7 Inventories

	2015 $m	2014 $m
Current		
Raw materials and stores – at cost	**185**	210
Work in progress – at cost	**4**	5
	189	215

	2015 $m	2014 $m
Non-current		
Raw materials and stores – at cost	**43**	48
Provision for inventory obsolescence	**(6)**	(7)
	37	41

Recognition and measurement
Inventories include infrastructure and rollingstock items held in centralised stores, workshops and depots. Inventories are measured at the lower of cost and net realisable value. Cost is determined predominantly on an average cost basis.

Items expected to be consumed after more than one year are classified as non-current.

The provision for inventory obsolescence is based on assessments by management of particular inventory classes and relates specifically to infrastructure and rollingstock maintenance items. The amount of the provision is based on a proportion of the value of damaged stock, slow moving stock and stock that has become obsolete during the reporting period.

Notes to the consolidated financial statements
30 June 2015 (continued)

8 Property, plant and equipment

	Assets under construction $m	Land $m	Buildings $m	Plant and equipment $m	Rollingstock $m	Infrastructure $m	Total $m
2015							
Opening net book amount	**876**	**142**	**366**	**272**	**3,122**	**4,663**	**9,441**
Additions	**1,017**	**–**	**–**	**10**	**–**	**–**	**1,027**
Transfers between asset classes	**(1,093)**	**2**	**17**	**141**	**206**	**727**	**–**
Disposals	**(13)**	**–**	**(1)**	**(11)**	**(4)**	**(7)**	**(36)**
Impairment (note 3)	**(18)**	**–**	**–**	**(1)**	**–**	**–**	**(19)**
Asset classified as held-for-sale	**–**	**–**	**(14)**	**9**	**4**	**–**	**(1)**
Depreciation/amortisation (note 3)	**–**	**–**	**(17)**	**(50)**	**(225)**	**(220)**	**(512)**
Closing net book amount	**769**	**144**	**351**	**370**	**3,103**	**5,163**	**9,900**
Cost	**769**	**144**	**500**	**635**	**4,998**	**6,373**	**13,419**
Accumulated depreciation and impairment	**–**	**–**	**(149)**	**(265)**	**(1,895)**	**(1,210)**	**(3,519)**
Net book amount	**769**	**144**	**351**	**370**	**3,103**	**5,163**	**9,900**
Owned	**769**	**144**	**319**	**357**	**3,103**	**1,130**	**5,822**
Leased	**–**	**–**	**32**	**13**	**–**	**4,033**	**4,078**
	769	**144**	**351**	**370**	**3,103**	**5,163**	**9,900**

	Assets under construction $m	Land $m	Buildings $m	Plant and equipment $m	Rollingstock $m	Infrastructure $m	Total $m
2014							
Opening net book amount	857	151	414	299	3,388	4,350	9,459
Additions	872	–	–	7	–	2	881
Transfer between asset classes	(727)	4	8	70	120	525	–
Disposals	–	(2)	–	(3)	(10)	(9)	(24)
Impairment loss (note 3)	(126)	–	(3)	–	(155)	–	(284)
Assets classified as held-for-sale	–	(11)	(32)	(47)	(6)	(2)	(98)
Depreciation/amortisation (note 3)	–	–	(21)	(54)	(215)	(203)	(493)
Closing net book amount	876	142	366	272	3,122	4,663	9,441
Cost	876	142	502	530	4,756	5,672	12,478
Accumulated depreciation and impairment	–	–	(136)	(258)	(1,634)	(1,009)	(3,037)
Net book amount	876	142	366	272	3,122	4,663	9,441
Owned	876	142	329	272	3,122	963	5,704
Leased	–	–	37	–	–	3,700	3,737
	876	142	366	272	3,122	4,663	9,441

8 Property, plant and equipment (continued)

SIGNIFICANT JUDGEMENTS

Strategic infrastructure projects

During the period, work continued on various significant strategic infrastructure projects in relation to above and below rail development in West Pilbara and brownfield expansion of CQCN. As at 30 June 2015, $73m (2014: $45m) of costs were capitalised, of which $43m (2014: nil) relates to West Pilbara and $30m (2014: $45m) relates to brownfield expansion of CQCN. The development costs relate to directly attributable expenditure predominantly on engineering design, environmental and building approvals and project management. Management's judgement has been applied to the extent to which capitalisation of these development costs is appropriate. During the year $15m of costs were impaired in respect of the Galilee basin, due to uncertainty surrounding the timing of the development. Whilst these strategically important projects continue to achieve key milestones, the application of this judgement will continue to be re-assessed throughout the life of the projects.

Recognition and measurement

(i) Initial recognition and measurement

Land, buildings, plant and equipment, rollingstock and assets under construction

Buildings, plant and equipment, and rollingstock are carried at cost less accumulated depreciation. Non-corridor land owned by the Group and assets under construction are carried at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction. Costs attributable to assets under construction are only capitalised when it is probable that future economic benefits associated with the asset will flow to the Group and the costs can be measured reliably. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment, and capitalised interest.

Corridor land owned by the State is sub-leased to Aurizon Network Pty Ltd at a rental of $1 per year if demanded. The sub-leases expires on 30 June 2109.

Leased coal infrastructure

Coal infrastructure assets are owned by (a) the State, with respect to the CQCN and (b) Queensland Rail, with respect to the North Coast Line (each referred to as the Infrastructure Lessors). Under each infrastructure lease the infrastructure is leased to Aurizon Network Pty Ltd, a wholly-owned subsidiary. The term of each lease is 99 years (at a rate of $1 per year), unless the Infrastructure Lessor exercises an option to extend its lease for a further 99 years. The notice period for the Infrastructure Lessor to renew or allow expiry of the lease is not less than 20 years prior to the end of the 99 year term.

(ii) Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

(iii) Depreciation and amortisation

Assets are depreciated or amortised from the date of acquisition, or, in respect of internally constructed or manufactured assets, from the time an asset is completed and held ready for use.

Buildings, infrastructure, rollingstock, plant and equipment are depreciated using the straight-line method to allocate their costs, net of their residual values, over their estimated useful lives. Motor vehicles are depreciated using the diminishing value basis (percentages range from 13.6% to 35.0%). Land and assets under construction are not depreciated.

The Group builds mine-specific infrastructure for customers and provides access to those clients under access facilitation deeds. Infrastructure controlled by the Group under these deeds is depreciated over the term of the deed, except where economic benefits are expected to flow to the Group after the end of the term of the deed.

The depreciation and amortisation rates used during the year were based on the following range of useful lives:

– Owned and leased infrastructure	8–100 years
– Buildings	10–40 years
– Rollingstock	8–35 years
– Plant and equipment	3–20 years
– Leased property	3–40 years

The depreciation and amortisation rates are reviewed annually and adjusted if appropriate. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(iv) Derecognition

An item of property, plant and equipment is derecognised when it is disposed of or no future economic benefits are expected from its use or disposal.

(v) Impairment of assets

Assets 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 asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash flows from other assets or groups of assets (CGUs).

The recoverable amount is the greater of an asset's fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in the income statement. After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life. Impairment losses, if any, recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then to reduce the carrying amount of other assets in the unit on a pro-rata basis.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of impairment at each reporting period.

9 Intangible assets

	Software $m	Key customer contracts $m	Software under development $m	Total $m
2015				
Opening net book amount	**14**	**2**	**48**	**64**
Additions	**1**	**–**	**69**	**70**
Transfers	**12**	**–**	**(12)**	**–**
Amortisation expense	**(6)**	**(1)**	**–**	**(7)**
Closing net book amount	**21**	**1**	**105**	**127**
Cost	**127**	**12**	**105**	**244**
Accumulated amortisation and impairment	**(106)**	**(11)**	**–**	**(117)**
Net book amount	**21**	**1**	**105**	**127**

	Software $m	Key customer contracts $m	Software under development $m	Total $m
2014				
Opening net book amount	9	2	14	25
Additions	10	1	34	45
Amortisation expense	(5)	(1)	–	(6)
Closing net book amount	14	2	48	64
Cost	111	12	48	171
Accumulated amortisation and impairment	(97)	(10)	–	(107)
Net book amount	14	2	48	64

Recognition and measurement

(i) Software and software under development

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 and systems. Costs capitalised include external direct costs of materials and service, employee costs and an appropriate portion of relevant overheads.

Software under development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

Software has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the estimated useful life which varies from three to 11 years.

(ii) Key customer contracts

Key customer contracts have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method over the useful life which varies from three to six years.

(iii) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits, and costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services and direct labour. Other development costs that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life.

Notes to the consolidated financial statements
30 June 2015 (continued)

10 Trade and other payables

	2015 $m	2014 $m
Current liabilities		
Trade payables	**341**	434
Other payables	**27**	27
	368	461

For the year ended 30 June 2014, included in trade payables was an amount of $70m reflecting access revenue derived being greater than the agreed Transitional Allowance Revenue under the transitional tariffs. There has been no adjustment required for the current year.

Recognition and measurement
These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 45 days or within the terms agreed with the supplier.

11 Provisions

KEEPING IT SIMPLE
A provision is recognised when a present legal or constructive obligation exists as a result of a past event and it is probable that a future outflow of cash or other benefit will be required to settle the obligation, the timing or amount of which is uncertain.

	2015 $m	2014 $m
Current		
Employee benefits (a)	**316**	317
Provision for insurance claims	**9**	7
Litigation and workers' compensation provision	**19**	16
Decommissioning/make good and other provisions	**2**	–
	346	340
Non-current		
Employee benefits (a)	**33**	39
Litigation and workers' compensation claim	**21**	25
Decommissioning/make good and other provisions	**5**	4
Land rehabilitation	**38**	35
	97	103
Total provisions	**443**	443

(a) Employee benefits

	2015 $m	2014 $m
Annual leave	**78**	85
Long service leave	**159**	169
Other	**112**	102
	349	356

The current provision for employee benefits includes accrued annual leave, leave loading, retirement allowances, long service leave, bonuses and redundancy provision. Included in long service leave are all unconditional entitlements where employees have completed the required period of service and also a provision for the probability that employees will reach the required period of service. Based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The current provision for employee benefits includes an amount of $171m (2014: $190m) that is not expected to be taken or paid within the next 12 months.

Details of employee benefits

(i) Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits and accumulating annual leave and leave loading that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service, are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The short-term employee benefit obligations are recognised in the provision for employee benefits.

(ii) Other long-term employee benefit obligations
The liabilities for retirement allowance, long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service, are measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) Bonus plans
The Group recognises a liability for bonuses based on a formula that takes into consideration the Group and individual key performance indicators. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iv) Termination benefits
Termination benefits are payable when employment is terminated before the retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of AASB 137 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Notes to the consolidated financial statements

30 June 2015 (continued)

11 Provisions (continued)

(v) Superannuation

The Group pays an employer subsidy to the Government Superannuation Office in respect of employees who are contributors to the Public Sector Superannuation (QSuper) scheme.

Employer contributions to the QSuper Defined Benefit Fund are determined by the State of Queensland Treasurer having regard to advice from the State Actuary. The primary obligation to fund the defined benefits obligations are that of the State. However, the Treasurer has the discretion to request contributions from employers that contribute to the defined benefit category of QSuper. No liability is recognised for accruing superannuation benefits as this liability is held on a whole of Government basis and reported in the whole of Government financial statements. The State Actuary performs a full actuarial valuation of the assets and liabilities of the fund on a triennial basis. The latest valuation was completed as at 30 June 2013 and the State Actuary found the fund was in surplus from a whole of Government perspective. In addition, from late 2007, the Defined Benefit Fund was closed to new members so any potential future deficit would be diluted as membership decreases. Accordingly, no liability/asset is recognised for the Group's share of any potential deficit/surplus of the Super Defined Benefit Fund of QSuper. The State of Queensland has provided Aurizon with an indemnity if the Treasurer requires Aurizon to pay any amounts required to meet the potential deficit/surplus. The indemnity is subject to Aurizon not taking any unilateral action, other than with the approval of the State that causes a significant increase in unfunded liabilities.

The Group also makes superannuation guarantee payments into the QSuper Accumulation Fund (Non-Contributory) and QSuper Accumulation Fund (Contributory) administered by the Government Superannuation Office and to other complying Superannuation Funds designated by employees nominating Choice of Fund.

Recognition and measurement

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The weighted average pre-tax discount rates for employee benefits are based on Australian corporate bond rates of 3.4%. In the prior year, the weighted average pre-tax discount rate for employee benefits was based on the government bond rate of 3.3%. To measure the estimated costs to remediate contaminated land an inflation rate of 2.7% (2014: 2.9%) has been applied, based on remediation dates ranging between 10 to 40 years. A weighted average discount rate of 3.7% (2014: 4.3%) has been used in determining present value, based on the interest rate which reflect the maturity profile of the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

The provision for insurance claims is raised for insurance claims external to the Group and represents the aggregate deductible component in relation to loss or damage to property, plant and equipment and rollingstock.

A provision is made for the estimated liability for workers' compensation and litigation claims. Claims are assessed separately for common law, statutory and asbestos claims. Estimates are made based on the average number of claims and average claim payments over a specified period of time. Claims Incurred But Not Reported are also included in the estimate.

12 Other liabilities

	2015 $m	2014 $m
Current		
Income received in advance	**52**	35
Other current liabilities	**3**	7
	55	42

	2015 $m	2014 $m
Non-current		
Income received in advance	**252**	256
Other non-current liabilities	**4**	3
	256	259

Income received in advance primarily represents amounts received from customers as prepayment of future rentals under agreements for customer specific infrastructure. These amounts are deferred and earned over the term of the agreements.

Capital and financial risk management

IN THIS SECTION

Capital and financial risk management provides information about the capital management practices of the Group and shareholder returns for the year, discusses the Group's exposure to various financial risks, explains how these affect the Group's financial position and performance and what the Group does to manage these risks.

Notes to the consolidated financial statements
30 June 2015 (continued)

13 Capital risk management

KEEPING IT SIMPLE
The Group's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group and the Company monitor its capital structure by reference to its gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is total equity plus net debt. There were no changes in the Group's approach to capital management during the year.

	Notes	2015 $m	2014 $m
Total borrowings	16	**2,983**	2,841
Less: cash and cash equivalents		**(171)**	(318)
Net debt		**2,812**	2,523
Total equity		**6,506**	6,373
Total capital		**9,318**	8,896
Gearing ratio		**30.2%**	28.4%

14 Dividends

(a) Ordinary shares

	2015 $m	2014 $m
Interim dividend for the year ended 30 June 2015 of 10.1 cents unfranked (2014: 8.0 cents, 80% franked) per share, paid 23 March 2015	**214**	171
Final dividend for the year ended 30 June 2014 of 8.5 cents unfranked (2013: 8.2 cents, 90% franked) per share, paid 22 September 2014	**182**	175
	396	346

(b) Dividends not recognised at the end of the reporting period

KEEPING IT SIMPLE
Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at the reporting date.

	2015 $m	2014 $m
Since 30 June 2015, the Directors have recommended the payment of a final dividend of 13.9 cents per fully paid ordinary share, 30% franked (2014: 8.5 cents, unfranked). The aggregate amount of the proposed dividend expected to be paid on 28 September 2015 out of retained earnings, but not recognised as a liability at year end is:	**295**	182

(c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2015 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the period ending 30 June 2016.

	2015 $m	2014 $m
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2014: 30%)	**76**	(47)

The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits that will arise from the payment of the amount of the provision for income tax.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

15 Equity and reserves

KEEPING IT SIMPLE
Issued capital represents the amount of consideration received for securities issued by Aurizon.

When the Company purchases its own shares, as a result of the share-based payment plans and share buy-back, the consideration paid, including any directly attributable incremental costs (net of income taxes), is recognised directly in equity.

(a) Contributed equity

(i) Issued capital

	2015 Shares '000	2014 Shares '000	2015 $m	2014 $m
Ordinary shares – fully paid	**2,122,010**	2,137,285	**1,508**	1,508

(ii) Movements in ordinary share capital

Details	Number of shares '000	$m
Opening balance 1 July 2013	2,137,285	1,508
Balance 30 June 2014	2,137,285	1,508
Opening balance 1 July 2014	2,137,285	1,508
On-market share buy-back	(15,275)	–
Balance 30 June 2015	**2,122,010**	**1,508**

The On-market share buy-back has been paid out of Capital reserves, refer note 15(b).

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

Notes to the consolidated financial statements
30 June 2015 (continued)

15 Equity and reserves (continued)

(b) Reserves

	Notes	Cash flow hedges $m	Share-based payments $m	Capital reserves $m	Total $m
Balance at 1 July 2014		**(19)**	**15**	**3,538**	**3,534**
Fair value gains (losses) taken to equity		**(22)**	**–**	**–**	**(22)**
Other transfers – transfer to property, plant and equipment (gross)		**5**	**–**	**–**	**5**
Deferred tax		**6**	**–**	**–**	**6**
Other comprehensive income		**(11)**	**–**	**–**	**(11)**
Transactions with owners in their capacity as owners					
On-market share buy-back		**–**	**–**	**(69)**	**(69)**
Share-based payments expense	27(b)	**–**	**17**	**–**	**17**
Employee share trust to employee		**–**	**(12)**	**–**	**(12)**
At 30 June 2015		**(30)**	**20**	**3,469**	**3,459**

	Notes	Cash flow hedges $m	Share-based payments $m	Capital reserves $m	Total $m
Balance at 1 July 2013		–	25	3,538	3,563
Fair value gains (losses) taken to equity		(26)	–	–	(26)
Other transfers – transfer to property, plant and equipment (gross)		(1)	–	–	(1)
Deferred tax		8	–	–	8
Other comprehensive income		(19)	–	–	(19)
Transactions with owners in their capacity as owners					
Share-based payments expense	27(b)	–	13	–	13
Employee share trust to employee		–	(24)	–	(24)
Deferred tax		–	1	–	1
At 30 June 2014		(19)	15	3,538	3,534

Nature and purpose of reserves

Cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income, as described in note 18(i). Amounts are recognised in the income statement when the associated hedged transaction affects the income statement.

Share-based payments

Share-based payments represent the fair value of share-based remuneration provided to employees.

Capital reserves

Capital reserves represents capital contributions from Queensland State Government Pre-IPO less cumulative share buy-backs.

Notes to the consolidated financial statements
30 June 2015 (continued)

16 Borrowings

KEEPING IT SIMPLE
The Group borrows money through bank debt facilities and through the issuance of debt securities in capital markets.

	2015 $m	2014 $m
Current – Unsecured		
Working capital facility	**59**	42
	59	42
Non-current – Unsecured		
Medium-term notes	**1,250**	518
Bank facilities	**1,690**	2,310
Capitalised borrowing costs	**(16)**	(29)
	2,924	2,799

In September 2014, Aurizon Network Pty Ltd issued a 10 year Euro Medium-Term Note (EMTN) raising €500m with a coupon of 2.0% per annum and repaid and cancelled $710m of its existing term loan facility. Cross currency interest rate swaps were executed concurrently to fully swap the issuance back to Australian dollars floating rate debt. The Aurizon Group uses interest rate swaps to convert its floating rate debt to fixed rate debt.

The unsecured bank facilities and medium-term notes restrict the amount of security that the Group can provide over their assets in certain circumstances.

The unsecured bank facilities also impose certain covenants on the Group to ensure that certain financial ratios are met.

Details of the Group's financing arrangements and exposure to risks arising from current and non-current borrowings are set out in note 17(c).

Recognition and measurement

(i) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost, using the effective interest rate method.

Interest costs are calculated using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument. Interest is accrued monthly and paid on maturity.

Establishment costs have been capitalised and are amortised over the life of the facilities and the term of the medium-term notes.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

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

(ii) Borrowing costs

Borrowing costs which are directly attributable to the construction of a qualifying asset are capitalised during the period of time that is required to complete the asset for its intended use. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's outstanding borrowings during the year of 4.9% (2014: 4.9%).

17 Financial risk management

KEEPING IT SIMPLE
The Group has exposure to a variety of financial risks including market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk. Risk management is carried out by a central Treasury function on behalf of the Group under Treasury Policies approved by the Board. Trading for speculation is strictly prohibited. Compliance with the Treasury Policies is monitored on an ongoing basis through regular reporting to the Board. The early adoption of AASB 9 on 1 July 2014 has no significant impact to the Group. Refer to note 29(a)(ii) for further details.

(a) Market risk

Market risk is the risk that adverse movements in foreign exchange and interest rates will affect the Group's financial performance or the value of its holdings of financial instruments. The Group measures market risk using cash flow at risk. The objective of risk management is to manage the market risks inherent in the business to protect profitability and return on assets.

(i) Foreign exchange risk

Exposure to foreign exchange risk

Foreign exchange risk arises from commercial transactions and recognised assets and liabilities that are denominated in or related to a currency that is not the Group's functional currency. The Group's foreign exchange risk relates largely to the US dollar (US$) and the Euro (€).

In September 2014, Aurizon Network Pty Ltd issued €500m EMTN. To remove the foreign exchange risk, cross currency interest rate swaps were executed concurrently to fully swap the issuance back to Australian dollars debt. There is no other material foreign exchange risk exposure for the Group.

Risk management

In order to protect against foreign exchange movements, the Group enters into forward foreign exchange contracts and cross currency interest rate swaps. These contracts are hedging highly probable forecast foreign currency exposures and are designated in either cash flow or fair value hedge relationships as appropriate. The forward foreign exchange contracts are designated as cash flow hedges and are timed to mature when payments for major shipments of component parts are scheduled to be made. Realised gains or losses on these contracts arise due to differences between the spot rates on settlement and the forward rates of the derivative contracts. The foreign exchange contracts are denominated in the same currency as the highly probable future purchases, therefore the hedge ratio is 1:1.

(ii) Interest rate risk

Exposure to interest rate risk

The Group holds both interest bearing assets and interest bearing liabilities, and therefore the Group's income and operating cash flows are subject to changes in market interest rates.

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

Notes to the consolidated financial statements
30 June 2015 (continued)

17 Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

At the reporting date, the Group has exposure to the following variable rate borrowings and interest rate swaps.

	30 June 2015		30 June 2014	
	Weighted average interest rate %	Balance $m	Weighted average interest rate %	Balance $m
Variable rate borrowings	**4.3**	**2,460**	4.2	2,352
Interest rate swaps	**3.4**	**(1,725)**	3.4	(1,725)
Net exposure to interest rate risk		**735**		627

Risk management

The Group manages cash flow interest rate risk by using floating-for-fixed interest rate swaps. During the year, cross currency interest rate swaps have been put in place to remove any exposure to Euro interest rates and associated foreign exchange from the EMTN issuance.

Interest rate swaps currently in place cover approximately 70% (2014: 73%) of the variable loan principal outstanding. The weighted average maturity of the outstanding swaps is approximately 1.9 years (2014: 2.9 years).

The contracts require settlement of net interest receivable or payable each month where possible. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The International Swaps and Derivatives Association agreements held with counterparties allow for the netting of payments and receipts with respect to settlements for interest rate swap transactions.

During the year, the net realised loss arising from interest rate hedging activities for the Group was $17m (2014: loss of $8m) as a result of market interest rates closing lower than the average hedged rate. The total realised loss represents the effective portion of the hedges which have been recognised in interest expense.

(iii) Sensitivity on interest rate risk

The following table summarises the gain/(loss) impact of interest rate changes, relating to existing financial instruments, on net profit and equity before tax. For the purpose of this disclosure, sensitivity analysis is isolated to a 100 basis points (bps) increase/decrease in interest rates, assuming hedge designations and effectiveness and all other variables remain constant.

	Effect on profit (before tax)		Effect on equity (before tax)	
	2015 $m	2014 $m	2015 $m	2014 $m
100 bps movement in interest rates				
100 bps decrease in interest rates	**11**	21	**(37)**	(48)
100 bps increase in interest rates	**(11)**	(21)	**36**	47

17 Financial risk management (continued)

(a) Market risk (continued)

(iv) Effects of hedge accounting on the consolidated balance sheet and consolidated income statement

The impact of hedging instruments designated in hedging relationships as at 30 June 2015 on the statement of financial position of the Group is as follows:

	Notional amount	Carrying amount $m	Line item in the consolidated balance sheet	Change in fair value used for measuring ineffectiveness for the year $m
Cash flow hedges				
Foreign exchange risk – forward foreign exchange contracts	US$24m	1	Current assets	1
	US$5m	–	Non-current assets	–
	US$3m	–	Current liabilities	–
	€5m	–	Current assets	–
	€3m	–	Current liabilities	–
Foreign exchange and interest rate risk – cross currency interest rate swaps	€500m	5	Non-current assets	–
Interest rate risk – interest rate swaps	A$1,725m	(43)	Non-current liabilities	(16)
Fair value hedge				
Foreign exchange and interest rate risk – cross currency interest rate swaps	€500m	14	Non-current assets	25

The impact of hedged items designated in hedging relationships as at 30 June 2015 on the consolidated balance sheet is as follows:

	Cash flow hedge reserve $m	Change in value used for measuring ineffectiveness $m
Cash flow hedges		
Foreign exchange risk		
Firm commitments	(1)	(1)
Foreign exchange and interest rate risk		
EMTN	1	–
Interest rate risk		
Forecast interest payments	43	17

	Carrying amount $m	Accumulated fair value adjustment $m	Line item in the consolidated balance sheet	Change in fair value used for measuring ineffectiveness for the year $m
Fair value hedge				
Foreign exchange and interest rate risk				
EMTN	(736)	(25)	Non-current liabilities – borrowings	(25)

The above hedging relationships affected other comprehensive income as follows:

Cash flow hedges	Hedging gain or (loss) recognised in comprehensive income $m
Foreign exchange risk	
Forward foreign exchange contracts	2
Interest rate risk	
Pay fixed/receive variable interest rate swaps	(18)
Foreign exchange and interest rate risk	
Cross currency interest rate swaps	(1)
	(17)

There was no material ineffectiveness related to cash flow hedges and fair value hedges recognised in the consolidated income statement during the year.

17 Financial risk management (continued)

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits with financial institutions and receivables from customers.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. Credit risk further arises in relation to financial guarantees received from certain parties. Refer to note 17(d) for further details.

The Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Group. For some trade receivables, the Group may obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement. Refer to note 17(d) for further details.

The Group has policies in place to ensure that sales of services are only made to customers with an appropriate credit profile. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the credit quality of the customer is assessed, taking into account its financial position, past experience and other factors.

Credit risk on cash transactions and derivative contracts is managed through the Board approved Group Treasury Policies which restricts the Group to financial institutions whose long-term credit ratings, determined by a recognised ratings agency, are at or above the minimum rating of A- . The Policy limits the amount of credit exposure to any one financial institution. The Group's net exposures and the credit ratings of its counterparties are regularly monitored.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations associated with its financial liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, sufficient liquidity is available to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Financing arrangements

The Group has access to the following arrangements at the end of the reporting period:

			Utilised*		Facility limit	
	Security	Maturity	**2015**	2014	**2015**	2014
			$m	$m	**$m**	$m
Aurizon Finance						
Working capital facility	Unsecured	Jun-16	**101**	54	**150**	150
Syndicated facility	Unsecured	Jul-17	**–**	300	**300**	300
Syndicated facility	Unsecured	Jul-19	**–**	25	**300**	300
			101	379	**750**	750
Aurizon Network						
Working capital facility	Unsecured	Jun-16	**6**	47	**100**	100
Syndicated facility	Unsecured	Jul-16	**490**	1,200	**490**	1,200
Syndicated facility	Unsecured	Jul-18	**1,200**	785	**1,300**	1,300
Medium-term note	Unsecured	Oct-20	**525**	525	**525**	525
European medium-term note**	Unsecured	Sept-24	**711**	–	**711**	–
			2,932	2,557	**3,126**	3,125
Total Group financing arrangements			**3,033**	2,936	**3,876**	3,875

* Amount utilised includes bank guarantees but excludes capitalised borrowing costs and discounts on medium-term notes.

** Amount utilised excludes capitalised borrowing costs, discounts and the accumulated fair value adjustment of $25m.

Within the working capital facilities, the Group has access to financial accommodation arrangements totalling $250m (2014: $250m) which may be utilised in the form of short-term working capital funding and the issuance of bank guarantees and performance guarantees. At the end of the reporting period, the Group utilised $48m (2014: $60m) for financial bank guarantees.

The Group has complied with externally imposed capital debt covenants during the 2015 and 2014 reporting periods.

The following table summarises the contractual timing of undiscounted cash flows, including estimated interest payments, of financial liabilities and derivative instruments, expressed in Australian dollars. The contractual amount assumes current interest rates and foreign exchange rates estimated using forward curves applicable at the end of the reporting period.

17 Financial risk management (continued)

(c) Liquidity risk (continued)

	Less than 1 year $m	Between 1 and 5 years $m	Over 5 years $m	Total contractual cash flows $m	Carrying amount (assets)/ liabilities* $m
2015					
Non-derivatives					
Trade payables	**368**	**–**	**–**	**368**	**368**
Borrowings*	**191**	**2,078**	**1,412**	**3,681**	**2,965**
Financial guarantees	**48**	**–**	**–**	**48**	**–**
	607	**2,078**	**1,412**	**4,097**	**3,333**
Derivatives					
Interest rate swaps used for hedging (net settled)	**22**	**21**	**–**	**43**	**43**
Foreign exchange contracts used for hedging	**–**	**–**	**–**	**–**	**(1)**
– (inflow)	**(47)**	**(7)**	**–**	**(54)**	**–**
– outflow	**46**	**7**	**–**	**53**	**–**
	21	**21**	**–**	**42**	**42**

* Borrowings include the effect of cross currency interest rate swap derivatives which have a carrying amount of $19m (non-current asset).

	Less than 1 year $m	Between 1 and 5 years $m	Over 5 years $m	Total contractual cash flows $m	Carrying amount (assets)/ liabilities* $m
2014					
Non-derivatives					
Trade payables	461	–	–	461	461
Borrowings	171	2,614	570	3,355	2,841
Financial guarantees	60	–	–	60	–
	692	2,614	570	3,876	3,302
Derivatives					
Interest rate swaps used for hedging (net settled)	14	16	–	30	27
Foreign exchange contracts used for hedging	–	–	–	–	1
– (inflow)	(43)	–	–	(43)	–
– outflow	44	–	–	44	–
	15	16	–	31	28

(d) Fair value measurements

The fair value of cash, cash equivalents and non-interest bearing financial assets and liabilities approximates their carrying value due to their short maturity. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined using valuation techniques. These valuation techniques maximise the use of observable market data where available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Forward foreign exchange contracts
- Interest rate swaps

The fair value of forward foreign exchange contracts has been determined as the unrealised gain/loss at balance date by reference to market rates.

The fair value of interest rate swaps has been determined as the net present value of contracted cash flows. These values have been adjusted to reflect the credit risk of the Group and relevant counterparties, depending on whether the instrument is a financial asset or a financial liability. The existing exposure method, which discounts estimated future cash flows to present value using credit adjusted discount factors after counterparty netting arrangements has been adopted.

The fair value of cross currency interest rate swaps has been determined as the net present value of contracted cash flows. The future probable exposure method is applied to the estimated future cash flows to reflect the credit risk of the Group and relevant counterparties.

The fair value of non-current borrowings is estimated by discounting the future contractual cash flows at the current market interest rates that are available to Aurizon for similar financial instruments. For the period ended 30 June 2015, the borrowing rates were determined to be between 2.8% to 4.9%, depending on the type of borrowing (30 June 2014: 3.4% to 5.0%).

Notes to the consolidated financial statements

30 June 2015 (continued)

17 Financial risk management (continued)

(d) Fair value measurements (continued)

	Carrying amount 2015 $m	Carrying amount 2014 $m	Fair value 2015 $m	Fair value 2014 $m
Financial assets carried at fair value				
Forward exchange contracts (note 18)	**1**	1	**1**	1
Cross currency interest rate swaps	**19**	–	**19**	–
	20	1	**20**	1
Financial assets carried at amortised cost				
Cash and cash equivalents	**171**	318	**171**	318
Trade and other receivables (note 6)	**543**	603	**543**	603
	714	921	**714**	921
Financial liabilities carried at fair value				
Forward exchange contracts (note 18)	**–**	(2)	**–**	(2)
Interest rate swaps	**(43)**	(27)	**(43)**	(27)
	(43)	(29)	**(43)**	(29)
Financial liabilities carried at amortised cost				
Trade and other payables (note 10)	**(368)**	(461)	**(368)**	(461)
Borrowings (note 16)	**(2,983)**	(2,841)	**(3,091)**	(2,910)
	(3,351)	(3,302)	**(3,459)**	(3,371)
Off-balance sheet				
Unrecognised financial assets				
Third party guarantees	**–**	–	**97**	30
Bank guarantees	**–**	–	**339**	244
Insurance company guarantees	**–**	–	**9**	8
Unrecognised financial liabilities				
Bank guarantees	**–**	–	**(48)**	(60)
	–	–	**397**	222

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

During the year, there were no transfers between Level 1, Level 2 and Level 3 fair value hierarchies.

30 June 2015	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Derivative financial assets	–	**20**	–	**20**
Derivative financial liabilities	–	**(43)**	–	**(43)**
Net financial instruments measured at fair value	**–**	**(23)**	**–**	**(23)**

30 June 2014	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Derivative financial assets	–	1	–	1
Derivative financial liabilities	–	(29)	–	(29)
Net financial instruments measured at fair value	–	(28)	–	(28)

18 Derivative financial instruments

KEEPING IT SIMPLE

A derivative is a type of financial instrument typically used to manage risk. A derivative's value changes over time in response to underlying variables such as exchange rates or interest rates and is entered into for a fixed period. The Group holds derivative financial instruments to economically hedge its foreign currency and interest rate exposures in accordance with the Group's financial risk management policy (refer to note 17).

	2015 $m	2014 $m
Current assets		
Forward exchange contracts – cash flow hedges	**1**	1
Non-current assets		
Cross-currency interest rate swaps	**19**	–
Total derivative financial instrument assets	**20**	1
Current liabilities		
Forward exchange contracts – cash flow hedges	**-**	2
Non-current liabilities		
Interest rate swap contracts – cash flow hedges	**43**	27
Total derivative financial instrument liabilities	**43**	29

Recognition and measurement

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

The Group designates certain derivatives as hedges of the cash flows of recognised assets and liabilities, and highly probable forecast transactions (cash flow hedges).

At inception, the Group documents the relationship between hedging instruments and hedged items; the risk management objective; and the strategy for undertaking various hedge transactions. The Group, at inception and on an ongoing basis, documents its assessment of whether the derivatives used in hedging transactions have been, and will continue to be, highly effective in offsetting future cash flows of hedged items.

The fair values of derivative financial instruments used for hedging purposes are disclosed in this section. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months. It is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(i) Cash flow hedge

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 in reserves in equity limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost or carrying amount of the asset.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for at the time of the hedge relationship rebalancing.

(ii) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in the profit or loss within other income or other expenses. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the profit or loss over the period to maturity using a recalculated effective interest rate.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in fair value of any derivative instrument that do not qualify for hedge accounting are recognised immediately in the profit or loss in other income or expense.

Group structure

IN THIS SECTION

Group structure provides information about particular subsidiaries and associates and how changes have affected the financial position and performance of the Group.

Notes to the consolidated financial statements
30 June 2015 (continued)

19 Associates and joint arrangements

	2015 $m	2014 $m
Non-current assets		
Investment in associates (a)	**315**	82
Interest in joint ventures (b)	**3**	1
	318	83

(a) Investments in associates

KEEPING IT SIMPLE
Associates are all entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost.

The Group has an interest in the following associates:

Name	Ownership interest			
	Country of operation	2015 %	2014 %	Principal activity
Moorebank Industrial Property Trust	Australia	**33**	33	Land and potential intermodal development
Aquila Resources Limited*	Australia	**15**	–	Exploration and mining

* Aquila Resources Limited is accounted for as an associated company because the Group has significant influence primarily through representation on its Board of Directors.

(i) Movement in carrying values

	Aquila		Moorebank	
	2015 $m	2014 $m	2015 $m	2014 $m
Opening balance	**–**	–	**82**	79
Additional investments	**225**	–	**1**	2
Share of profit (losses) in associates	**(1)**	–	**14**	7
Dividends received	**–**	–	**(6)**	(6)
Closing balance	**224**	–	**91**	82

On 5 May 2014, Baosteel Resources Australia Pty Ltd and Aurizon's wholly-owned subsidiary, Aurizon Operations Limited announced their intention to make a joint off-market takeover offer to acquire 100% of the ordinary shares in Aquila Resources Limited (Aquila). The offer closed on 25 July 2014 and on completion Aurizon acquired 15% of Aquila's ordinary shares on issue.

(ii) Summarised financial information of associates

The Group's share of the results of its principal associates and its aggregated assets (including goodwill) and liabilities are as follows:

	Aquila		Moorebank	
	2015 $m	2014 $m	2015 $m	2014 $m
Current assets	**65**	–	**1**	2
Non-current assets	**199**	–	**91**	81
Total assets	**264**	–	**92**	83
Current liabilities	**(2)**		**(1)**	(1)
Non-current liabilities	**(38)**	–	**–**	–
Total liabilities	**(40)**	–	**(1)**	(1)
Total net assets	**224**	**–**	**91**	82
Revenue	**3**	–	**15**	8
Profit from continuing operations	**(1)**	–	**14**	7
Other comprehensive income	**–**	–	**–**	–
Total comprehensive income	**(1)**	–	**14**	7

(iii) Contingent liabilities of associates

There are no contingent liabilities relating to liabilities of the associate for which the Group is severally liable.

(b) Investments in joint ventures

The Group has an interest in the following joint ventures, which are equity accounted, contributed $1m to the Group results, have net assets of $3m and are not considered material to the Group.

Name	Ownership interest			
	Country of operation	2015 %	2014 %	Principal activity
CHCQ	China–Hong Kong	**15**	15	Construction
Chun Wo/CRGL	China–Hong Kong	**17**	17	Construction
KMQR Sdn Bhd	Malaysia	**30**	30	Consulting
ARG Risk Management Limited	Australia	**50**	50	Insurance
QLM Pty Ltd	Australia	**–**	50	Deregistered
Integrated Logistics Company Pty Ltd	Australia	**14**	14	Consulting

19 Associates and joint arrangements (continued)

Recognition and measurement

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 8(v). The recoverable amount of the investment in Aquila is dependent on judgement made in relation to the long-term foreign exchange rates, metallurgical coal price, iron ore price and capital costs.

20 Material subsidiaries

The Group's material subsidiaries that were controlled during the year and prior years are set out below.

Name of entity	Country of incorporation	Equity holding %
Aurizon Operations Limited	Australia	100
Aurizon Intermodal Pty Ltd	Australia	100
Interail Australia Pty Ltd	Australia	100
Logistics Australasia Pty Ltd	Australia	100
Aurizon Resource Logistics Pty Limited	Australia	100
Australia Eastern Railroad Pty Ltd	Australia	100
Australia Western Railroad Pty Ltd	Australia	100
Aurizon Network Pty Ltd	Australia	100
Aurizon Property Pty Ltd	Australia	100
Aurizon Terminal Pty Ltd	Australia	100
Aurizon Finance Pty Ltd	Australia	100
Iron Horse Insurance Company Pte Ltd	Singapore	100
Aurizon Moorebank Unit Trust	Australia	100

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at reporting date and the results of all subsidiaries for the year.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases. Transactions between continuing and discontinued operations are treated as external from the date that the operation was discontinued.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation.

Changes in ownership interests

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are classified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Notes to the consolidated financial statements
30 June 2015 (continued)

21 Parent disclosures

The parent and ultimate parent entity within the Group is Aurizon Holdings Limited.

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts below.

	2015 $m	2014 $m
Current assets	**75**	61
Non-current assets	**6,122**	6,107
Current liabilities	**(75)**	(75)
Non-current liabilities	**(1,126)**	(1,032)
Net assets	**4,996**	5,061
Shareholders' equity		
Contributed equity	**1,508**	1,508
Reserves	**3,488**	3,553
Total equity	**4,996**	5,061

The parent entity has several employees. All costs associated with these employees are borne by a subsidiary of the parent entity and are not included in the above disclosures.

Profit for the year	**396**	346
Total comprehensive income	**396**	346

(b) Guarantees entered into by the parent entity

There are cross guarantees given by Aurizon Holdings Limited and its subsidiaries are listed in note 22.

(c) Contingent liabilities of the parent entity

The parent entity did not have any material contingent liabilities as at 30 June 2015 or 30 June 2014. For information about guarantees given by the parent entity, please see above.

(d) Contractual commitments for the acquisition of property, plant and equipment

As at 30 June 2015, the parent entity did not have any contractual commitments for the acquisition of property, plant and equipment (2014: nil).

Recognition and measurement

The financial information for the parent entity, Aurizon Holdings Limited, has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Aurizon Holdings Limited. Dividends received from associates are recognised in the parent entity's income statement, rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidation legislation

Aurizon and its wholly-owned Australian entities elected to form a tax consolidation group with effect from 22 November 2010 and are therefore taxed as a single entity. The head entity of the tax consolidated group is Aurizon Holdings Limited.

The head entity, Aurizon Holdings Limited, and the controlled 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, Aurizon also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidation group.

The entities have also entered into tax sharing and tax funding agreements. The tax funding agreement sets out the funding obligations of members of the tax consolidated group in respect of income tax amounts. The tax funding arrangements require payments to the head entity equal to the current tax liability assumed by the head entity. In addition, the head entity is required to make payments equal to the current tax asset or deferred tax asset arising from unused tax losses and tax credits assumed by the head entity from a subsidiary member.

These tax funding arrangements result in the head entity recognising a current inter-entity receivable/payable equal in amount to the tax liability/asset assumed.

The tax sharing agreement limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity.

(iii) Employee benefits – share-based payments

The grant by the Company of rights over its equity instruments to the employees of subsidiaries are treated as a capital contribution to that subsidiary. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in the corresponding subsidiaries.

22 Deed of cross guarantee

Aurizon Holdings Limited, Aurizon Finance Pty Ltd, Aurizon Property Holding Pty Ltd, Aurizon Property Pty Ltd, Aurizon Terminal Pty Ltd, Aurizon Operations Limited, Aurizon Intermodal Pty Ltd, Logistics Australasia Pty Ltd, Aurizon Resource Logistics Pty Limited, Interail Australia Pty Ltd, Australian Rail Pty Ltd, Australia Eastern Railroad Pty Ltd, Australia Western Railroad Pty Ltd and Australian Railroad Group Employment Pty Ltd are parties to a Deed of Cross Guarantee, under which each company guarantees the debts of the others. By entering into the cross guarantee, the wholly-owned entities have been relieved from the requirement to prepare separate financial and Directors' reports under Class Order 98/1418 (as amended) by the Australian Securities and Investment Commission.

Aurizon Network Pty Ltd was released from its obligations under the Deed by executing Revocation Deeds which became operative on 16 January 2014. On 1 December 2014, CRT Group Pty Ltd was disposed of and ceased to be a member of the closed group. From these dates, the financial results of both Aurizon Network Pty Ltd and CRT Group Pty Ltd were no longer consolidated into the financial statements of the remainder of the Aurizon Deed Parties for the purposes of the Class Order.

Notes to the consolidated financial statements

30 June 2015 (continued)

22 Deed of cross guarantee (continued)

(a) Consolidated income statement, statement of comprehensive income and summary of movements in consolidated retained earnings

The Aurizon Deed Parties represent the 'closed group' for the purposes of the Class Order, and as there are no other parties to the cross guarantee that are controlled by Aurizon Holdings Limited, they also represent the 'extended closed group'.

	2015 $m	2014 $m
Income statement		
Revenue from continuing operations	**2,626**	3,330
Other income	**300**	157
Consumables	**(958)**	(1,274)
Employee benefits expense	**(888)**	(1,041)
Depreciation and amortisation expense	**(302)**	(395)
Impairment losses	**(18)**	(254)
Other expenses	**(33)**	(38)
Finance costs	**(9)**	(65)
Finance income	**9**	-
Profit before income tax	**727**	420
Income tax expense	**(126)**	(83)
Profit for the year	**601**	337

	2015 $m	2014 $m
Statement of comprehensive income		
Profit for the year	**601**	337
Other comprehensive income		
Items that may be reclassified to profit or loss		
Changes in the fair value of cash flow hedges	**-**	(5)
Income tax relating to components of other comprehensive income	**1**	-
Other comprehensive income for the year, net of tax	**1**	(5)
Total comprehensive income for the year	**602**	332

	2015 $m	2014 $m
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	**675**	1,422
Profit for the year	**601**	337
Dividends provided for or paid	**(396)**	(346)
Removal of Aurizon Network Pty Ltd	**-**	(738)
Retained earnings at the end of the financial year	**880**	675

(b) Consolidated balance sheet

The balance sheet of the parties to the Deed of Cross Guarantee at each reporting date is presented below.

	2015 $m	2014 $m
Current assets		
Cash and cash equivalents	**30**	316
Trade and other receivables	**457**	593
Inventories	**139**	160
Derivative financial instruments	**1**	1
Other assets	**9**	19
Assets classified as held-for-sale	**21**	111
Tax receivables	**-**	56
Total current assets	**657**	1,256
Non-current assets		
Other assets	**69**	57
Inventories	**25**	15
Property, plant and equipment	**4,552**	4,399
Intangibles	**87**	43
Investments accounted for using the equity method	**226**	1
Other financial assets	**1,225**	1,215
Total non-current assets	**6,184**	5,730
Total assets	**6,841**	6,986
Current liabilities		
Trade and other payables	**329**	403
Borrowings	**57**	-
Current tax liabilities	**45**	-
Provisions	**311**	318
Other liabilities	**9**	20
Total current liabilities	**751**	741
Non-current liabilities		
Borrowings	**-**	320
Deferred tax liabilities	**103**	79
Provisions	**96**	102
Other liabilities	**13**	10
Total non-current liabilities	**212**	511
Total liabilities	**963**	1,252
Net assets	**5,878**	5,734
Equity		
Contributed equity	**1,508**	1,508
Reserves	**3,490**	3,551
Retained earnings	**880**	675
Total equity	**5,878**	5,734

Other information

IN THIS SECTION

Other information provides information on other items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements however are not considered critical in understanding the financial performance or position of the Group.

23 Reconciliation of profit after income tax to net cash inflow from operating activities

	2015 $m	2014 $m
Profit for the year	**604**	253
Depreciation and amortisation	**519**	499
Impairment of non-current assets	**20**	302
Interest expense	**144**	122
Non-cash employee benefits expense – share-based payments	**17**	14
Net (gain) loss on sale of non-current assets	**(47)**	(10)
Share of profits of associates and joint venture partnership	**(14)**	(7)
Net exchange differences	**(1)**	–
Change in operating assets and liabilities:		
Decrease (Increase) in trade debtors	**60**	(35)
Decrease (Increase) in inventories	**30**	(26)
Decrease (Increase) in other operating assets	**14**	(13)
(Decrease) increase in trade and other payables	**(82)**	113
Increase in other operating liabilities	**10**	5
Increase (Decrease) in provision for income taxes payable	**123**	(116)
Increase in deferred tax liabilities	**119**	84
Increase in other provisions	**–**	6
Net cash inflow from operating activities	**1,516**	1,191

24 Assets classified as held-for-sale

	2015 $m	2014 $m
Property, plant and equipment	**21**	98
Trade and other receivables	**–**	12
Inventories	**–**	1
	21	111

Recognition and measurement

Non-current assets (or disposal groups) are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction, rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment property that are carried at fair value and contractual rights under insurance contracts which are specifically exempt from this requirement.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held-for-sale. Interest and other expenses attributable to the liabilities of a disposal Group classified as held-for-sale continue to be recognised.

25 Related party transactions

(a) Transactions with Directors and Key Management Personnel

There were no Key Management Personnel (KMP) related party transactions during the year.

(b) Transactions with other related parties

There were no transactions with other related parties during the year.

(c) Terms and conditions of transactions with related parties other than Key Management Personnel or entities related to them and intra group transactions

All other transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between the parent and its subsidiaries. All loans are non-interest bearing. Outstanding balances are unsecured.

26 Key Management Personnel compensation

	2015 $'000	2014 $'000
Short-term employee benefits	**9,735**	13,738
Post-employment benefits	**277**	447
Long-term benefits	**120**	63
Termination benefits	**–**	1,276
Share-based payments	**5,028**	5,846
	15,160	21,370

During the year the Group has reviewed the determination of KMP. Due to the corporate re-organisation to a functional structure the roles and responsibilities of the EVPs of support functions (excluding CFO) no longer meet the definition of KMP as they do not control activities and directions of the group. From 1 July 2014, the support function EVPs are no longer included in the disclosures above.

Short-term employee benefits include cash salary, at risk performance incentives and fees, non-monetary benefits and other short-term benefits. Non-monetary benefits represent the value of Reportable Fringe Benefits for the respective Fringe Benefits Tax year ending 31 March, the estimated value of car parking provided, motor vehicle lease payments and annual leave accrued or utilised during the financial year. Other short-term benefits include sign-on bonus and relocation assistance.

Notes to the consolidated financial statements

30 June 2015 (continued)

27 Share-based payments

KEEPING IT SIMPLE

The share-based payments schemes described in this section were established by the Board of Directors to provide long-term incentives to the Group's senior executives based on shareholder returns taking into account the Group's financial and operational performance. Eligible executives may be granted rights on terms and conditions determined by the Board from time to time. The fair value of rights granted under the schemes is recognised as an employee benefits expense with a corresponding increase in equity.

(a) Performance rights plan

Performance rights are granted by the Company for nil consideration. Participation in the plan is at the Board's discretion so that no individual has a contractual right to be awarded rights under the plan or to receive any guaranteed benefits. Each right is a right to receive one fully-paid ordinary share in Aurizon Holdings Limited at no cost if the vesting conditions are satisfied. Rights granted under the plan carry no dividend or voting rights.

The Board will determine the exercise price payable on exercise of a vested right and the exercise period of a right. The Board may, in its discretion, determine that early vesting of a right will occur if there is a takeover bid, scheme of arrangement or some other change of control transaction of the Group. The Board may also accelerate the vesting of some or all of the rights held by an executive in specified circumstances, these include but are not limited to death, total and permanent disablement, or cessation of employment.

The share-based payment schemes are described as follows:

Deferred Short-Term Incentive Award (STIAD)

The STIAD was implemented in the 2011 financial year under which rights to the value of 50 per cent of the cash STIA received by eligible executives would be granted as rights to ordinary shares. The rights will vest equally over a two year period and become exercisable provided that the executive remains employed by the Group at the vesting date, unless otherwise determined by the Board.

From financial year 2014 a portion of any STIA for the Managing Director & CEO as well as the executive management team will be awarded in rights to ordinary shares and deferred for a period of one year. This was introduced over a two year period with a 20% deferral in financial year 2014, increasing to 40% in financial year 2015. The rights will vest after one year and become exercisable provided that the executive remains employed by the Group at the vesting date, unless otherwise determined by the Board.

Long-term Incentive Award (LTIA)

Performance rights are granted to senior executives as part of the Group's LTIA. The first grant of LTIA rights was in November 2010. The rights are subject to employment service conditions and satisfying market based performance hurdles of Total Shareholder Return (TSR) and non-market based Earnings Per Share (EPS) targets and Operating Ratio (OR). In 2015, the EPS hurdle was replaced with Return on Invested Capital (ROIC). The LTIA is subject to retest in the fourth year at the discretion of the Board.

Retentions

At the Board's discretion eligible executives may be granted retention rights that may vest at the end of the specified retention period provided that the executive remains employed by the Group at the vesting date.

Set out below are summaries of rights granted under the plans:

Grant Date	Balance at start of the year Number '000	Granted during the year Number '000	Exercised during the year Number '000	Forfeited during the year Number '000	Balance at end of the year Number '000
2015					
STIAD	**635**	**188**	**(628)**	**(7)**	**188**
LTIA	**13,267**	**4,321**	**(1,531)**	**(126)**	**15,931**
Retentions	**393**	**25**	**(305)**	**–**	**113**
Total	**14,295**	**4,534**	**(2,464)**	**(133)**	**16,232**
2014					
STIAD	2,278	–	(1,361)	(282)	635
LTIA	13,476	4,816	(3,694)	(1,331)	13,267
Retentions	355	330	(282)	(10)	393
Total	16,109	5,146	(5,337)	(1,623)	14,295

At 30 June 2015, there were no vested but unexercised rights.

The weighted average exercise price of rights granted during the year was nil (2014: nil), as the rights have no exercise price. The weighted average share price at the date of exercise for rights exercised during the period was $5.03 (2014: $4.73). The weighted average remaining contractual life of share rights outstanding at 30 June 2015 was 1.0 year (2014: 1.5 years).

Fair value of rights granted

In determining the fair value, market techniques for valuation were applied in accordance with AASB 2. The fair value of the STIAD and the portion of LTIA rights, that are subject to non-market based performance conditions, was $4.31 (2014: $4.07) determined by the share price at grant date less an adjustment for estimated dividends payable during the vesting period. The fair value of the LTIA rights subject to the TSR market based performance condition has been calculated using the Monte-Carlo simulation techniques based on the inputs disclosed in the table below:

	2015	2014
Scheme	**LTIA**	LTIA
Grant date	**18 Aug 2014**	16 Aug 2013
Vesting date	**18 Aug 2017**	16 Aug 2016
Expiry date	**31 Dec 2018**	31 Dec 2017
Share price at grant date	**$4.88**	$4.57
Expected life	**3.5 years**	3.5 years
Company share price volatility	**15%**	20%
Risk free rate	**2.75%**	2.9%
Dividend yield	**4.3%**	3.9%
Fair value	**$2.05**	$2.78

Notes to the consolidated financial statements
30 June 2015 (continued)

27 Share-based payments (continued)

(b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense was $17m (2014: $13m).

Recognition and measurement

The fair value of rights granted under the Performance Rights Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the rights granted, which includes any market performance conditions and the impact of any non-vesting conditions, but excludes the impact of any service and non-market performance vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of rights that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Share-based compensation is settled by making on-market purchases of the Company's ordinary shares.

28 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

(a) PwC Australia

(i) Audit and other assurance services

	2015 $'000	2014 $'000
Audit and other assurance services		
Audit and review of financial statements	**1,690**	2,167
Other assurance services		
Other assurance services	**153**	481
Total remuneration for audit and other assurance services	**1,843**	2,648
Taxation services		
Tax advisory services	**50**	79
Other services		
Advisory services	**329**	242
Total remuneration of PwC Australia	**2,222**	2,969

(b) Non-PwC Australia related audit firms

	2015 $'000	2014 $'000
Audit and other assurance services		
Audit and review of financial statements	–	9

29 Summary of other significant accounting policies

Other significant accounting policies adopted in the preparation of these consolidated financial statements are set out in relevant sections of the notes and below. These policies have been consistently applied to all the years presented, unless otherwise stated. Where necessary, comparative information has been restated to conform with changes in presentation in the current year.

(a) Basis of preparation

(i) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time in their annual reporting period commencing 1 July 2014:

- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets
- AASB 9 Financial Instruments

(ii) Change in accounting policies

The Group has early adopted AASB 9 Financial Instruments effective 1 July 2014.

The accounting policy was changed to comply with AASB 9 Financial Instruments as issued in December 2014. This version of AASB 9 replaces the provisions of AASB 139 that relate to the recognition and measurement, impairment, derecognition and general hedge accounting.

While AASB 9 is not required to be applied until 1 January 2018, the Group has decided to adopt it early from 1 July 2014. AASB 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The classification is made at initial recognition and depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

The Group did not have any financial assets in the balance sheet that were previously designated as available for sale or fair value through profit or loss. Neither did it designate any financial asset at fair value through the profit or loss on initial application of AASB 9.

There was no difference between the previous carrying amount and the revised carrying amount of the financial assets at 1 July 2014 to be recognised in opening retained earnings and there was no change in classification of the financial assets.

The adoption of the revised AASB 9 did not affect the Group's accounting for its financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through the profit or loss and the Group does not have any such liabilities.

The Group elected to apply the hedge accounting in Chapter 6 of AASB 9 prospectively. The Group's management has assessed the existing hedging relationships in accordance with the qualifying criteria in AASB 9 at 1 July 2014. The hedging relationships continue to meet the requirement under AASB 9 and are regarded as continuing hedging relationships. No hedge ratio rebalancing is required at the initial application of AASB 9.

The impairment model in AASB 9 is based on the premise of providing for expected losses. The change in the impairment model has no significant impact to the Group's impairment policy.

Notes to the consolidated financial statements

30 June 2015 (continued)

29 Summary of other significant accounting policies (continued)

(a) Basis of preparation (continued)

(iii) New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods and have not been early adopted by the Group. There are no other accounting standards that are not yet effective and that would be expected to have a material impact on the Group in the current and future reporting periods and on foreseeable future transactions. The Group's assessment of the impact of these new standards and interpretations is set out below.

Title of standard	Nature of change	Impact	Mandatory application date
IFRS 15 Revenue from Contracts with Customers	IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It supersedes current revenue recognition guidance including IAS 18 Revenues, IAS 11 Construction Contracts and related Interpretations. The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard also allows costs associated with obtaining a contract to be capitalised and amortised over the life of the new contract.	Management is considering the impact of the new standard.	Must be applied for financial years commencing on or after 1 January 2018. Early adoption is permitted.

(b) Cash and cash equivalents

Cash and cash equivalents includes cash on hand; deposits held 'at call' with financial institutions; and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(c) Foreign currency and commodity transactions

(i) Functional and presentation currency

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

(ii) Transactions and balances

Where the Group is exposed to the risk of fluctuations in foreign exchange rates and market interest rates, it enters into financial arrangements to reduce these exposures. While the value of these financial instruments is subject to risk that market rates/prices may change subsequent to acquisition, such changes will generally be offset by opposite effects on the items being hedged.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(d) Leases

Operating leases on property, plant and equipment

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Rental revenue from operating leases where the Group is a lessor is recognised as income on a straight-line basis over the lease term. Where a sale and lease back transaction has occurred, the lease is classified as either a finance lease or operating lease based on whether risks and rewards of ownership are transferred or not.

29 Summary of other significant accounting policies (continued)

(e) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises financial assets on the trade date at which the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Group classifies its financial assets as subsequently measured at either amortised cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

(ii) Financial assets measured at amortised cost

A financial asset is subsequently measured at amortised cost, using effective interest method and net of any impairment loss, if:

- The asset is held within the business model whose objective is to hold assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest

The Group assesses at each reporting date whether there is objective evidence that a financial asset (or group of financial assets) is impaired.

For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(iii) Non-derivative liabilities

The Group initially recognises loans and debt securities issued on the date when they are originated. Other financial liabilities are initially recognised on the trade date. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Non-derivative financial liabilities are initially recognised at fair value less any directly distributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

(f) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the balance sheet.

Cash flows are presented in the cash flow statement on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the ATO, are presented as operating cash flows.

The Company and its subsidiaries are grouped for GST purposes. Therefore, any inter-company transactions within the Group do not attract GST.

Unrecognised items

IN THIS SECTION

Unrecognised items provide information about items that are not recognised in the financial statements but could potentially have a significant impact on the Group's financial position and performance.

Notes to the consolidated financial statements
30 June 2015 (continued)

30 Contingencies

KEEPING IT SIMPLE
Contingencies relate to the outcome of future events and may result in an asset or liability, however due to current uncertainty do not qualify for recognition.

(a) Contingent liabilities
Issues relating to common law claims and product warranties are dealt with as they arise. There were no material contingent liabilities requiring disclosures in the financial statements, other than as set out below.

Guarantees and letters of credit
For information about guarantees and letters of credit given by the Group, refer to note 17(d).

(b) Contingent assets
Guarantees and letters of credit
For information about guarantees given to the Group, refer to note 17(d).

31 Commitments

(a) Capital commitments

	2015 $m	2014 $m
Property, plant and equipment		
Within one year	**141**	291

(b) Lease commitments

	2015 $m	2014 $m
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**36**	37
Later than one year but not later than five years	**57**	42
Later than five years	**25**	6
	118	85

The above commitments flow primarily from operating leases of property and machinery. These leases, with terms mostly ranging from one to ten years, generally provide the Group with a right of renewal at which times the lease terms are renegotiated. The lease payments comprise a base amount, while the property leases also contain a contingent rental, which is based on either the movements in the Consumer Price Index or another fixed percentage as agreed between the parties.

32 Events occurring after the reporting period

As disclosed on page 54, the final two outstanding QLD EAs were approved by employees in July 2015. On 15 July 2015, Aurizon received a positive vote by employees on the proposed Construction and Maintenance Enterprise Agreement (C&M EA).

On 27 July 2015, the proposed Train Crew and Transport Operations EA received a positive vote by employees. Once the C&M EA and the Train Crew and Transport Operations EA are approved by the FWC, then, along with the staff EA, these will cover approximately 5,000 QLD based Aurizon employees.

Directors' Declaration
30 June 2015

In accordance with a resolution of the Directors of the Company, I state that:

In the opinion of the Directors of the Company:

(a) the financial statements and notes set out on pages 48 to 93 are in accordance with the Corporations Act 2001, including:

  (i) complying with Accounting Standards and other mandatory professional reporting requirements as detailed above, and the Corporations Regulations 2001,

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date, and

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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 22 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 22.

Page 53 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Managing Director & Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

John B Prescott AC
Chairman

Brisbane
17 August 2015

Independent auditor's report to the members of Aurizon Holdings Limited

Report on the financial report

We have audited the accompanying financial report of Aurizon Holdings Limited (the company), which comprises the consolidated balance sheet as at 30 June 2015, the consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Aurizon Holdings Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757
Riverside Centre, 123 Eagle Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
T: +61 7 3257 5000, F: +61 7 3257 5999, www.pwc.com.au

Auditor's opinion

In our opinion:

(a) the financial report of Aurizon Holdings Limited is in accordance with the *Corporations Act 2001,* including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

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

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in the Notes to the consolidated financial statements.

Report on the Remuneration Report

We have audited the remuneration report included in pages 25 to 38 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Aurizon Holdings Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

John Yeoman
Partner

Brisbane
17 August 2015

Non-IFRS Financial Information in 2014-15 Annual Report

In addition to using profit as a measure of the Group and its segments' financial performance, Aurizon uses EBIT (Statutory and Underlying), EBITDA (Statutory and Underlying), EBITDA margin – Underlying, Operating Ratio – Underlying, Return On Invested Capital (ROIC), Net debt and Net gearing ratio. These measurements are not defined under IFRS and are, therefore, termed non-IFRS measures.

EBIT – Statutory is defined as Group profit before net finance costs, and tax while EBITDA – Statutory is Group profit before net finance costs, tax, depreciation and amortisation. EBIT underlying can differ from EBIT – Statutory due to exclusion of significant items that permits a more appropriate and meaningful analysis of the underlying performance on a comparative basis. EBITDA margin is calculated by dividing underlying EBITDA by the total revenue. These measures are considered to be useful measures of the Group's operating performance because they approximate the underlying operating cash flow by eliminating depreciation and/or amortisation.

Operating Ratio is defined as one less underlying EBIT divided by total revenue. The Operating Ratio is the key measure of the operating cost of earning each dollar of revenue and it is used as one of the key performance measures of the Key Management Personnel.

ROIC is defined as underlying rolling twelve month EBIT divided by the average invested capital. The average invested capital is calculated by taking the rolling twelve months average of net property, plant and equipment including assets under construction plus investments accounted for using the equity method plus current assets less cash, less current liabilities plus net intangibles. This measure is intended to ensure there is alignment between investment in infrastructure and superior returns for shareholders.

Net debt consists of borrowings (both current and non-current) less cash and cash equivalents. Net gearing ratio is defined as Net debt divided by Shareholders Equity plus Net debt. Net debt and Net gearing ratio are measures of the Group's indebtedness and provides an indicator of the balance sheet strength.

These above mentioned measures are commonly used by management, investors and financial analysts to evaluate companies' performance.

A reconciliation of the non-IFRS measures and specific items to the nearest measure prepared in accordance with IFRS is included in the table. The non-IFRS financial information contained within this Directors' report and Notes to the Financial Statements has not been audited in accordance with Australian Auditing Standards.

	2015 $m	2014 $'m
Profit before income tax	**835**	353
Finance costs (net)	**135**	112
EBIT – Statutory	**970**	465
Significant adjustments:		
Voluntary redundancy schemes	**–**	69
Assets impairments	**–**	20
Assets under construction impairment	**–**	54
Strategic infrastructure project impairment	**–**	73
Rollingstock impairment	**–**	170
EBIT – Underlying	**970**	851
Depreciation and amortisation	**519**	499
EBITDA – Underlying	**1,489**	1,350
Operating Ratio	**74.3%**	77.7%
Average invested capital	**10,035**	9,633
ROIC	**9.7%**	8.8%
Borrowings – Current	**59**	42
Borrowings – Non-current	**2,924**	2,799
Total borrowings	**2,983**	2,841
Cash and cash equivalent	**(171)**	(318)
Net debt	**2,812**	2,523
Net Gearing Ratio	**30.2%**	28.4%

Shareholder Information

RANGE OF FULLY PAID ORDINARY SHARES AS AT 12 AUGUST 2015

RANGE	TOTAL HOLDERS	UNITS	% OF ISSUED CAPITAL
1 – 1,000	21,684	13,614,631	0.64
1,001 – 5,000	26,152	58,709,759	2.77
5,001 – 10,000	3,655	26,724,587	1.26
10,001 – 100,000	2,848	57,227,643	2.70
100,001 – 999,999,999	135	1,965,733,839	92.64
Rounding			**-0.01**
Total	**54,474**	**2,122,010,459**	**100.00**

UNMARKETABLE PARCELS

	MINIMUM PARCEL SIZE	HOLDERS	UNITS
Minimum $500.00 parcel at $5.01 per unit	100	579	17,402

The number of shareholders holding less than the marketable parcel of shares is 579 (shares: 17,402).

SUBSTANTIAL HOLDERS OF 5% OR MORE OF FULLY PAID ORDINARY SHARES AS AT 12 AUGUST 2015*

NAME	NOTICE DATE	SHARES
HSBC Holdings	24 December 2013	132,953,567
UBS Group AG and its related bodies corporate	4 March 2015	120,554,547
TCI Fund Management Limited	15 July 2015	112,207,436
JPMorgan Chase & Co. and its affiliates	13 November 2014	106,867,103

* As disclosed in substantial shareholder notices received by the Company.

INVESTOR CALENDAR

2016 DATES	DETAILS
15 February 2016	Half Year results and interim dividend announcement
28 March 2016	Interim dividend payment date
15 August 2016	Full Year results and final dividend announcement
21 September 2016	Final dividend payment date
10 November 2016	Annual General Meeting

The payment of a dividend is subject to the Corporations Act and Board discretion. The timing of any event listed above may change. Please refer to the Company website, **aurizon.com.au**, for an up-to-date list of upcoming events.

ASX code: AZJ

Contact details

Aurizon
GPO Box 456
Brisbane QLD 4001

For general enquiries, please call 13 23 32 within Australia. If you are calling from outside Australia, please dial +61 7 3019 9000.

aurizon.com.au

Investor Relations

For all information about your shareholding, including employee shareholdings, dividend statements and change of address, contact the share registry Computershare on 1800 776 476 or visit **investorcentre.com**

To request information relating to Investor Relations please contact our Investor Relations team on +61 7 3019 1127 or email: **investor.relations@aurizon.com.au**

TOP 20 HOLDERS OF FULLY PAID ORDINARY SHARES AS AT 12 AUGUST 2015

NAME	ADDRESS	UNITS	% OF UNITS
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	GPO BOX 5302, SYDNEY NSW, 2001	564,947,089	26.62
J P MORGAN NOMINEES AUSTRALIA LIMITED	LOCKED BAG 20049, MELBOURNE VIC, 3001	475,700,633	22.42
CITICORP NOMINEES PTY LIMITED	GPO BOX 764G, MELBOURNE VIC, 3001	336,292,514	15.85
NATIONAL NOMINEES LIMITED	GPO BOX 1406, MELBOURNE VIC, 3001	251,624,921	11.86
BNP PARIBAS NOMS PTY LTD <DRP>	PO BOX R209, ROYAL EXCHANGE NSW, 1225	57,599,791	2.71
QUEENSLAND TREASURY HOLDINGS PTY LTD	C/- QUEENSLAND TREASURY, CORPORATION, GPO BOX 1096, BRISBANE QLD, 4001	54,926,186	2.59
CITICORP NOMINEES PTY LIMITED <COLONIALFIRST STATE INV A/C>	GPO BOX 764G, MELBOURNE VIC, 3001	22,607,199	1.07
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	GPO BOX 5430, SYDNEY NSW, 2001	17,728,769	0.84
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PI POOLED A/C>	GPO BOX 5430, SYDNEY NSW, 2001	14,930,474	0.70
AMP LIFE LIMITED	PO BOX R209, ROYAL EXCHANGE NSW, 1225	13,875,194	0.65
BNP PARIBAS NOMINEES PTY LTD <AGENCY ENDING COLLATERAL>	PO BOX R209, ROYAL EXCHANGE NSW, 1225	13,298,300	0.63
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	GPO BOX 5302, SYDNEY NSW, 2001	11,548,654	0.54
NATIONAL NOMINEES LIMITED <N A/C>	GPO BOX 1406, MELBOURNE VIC, 3001	10,957,689	0.52
SHARE DIRECT NOMINEES PTY LTD <10026 A/C>	LOCKED BAG 22, AUSTRALIA SQUARE NSW, 1215	10,670,198	0.50
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	PO BOX R209, ROYAL EXCHANGE NSW, 1225	9,431,167	0.44
SBN NOMINEES PTY LIMITED <10004 ACCOUNT>	LOCKED BAG 22, AUSTRALIA SQUARE NSW, 1215	6,906,000	0.33
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <EUROCLEAR BANK SA NV A/C>	GPO BOX 5302, SYDNEY NSW, 2001	6,491,470	0.31
CS FOURTH NOMINEES PTY LTD	C/-CREDIT SUISSE EQTS AUST LTD, ATT: CORRINNA JOHNS, 41/101 COLLINS STREET, MELBOURNE VIC, 3000	6,423,576	0.30
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PISELECT>	GPO BOX 5430, SYDNEY NSW, 2001	4,968,867	0.23
UBS NOMINEES PTY LTD	LEVEL 16, CHIFLEY TOWER, 2 CHIFLEY SQUARE, SYDNEY NSW, 2000	4,817,173	0.23
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)		**1,895,745,864**	**89.34**
Total Remaining Holders Balance		**226,264,595**	**10.66**

Glossary

Some terms and abbreviations used in this document, together with industry specific terms, have defined meanings.

These terms and abbreviations are set out in this glossary and are used throughout this document.

A reference to dollars, $ or cents in this document is a reference to Australian currency unless otherwise stated. Any reference to a statute, ordinance, code or other law includes regulations and any other instruments under it and consolidations, amendments, re-enactments or replacements of any of them. Any reference to Annual Report is a reference to this document.

ABN
Australian Business Number

above rail
Rollingstock – including locomotives and wagons and associated infrastructure (e.g. maintenance and operational depots)

ACN
Australian Company Number

ASIC
Australian Securities and Investments Commission

ASX
Australian Securities Exchange operated by ASX Limited (ABN 98 008 624 691)

ASX Listing Rules
The official listing rules of ASX

Aurizon
Aurizon Holdings Limited (ACN 146 335 622) and where the context requires, includes any of its subsidiaries and controlled entities

below rail
Track, electric infrastructure, signalling and associated rail infrastructure

Board
The Board of Directors of Aurizon Holdings Limited

CAGR
Compound annual growth rate, expressed as a percentage per year

CGT
Capital Gains Tax

Coal
The above rail coal haulage operating division of Aurizon Holdings Limited

Company or Aurizon Holdings
Aurizon Holdings Limited (ACN 146 335 622) and where the context requires, includes any of its subsidiaries and controlled entities

Company Secretary
The Company Secretary of Aurizon Holdings Limited

Constitution
The constitution of Aurizon Holdings Limited

Corporations Act
Corporations Act 2001 (Cth)

CPS
Cents Per Share

CQCN
Central Queensland Coal Network

CQIRP
Central Queensland Integrated Rail Project

DTC
Deficit Tonnage Charges

EBIT
Earnings before interest and tax

EBITDA
Earnings before interest, tax, depreciation and amortisation

EBIT Margin
Underlying earnings before interest and tax divided by total revenue and other income

EEO
Energy Efficiency Opportunity

EEO Act
Energy Efficiency Opportunity Act 2006 (Cth)

EPS
Earnings Per Share

Freight
The above rail freight haulage operating division of Aurizon Holdings Limited

FY
Financial year ended 30 June, as the context requires

GAP
Goonyella to Abbot Point

GAPE
Goonyella to Abbot Point Expansion

GAAP
Generally Accepted Accounting Principles

IBNR
Incurred but not reported

IFRS
International Financial Reporting Standards

km
kilometre

LTI
Long Term Incentive

LTIA
Long Term Incentive Award

LTIFR
Lost Time Injury Frequency Rate, being a measure of the number of lost time injuries per million hours worked over a 12 month period

MTIFR
Medically Treated Injury Frequency Rate, being a measure of the number of medically treated injuries per million hours worked over a 12 month period

MAR
Maximum Allowable Revenue that Aurizon Network Pty Ltd is entitled to earn from the provision of coal carrying train services in the CQCN across the term of an access undertaking

mt
Millions of tonnes

mtpa
Millions of tonnes per annum

Network
Aurizon Network Pty Ltd (ACN 132 181 116) a wholly-owned subsidiary of Aurizon Holdings

NGER
National Greenhouse Energy Reporting

NGER Act
National Greenhouse Energy Reporting Act 2007 (Cth)

NPAT
Net Profit After Tax

ntk
Net tonne kilometre, unit of measure representing the movement over a distance of one kilometre of one tonne of contents excluding the weight of the locomotive and wagons

Operating Ratio/OR
1 – EBIT margin, expressed as a percentage

OPEX
Operating expense including depreciation and amortisation

PPT
Percentage point

QCA
Queensland Competition Authority

Queensland Rail
Queensland Rail Limited (ACN 132 181 090) – this entity is owned by the State and operates the core public rail passenger business

RAB
Regulated Asset Base the value of the asset base on which pricing is determined by the price regulator

ROIC
Return on Invested Capital

share
A fully paid ordinary share in Aurizon Holdings

STI
Short term Incentive

STIA
Short term Incentive Award

TRIFR
Total Reportable Injury Frequency Rate

tonne
One metric tonne, being 1,000 kilograms

tonne kilometres
The product of tonnes and distance

TSC
Transport Services Contract entered into between the Queensland State Government and the Company for the provision of regional freight and livestock services

WACC
Weighted Average Cost of Capital, expressed as a percentage

WICET
Wiggins Island Coal Expansion Terminal

WIRP
Wiggins Island Rail Project

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Corporate Information

Aurizon Holdings Limited
ABN 14 146 335 622

Directors
John B Prescott AC
Lance E Hockridge
John Atkin
Russell R Caplan
John Cooper
Karen Field
Graeme John AO
Samantha Lewis
Gene Tilbrook
Timothy Poole

Company Secretary
Dominic D Smith

Registered Office
Level 17, 175 Eagle Street
Brisbane QLD 4000

Auditors
PricewaterhouseCoopers

Share Registry
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ANNUAL REPORT **2014-15**

Aurizon Holdings Limited
ABN 14 146 335 622