Aurizon Network Pty Ltd
ABN 78 132 181 116

ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

BY ELECTRONIC LODGEMENT

17 August 2015

Aurizon Network Pty Ltd Full Year Report

Please find attached announcement for release to the market a copy of Aurizon Network Pty Ltd's Full Year Report for the period ended 30 June 2015.

Kind regards

Dominic D Smith
VP & Company Secretary

T +61 7 3019 9000 | F +61 7 3019 0720 | CompanySecretary@aurizon.com.au
Level 17, 175 Eagle St Brisbane QLD 4000 Australia | GPO Box 456 Brisbane QLD 4001 Australia

Aurizon Network Pty Ltd

ABN 78 132 181 116

Financial report for the year ended 30 June 2015

The Directors of Aurizon Network Pty Ltd ("Aurizon Network" or the "Company") 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 2001*.

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

J Atkin (Chairman)	Appointed 21 June 2010 (appointed Chairman 21 May 2013)	
J D Cooper	Appointed 19 April 2012	
L E Hockridge	Appointed 11 July 2008	
G T John AO	Appointed 13 February 2012	
A Kummant	Appointed 4 November 2013	
S Lewis	Appointed 25 March 2015	
P Zito	Appointed 22 January 2014	Resigned 24 October 2014
D D Smith (Company Secretary)	Appointed 28 May 2010	

Principal activities
The nature of the entity's operations and its principal activities during the year were:

(i) provision of access to, and operation and management of the Central Queensland Coal Network ("CQCN"); and
(ii) the provision of design, construction, overhaul, maintenance and management services to Aurizon Holdings Limited and its subsidiary entities ("the Aurizon Group") as well as external below rail customers.

Review of Operations
Business summary
Aurizon Network operates the 2,670 kilometre CQCN. The CQCN open access network is the largest coal rail network in Australia connecting multiple below rail customers from more than 40 mines to three ports. The CQCN includes four major coal systems; the Moura; Blackwater; Goonyella; and Newlands.

Performance overview
The Network business has delivered record volumes throughput over the CQCN totalling 225.7mt, representing an increase of 11.2mt (5%) on the prior year. This tonnage record was achieved while continuing to drive major improvements in safety performance and maintaining the network to a high standard to enable these record volumes to be delivered.

Network contributed full year revenue of $1,106.4 million (2014: $1,012.1 million). For the year ended 30 June 2014, revenue derived from the actual volume throughput being higher than regulatory volumes was reduced by $69.9 million reflecting the transitional tariff arrangements as agreed with customers and the QCA for that year.

Profit before tax for the year of $349.9 million is higher than the prior year of $237.0 million primarily due to the higher revenue discussed above, as well as impairments of project study costs recognised during the year ended 30 June 2014 of $66.1 million.

Capital expenditure on tangible and intangible assets for the year totalled $597.5 million, as work continued on a number of strategic growth projects. These included the Wiggins Island Rail Project Stage 1, Hay Point Expansion, Rolleston electrification and the Asset Renewal Program.

During the course of the 2015 financial year the QCA issued two draft decisions pertaining to the 2014 Draft Access Undertaking ("UT4"). The first issued in September 2014 was the Draft MAR decision to which Aurizon Network responded in December 2014. The second draft decision was the Policy Decision to which Aurizon Network responded on 17 April 2015. On the 4 May 2015 the QCA issued a revised UT4 timetable and indicated their intention to issue their final UT4 Decision by 30 October 2015.

To enable the continuation of the 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 announcement by the QCA on 4 May of a delay to the issuance of a final UT4 decision to October 2015. The DAAU proposed to extend the terminating date for the 2010 Access Undertaking to the earlier of 29 February 2016 or the date on which the undertaking is withdrawn in accordance with the QCA Act.

On 5 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") with any resultant over or under recovery collected or repaid in a future period consistent with the final decision on UT4.

Dividends
Details of dividends provided for or paid are set out in note 12 to the financial report.

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 other 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
Over the next two years the focus will continue to be on productivity improvements. The Company will continue to collaborate with our customers on supply chain solutions across our business; notably for coal infrastructure assets in Queensland. There will be a continued focus on costs and maximising the capacity of the network.

Some of the risks facing the Company's business during this time will be the global demand of coal volumes and finalisation of the Draft Access Undertaking submission with approved rates for the CQCN.

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
The Company 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, the Company seeks to comply with all applicable environmental laws and regulations.

The *Energy Efficiency Opportunity Act 2006* (Cth) (EEO) requires the Company 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 Company intends to take as a result. The Company continues to meet its obligations under the EEO Act.

The *National Greenhouse and Energy Reporting Act 2007* (Cth) (NGER) requires the Company to report its annual greenhouse gas emissions and energy use. The Company has implemented systems and processes for the collection and calculation of the data required and is registered under the NGER Act.

Environmental prosecutions
There have been no environmental prosecutions during this financial year.

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 Company, 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's holding company, Aurizon Holdings Limited, has entered into a Deed of Access, Indemnity and Insurance with each of the Directors common to both Aurizon Holdings Limited and the Company. A Company policy also exists under which the Company agrees to indemnify each of its officers. 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's holding company, Aurizon Holdings Limited, 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

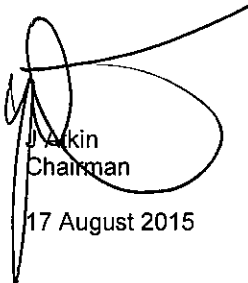
The Directors are not aware of any current or threatened civil litigation proceedings, arbitration proceedings, administration appeals, or criminal or governmental prosecutions of a material nature in which the Company is directly or indirectly concerned which are likely to have a material adverse effect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

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 hundred thousand 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 4. The Directors' Report is made in accordance with a resolution of the Directors of the Company.



J Atkin
Chairman

17 August 2015

Auditor's Independence Declaration

As lead auditor for the audit of Aurizon Network Pty Ltd for the full 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 Network Pty Ltd and the entities it controlled during the period.

Simon Neill
Partner
PricewaterhouseCoopers

Brisbane
17 August 2015

PricewaterhouseCoopers, ABN 52 780 433 757
Riverside Centre, 123 Eagle Street, BRISBANE QLD 4000, GPO BOX150, BRISBANE QLD 4001
DX 77 Brisbane, Australia
T: +61 7 3257 5000, F: +61 7 3257 5999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Aurizon Network Pty Ltd

ABN 78 132 181 116

Financial report for the year ended 30 June 2015

TABLE OF CONTENTS

Consolidated income statement ... 7
Consolidated statement of comprehensive income ... 8
Consolidated balance sheet ... 9
Consolidated statement of changes in equity ... 10
Consolidated statement of cash flows ... 11
About this report ... 12
Key events and transactions for reporting period ... 13
Results for the year ... 14
1 Revenue ... 15
2 Expenses ... 16
3 Income tax ... 17
Operating assets and liabilities ... 21
4 Trade and other receivables ... 22
5 Inventories ... 22
6 Property, plant and equipment ... 23
7 Intangible assets ... 26
8 Trade and other payables ... 27
9 Provisions ... 27
10 Other liabilities ... 29
Capital and financial risk management ... 30
11 Capital risk management ... 31
12 Dividends ... 31
13 Equity and reserves ... 32
14 Borrowings ... 33
15 Financial risk management ... 34
16 Derivative financial instruments ... 41
Group structure ... 43
17 Joint operations ... 44
18 Subsidiaries ... 44
19 Parent disclosures ... 45
Other information ... 47
20 Reconciliation of profit after income tax to net cash inflow from operating activities ... 48
21 Other assets ... 48
22 Related party transactions ... 48
23 Key management personnel ... 50
24 Remuneration of auditors ... 50
25 Summary of other significant accounting policies ... 51
Unrecognised items ... 55
26 Contingencies ... 56
27 Commitments ... 56
28 Events occurring after the reporting period ... 57
Directors' declaration ... 58
Independent auditor's report to the members ... 59

These financial statements are the consolidated financial statements of Aurizon Network Pty Ltd and its subsidiaries ("the Group"). Aurizon Network Pty Ltd is a subsidiary of Aurizon Operations Limited ("Aurizon Operations"). The ultimate parent entity is Aurizon Holdings Limited ("Aurizon Holdings"). Aurizon Holdings and its subsidiaries together are referred to as the Aurizon Group.

The financial statements are presented in Australian dollars.

Aurizon Network Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office is:

Level 17
175 Eagle Street
BRISBANE QLD 4000

A description of the nature of the Group's operations and its principal activities are included in the review of operations and activities in the directors' report, which is not part of these financial statements.

Aurizon Network Pty Ltd
Consolidated income statement
For the year ended 30 June 2015

	Notes	2015 $m	2014 $m
Revenue from continuing operations	1	**1,106.4**	1,012.1
Other income		**1.7**	-
Total revenue and other income		**1,108.1**	1,012.1
Employee benefits expense	2	**(120.6)**	(126.0)
Energy and fuel		**(107.4)**	(110.9)
Consumables	2	**(164.9)**	(147.8)
Depreciation and amortisation	2	**(215.2)**	(198.5)
Impairment losses	2	**-**	(67.6)
Other expenses		**(15.5)**	(16.7)
Operating profit		**484.5**	344.6
Finance income		**0.6**	0.2
Finance expenses	2	**(135.2)**	(107.8)
Net finance costs		**(134.6)**	(107.6)
Profit before income tax expense		**349.9**	237.0
Income tax expense	3	**(105.0)**	(68.3)
Profit for the year		**244.9**	168.7

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

	Notes	2015 $m	2014 $m
Profit for the year		**244.9**	168.7
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges	13(d)	**(17.1)**	(27.1)
Income tax relating to these items	3(c)	**5.1**	8.1
Other comprehensive income for the year, net of tax		**(12.0)**	(19.0)
Total comprehensive income for the year		**232.9**	149.7

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

	Notes	2015 $m	2014 $m
ASSETS			
Current assets			
Cash and cash equivalents		**116.4**	1.1
Trade and other receivables	4	**209.8**	233.0
Inventories	5	**49.3**	66.2
Derivative financial instruments	16	**0.1**	-
Other assets	21	**0.3**	15.4
Total current assets		**375.9**	315.7
Non-current assets			
Derivative financial instruments	16	**18.4**	-
Inventories	5	**12.4**	17.8
Property, plant and equipment	6	**5,360.4**	5,023.7
Intangible assets	7	**43.6**	20.6
Total non-current assets		**5,434.8**	5,062.1
Total assets		**5,810.7**	5,377.8
LIABILITIES			
Current liabilities			
Derivative financial instruments	16	**0.1**	1.7
Trade and other payables	8	**166.3**	240.5
Borrowings	14	**3.1**	42.7
Provisions	9	**21.6**	22.5
Other liabilities	10	**77.7**	29.7
Total current liabilities		**268.8**	337.1
Non-current liabilities			
Derivative financial instruments	16	**42.7**	26.6
Provisions	9	**1.9**	1.7
Borrowings	14	**2,935.2**	2,489.8
Deferred tax liabilities	3(e)	**500.8**	439.5
Other liabilities	10	**248.1**	249.4
Total non-current liabilities		**3,728.7**	3,207.0
Total liabilities		**3,997.5**	3,544.1
Net assets		**1,813.2**	1,833.7
EQUITY			
Contributed equity	13	**1.9**	2.4
Convertible notes	13(c)	**1,200.0**	1,200.0
Reserves	13(d)	**(31.0)**	(19.0)
Retained earnings		**642.3**	650.3
Total equity		**1,813.2**	1,833.7

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

	Notes	Attributable to owners of Aurizon Network Pty Ltd				
		Contributed equity $m	**Convertible notes $m**	**Reserves $m**	**Retained earnings $m**	**Total equity $m**
Balance at 1 July 2013		2.7	1,200.0	-	617.2	1,819.9
Profit for the year		-	-	-	168.7	168.7
Other comprehensive income		-	-	(19.0)	-	(19.0)
Total comprehensive income for the year		-	-	(19.0)	168.7	149.7
Transactions with owners in their capacity as owners:						
Dividends provided for or paid	12(a)	-	-	-	(135.6)	(135.6)
Capital distribution to the parent for share-based payments		(0.3)	-	-	-	(0.3)
		(0.3)	-	-	(135.6)	(135.9)
Balance at 30 June 2014		2.4	1,200.0	(19.0)	650.3	1,833.7
Profit for the year		**-**	**-**	**-**	**244.9**	**244.9**
Other comprehensive income		**-**	**-**	**(12.0)**	**-**	**(12.0)**
Total comprehensive income for the year		**-**	**-**	**(12.0)**	**244.9**	**232.9**
Transactions with owners in their capacity as owners:						
Dividends provided for or paid	12(a)	**-**	**-**	**-**	**(252.9)**	**(252.9)**
Capital distribution to the parent for share-based payments		**(0.5)**	**-**	**-**	**-**	**(0.5)**
		(0.5)	**-**	**-**	**(252.9)**	**(253.4)**
Balance at 30 June 2015		**1.9**	**1,200.0**	**(31.0)**	**642.3**	**1,813.2**

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

	Notes	2015 $m	2014 $m
Cash flows from operating activities			
Receipts from customers		**1,193.9**	1,044.0
Interest received		**0.6**	0.2
Payments to suppliers and employees		**(496.2)**	(455.4)
Income taxes received/(paid)		**7.3**	(80.0)
Net cash inflow from operating activities	20	**705.6**	508.8
Cash flows from investing activities			
Proceeds from sale of assets		**12.8**	0.7
Payments for property, plant and equipment		**(547.8)**	(574.2)
Payments for intangible assets		**(31.7)**	(12.4)
Interest paid on qualifying assets		**(19.2)**	(28.8)
Net cash (outflow) from investing activities		**(585.9)**	(614.7)
Cash flows from financing activities			
Proceeds from borrowings		**1,125.7**	819.1
Repayment of borrowings		**(749.5)**	(500.0)
Payment of transaction costs related to borrowings		**(4.1)**	-
Payment of loans from related parties		**-**	(14.8)
Capital distribution to parent		**(1.9)**	(1.1)
Finance lease payments		**(2.1)**	(2.5)
Dividends paid to Company's shareholders	12(a)	**(252.9)**	(135.6)
Interest paid		**(119.6)**	(80.8)
Net cash (outflow)/inflow from financing activities		**(4.4)**	84.3
Net increase/(decrease) in cash and cash equivalents		**115.3**	(21.6)
Cash and cash equivalents at the beginning of the financial year		**1.1**	22.7
Cash and cash equivalents at end of year		**116.4**	1.1

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

About this report

Aurizon Network Pty Ltd ("Aurizon Network") is a company limited by shares, incorporated and domiciled in Australia and is a for-profit entity for the purpose of preparing financial statements. Aurizon Network Pty Ltd is a subsidiary of Aurizon Operations Limited ("Aurizon Operations"). The ultimate parent entity is Aurizon Holdings Limited ("Aurizon Holdings"). The financial statements are for the consolidated entity consisting of Aurizon Network Pty Ltd and its subsidiaries together referred to as the "Group". Aurizon Holdings and its subsidiaries together are referred to as the Aurizon Group.

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 requirement of the *Corporations Act 2001*, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and International Financial Reporting Standards ("IFRS") as 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 have been rounded off in accordance with that Class Order 98/100 to the nearest hundred thousand dollars, unless otherwise indicated;
- where necessary, comparative information has been restated to conform with changes in presentation in the current year; and
- 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.

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; or
- 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. The notes will 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	1
Depreciation	2
Impairment	2
Property, plant and equipment	6

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, the Company diversified its funding sources by issuing a 10-year €500 million Euro 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 AUD floating rate debt. The 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 25(a)(ii) for further details.

Access Undertaking
The Queensland Competition Authority ("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.

The Maximum Allowable Revenue ("MAR") for the year ended 30 June 2014 was capped with $69.9 million 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 responded in December 2014. The second draft decision was the Policy Decision to which Aurizon Network responded on 17 April 2015. On 4 May 2015 the QCA issued a revised UT4 timetable and indicated their intention to issue their final UT4 Decision by 30 October 2015. Access revenue recognised in these financial statements is based on approved transitional tariffs applied to actual volumes.

Enterprise Agreement (EA)
During the year, Aurizon made significant progress towards negotiating replacement EAs that are fair, competitive and commercially sustainable. The 11 Queensland EAs that cover approximately 660 Aurizon Network staff expired in December 2013 and Aurizon has been bargaining with unions since April 2013.

In April 2014, Aurizon applied to the Fair Work Commission (FWC) under s.225 of the *Fair Work Act 2009* (Cth) to terminate the 11 Queensland 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 11 expired EAs, covering 280 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 remaining expired EAs which covered 380 employees including 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.

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

Results for the year

In this section …
Results for the year provides 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 Revenue 15
2 Expenses 16
3 Income tax expense 17

1 Revenue

Aurizon Network recognises revenue from the provision of access to the Central Queensland Coal Network ("CQCN") and other incidental services. Revenue is derived from the following major sources:

- Services revenue comprises: Provision of access to, and operation and management of the CQCN.
- Other services revenue comprises: Provision of other services incidental to access including veneering, maintenance and construction services.
- Other revenue comprises: Revenue from minor operations including access facilitation charges, revenue from telecommunications and items of a corporate nature.

	2015 $m	2014 $m
Revenue from continuing operations		
Services revenue		
Track access	**1,047.6**	950.7
Other services	**12.9**	16.8
Other revenue	**45.9**	44.6
	1,106.4	1,012.1

Significant judgements

(i) Take or Pay

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 ("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 $33.0 million 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 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.

(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, 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 mechanism 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 Aurizon Network recovers its regulatory 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) for a financial year being recognised in the accounting revenues in the second financial year following the event.

2 Expenses

Profit before income tax includes the following specific expenses:

	2015 $m	2014 $m
Employee benefits expenses		
Defined benefit superannuation expense	**2.7**	3.2
Defined contribution superannuation expense	**8.9**	8.5
Voluntary redundancies	**1.5**	1.1
Salaries, wages and oncosts	**107.5**	113.2
	120.6	126.0
Consumables		
Repairs and maintenance	**88.3**	85.0
Insurance	**4.8**	2.9
Consulting and professional services	**7.3**	7.0
Other	**64.5**	52.9
	164.9	147.8
Depreciation and amortisation expense		
Depreciation	**32.5**	31.9
Amortisation	**182.7**	166.6
	215.2	198.5
Impairment losses		
Impairment losses - financial assets		
Trade receivables	**(1.8)**	1.5
Impairment of non-current assets		
Property, plant and equipment	**1.8**	66.1
	-	67.6

During the year ended 30 June 2014, the market conditions and the longer-term outlook within the global and domestic resources sector saw many capital projects either deferred or cancelled. As a direct consequence two projects under development by the Group, 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 Network remains 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 of $48.1 million.

It should be noted that the amounts written off were still underwritten by the regulatory revenue mechanism, and that recovery has been obtained through the normal regulatory process, notwithstanding the immediate accounting treatment.

An impairment of $18.0 million was recognised at 30 June 2014 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 Wondoan Project was being put on hold.

2 Expenses (continued)

	2015 $m	2014 $m
Finance costs		
Interest and finance charges paid/payable	**138.8**	118.6
Amortisation of capitalised borrowing costs	**15.6**	18.0
Total finance costs	**154.4**	136.6
Amount capitalised to assets under construction	**(19.2)**	(28.8)
Finance costs expensed	**135.2**	107.8

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 6 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 6. The recoverable amounts of cash generating units have been determined based on value in use calculations or fair value less costs to sell. The value in use is calculated based on a 3-year board approved corporate plan. Refer to note 6 and 7 for further details on the carrying amounts of non-current assets subject to impairment testing.

3 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.

3 Income tax (continued)

(a) Income tax expense

	2015 $m	2014 $m
Current tax	**44.9**	4.6
Deferred tax	**59.4**	66.9
Current tax relating to prior periods	**(6.3)**	(4.0)
Deferred tax relating to prior periods	**7.0**	0.8
	105.0	68.3
Income tax expense is attributable to:		
Profit from continuing operations	**105.0**	68.3
	105.0	68.3
Deferred income tax expense included in income tax expense comprises:		
(Increase) in deferred tax assets (d)	**(4.7)**	-
Increase in deferred tax liabilities (e)	**71.1**	67.7
	66.4	67.7

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

	2015 $m	2014 $m
Profit before income tax expense	**349.9**	237.0
Tax at the Australian tax rate of 30% (2014: 30%)	**105.0**	71.1
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Research and development	**(1.1)**	(0.6)
Other	**0.4**	1.0
Adjustments for tax of prior periods	**0.7**	(3.2)
Total income tax expense	**105.0**	68.3

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

	2015 $m	2014 $m
Cash flow hedges	**(5.1)**	(8.1)

3 Income tax (continued)

(d) Deferred tax assets

	2015 $m	2014 $m
Total deferred tax assets	**28.1**	18.3
Set-off of deferred tax liabilities pursuant to set-off provisions (e)	**(28.1)**	(18.3)
Net deferred tax assets	**-**	-
Deferred tax assets expected to be recovered within 12 months	**6.5**	6.8
Deferred tax assets expected to be recovered after more than 12 months	**21.6**	11.5
	28.1	18.3

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

	Provisions/ accruals $m	Unearned revenue $m	Cash flow hedges $m	Other $m	Total $m
Movements					
At 1 July 2013	10.2	0.8	-	0.8	11.8
(Charged)/credited					
- to profit or loss	-	(0.4)	0.3	0.1	-
- to other comprehensive income	-	-	8.1	-	8.1
- transfer to entity within Aurizon Group	(1.6)	-	-	-	(1.6)
At 30 June 2014	8.6	0.4	8.4	0.9	18.3
At 1 July 2014	**8.6**	**0.4**	**8.4**	**0.9**	**18.3**
(Charged)/credited					
- to profit or loss	**(0.6)**	**(0.1)**	**5.2**	**0.2**	**4.7**
- to other comprehensive income	**-**	**-**	**5.1**	**-**	**5.1**
At 30 June 2015	**8.0**	**0.3**	**18.7**	**1.1**	**28.1**

(e) Deferred tax liabilities

	2015 $m	2014 $m
Total deferred tax liabilities	**528.9**	457.8
Set-off of deferred tax assets pursuant to set-off provisions (d)	**(28.1)**	(18.3)
Net deferred tax liabilities	**500.8**	439.5
Deferred tax liabilities expected to be recovered after more than 12 months	**528.9**	457.8
	528.9	457.8

3 Income tax (continued)

(e) Deferred tax liabilities (continued)

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	Cash flow hedges $m	Total $m
At 1 July 2013	390.1	-	390.1
Charged/(credited)			
- to profit or loss	67.7	-	67.7
At 30 June 2014	457.8	-	457.8
At 1 July 2014	**457.8**	**-**	**457.8**
Charged/(credited)			
- to profit or loss	**65.6**	**5.5**	**71.1**
At 30 June 2015	**523.4**	**5.5**	**528.9**

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 Company'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 directly in other comprehensive income or equity, the deferred tax is also recognised directly in other comprehensive income or equity.

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, and includes the accounting policies, judgements and estimates relevant to understanding these items.

4 Trade and other receivables 22
5 Inventories 22
6 Property, plant and equipment 23
7 Intangible assets 26
8 Trade and other payables 27
9 Provisions 27
10 Other liabilities 29

4 Trade and other receivables

	2015 $m	2014 $m
Current		
Trade receivables	**129.8**	138.9
Provision for impairment of receivables	**(0.6)**	(2.5)
Net trade receivables	**129.2**	136.4
Other receivables	**80.6**	96.6
	209.8	233.0

Other receivables include revenue for services performed but not yet invoiced under contracts including external construction contracts, take or pay and annual GAPE fees.

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 these trade receivables is as follows:

	2015 $m	2014 $m
Up to 3 months	**15.6**	12.2
3 to 6 months	**-**	-
More than 6 months	**-**	0.1
	15.6	12.3

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.

5 Inventories

	2015 $m	2014 $m
Current		
Raw materials and stores - at cost	**49.3**	66.2
Provision for inventory obsolescence	**-**	-
	49.3	66.2
Non-current		
Raw materials and stores - at cost	**14.4**	19.3
Provision for inventory obsolescence	**(2.0)**	(1.5)
	12.4	17.8

Recognition and measurement
Inventories include infrastructure 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 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.

6 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	**627.5**	**2.3**	**21.4**	**25.4**	**0.4**	**4,346.7**	**5,023.7**
Additions	**568.3**	**-**	**-**	**2.4**	**-**	**3.6**	**574.3**
Transfers between asset classes	**(797.4)**	**1.7**	**5.4**	**76.7**	**-**	**713.6**	**-**
Disposals	**(13.6)**	**-**	**-**	**(0.1)**	**-**	**(7.1)**	**(20.8)**
Depreciation/ amortisation expense	**-**	**-**	**(1.1)**	**(5.6)**	**-**	**(208.3)**	**(215.0)**
Impairment losses	**(1.8)**	**-**	**-**	**-**	**-**	**-**	**(1.8)**
Closing net book amount	**383.0**	**4.0**	**25.7**	**98.8**	**0.4**	**4,848.5**	**5,360.4**
Cost	**383.0**	**4.0**	**28.0**	**112.7**	**0.4**	**5,959.5**	**6,487.6**
Accumulated depreciation and impairment losses	**-**	**-**	**(2.3)**	**(13.9)**	**-**	**(1,111.0)**	**(1,127.2)**
Net book amount	**383.0**	**4.0**	**25.7**	**98.8**	**0.4**	**4,848.5**	**5,360.4**
Owned	**383.0**	**4.0**	**0.3**	**75.4**	**0.4**	**815.3**	**1,278.4**
Leased	**-**	**-**	**25.4**	**23.4**	**-**	**4,033.2**	**4,082.0**
	383.0	**4.0**	**25.7**	**98.8**	**0.4**	**4,848.5**	**5,360.4**

6 Property, plant and equipment (continued)

	Assets under construction $m	Land $m	Buildings $m	Plant and equipment $m	Rollingstock $m	Infrastructure $m	Total $m
2014							
Opening net book amount	620.5	-	27.3	20.1	-	4,036.6	4,704.5
Additions	593.1	-	0.1	1.7	-	2.6	597.5
Transfers between asset classes	(519.3)	2.3	(5.0)	10.0	0.4	511.6	-
Disposals	(0.7)	-	-	(0.4)	-	(12.6)	(13.7)
Depreciation/ amortisation expense	-	-	(1.0)	(6.0)	-	(191.5)	(198.5)
Impairment losses	(66.1)	-	-	-	-	-	(66.1)
Closing net book amount	627.5	2.3	21.4	25.4	0.4	4,346.7	5,023.7
Cost	627.5	2.3	22.5	36.2	0.4	5,267.0	5,955.9
Accumulated depreciation and impairment losses	-	-	(1.1)	(10.8)	-	(920.3)	(932.2)
Net book amount	627.5	2.3	21.4	25.4	0.4	4,346.7	5,023.7
Owned	627.5	2.3	0.5	13.4	0.4	646.9	1,291.0
Leased	-	-	20.9	12.0	-	3,699.8	3,732.7
	627.5	2.3	21.4	25.4	0.4	4,346.7	5,023.7

6 Property, plant and equipment (continued)

Recognition and measurement

(i) Initial recognition and measurement

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

Buildings and plant and equipment 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 at a rental of $1.00 per year if demanded. The sub-leases expire on 30 June 2109.

Leased coal infrastructure

Coal infrastructure assets are owned by (a) the State of Queensland, 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 the Company. The term of each of the leases is 99 years (at a rate of $1.00 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 consolidated 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 and 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
- 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) Derecogntion

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").

6 Property, plant and equipment (continued)

(v)Impairment of assets (continued)
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 consolidated 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.

7 Intangible assets

	Software $m	**Software under development $m**	**Total $m**
2015			
Opening net book amount	**0.4**	**20.2**	**20.6**
Additions	**0.2**	**23.0**	**23.2**
Amortisation expense	**(0.2)**	**-**	**(0.2)**
Closing net book amount	**0.4**	**43.2**	**43.6**
Cost	**0.9**	**43.2**	**44.1**
Accumulated amortisation and impairment losses	**(0.5)**	**-**	**(0.5)**
Net book amount	**0.4**	**43.2**	**43.6**
2014			
Opening net book amount	-	7.4	7.4
Additions	0.4	12.8	13.2
Closing net book amount	0.4	20.2	20.6
Cost	0.6	20.2	20.8
Accumulated amortisation and impairment losses	(0.2)	-	(0.2)
Net book amount	0.4	20.2	20.6

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 and impairment. Amortisation is calculated using the straight-line method over the estimated useful life which varies from three to eleven years.

7 Intangibles assets (continued)

(ii) 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 its 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.

8 Trade and other payables

	2015 $m	2014 $m
Trade payables	**153.7**	227.6
Other payables	**12.6**	12.9
	166.3	240.5

For the year ended 30 June 2014, included in trade payables is an amount of $69.9 million reflecting access revenue derived being greater than the agreed Transitional Allowable 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 set agreed with the supplier.

9 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)	**20.0**	22.5
Land rehabilitation	**1.6**	-
	21.6	22.5
Non-current		
Employee benefits (a)	**1.3**	1.1
Land rehabilitation	**0.6**	0.6
	1.9	1.7
Total provisions	**23.5**	24.2

9 Provisions (continued)

(a) Employee benefits

	2015 $m	2014 $m
Annual Leave	**3.8**	4.3
Long service leave	**11.2**	12.3
Other	**6.3**	7.0
	21.3	23.6

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.

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) 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.

9 Provisions (continued)

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 government bond rate of 3.3%. To measure the estimated costs to remediate contaminated land an inflation rate of 2.5% (2014: 2.6%) has been applied, based on remediation dates of five years. A discount rate of 2.7% (2014: 3.2%) has been used in determining present value, based on the interest rate which reflects the maturity profile of the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

10 Other liabilities

	2015 $m	2014 $m
Current		
Income received in advance	**47.3**	29.7
Tax loan payable to ultimate parent entity	**30.4**	-
	77.7	29.7
Non-current		
Income received in advance	**248.1**	249.4
	248.1	249.4

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 and 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.

11 Capital risk management 31
12 Dividends 31
13 Equity and reserves 32
14 Borrowings 33
15 Financial risk management 34
16 Derivative financial instruments 41

11 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.

	2015 $m	2014 $m
Total borrowings	**2,938.3**	2,532.5
Less: cash and cash equivalents	**(116.4)**	(1.1)
Net debt	**2,822.0**	2,531.4
Total equity	**1,813.2**	1,833.7
Total capital	**4,635.2**	4,365.1
Gearing ratio	**60.88%**	57.99%

12 Dividends

(a) Ordinary shares

	2015 $m	2014 $m
Interim dividend for the year ended 30 June 2014 of $1,127,000 per share, paid February 2014 (unfranked)	-	112.7
Interim dividend for the year ended 30 June 2014 of $229,000 per share, paid April 2014 (unfranked)	-	22.9
Final dividend for the year ended 30 June 2014 of $182,000 per share, paid September 2014 (unfranked)	**18.2**	-
Interim dividend for the year ended 30 June 2015 of $690,000 per share, paid October 2014 (unfranked)	**69.0**	-
Interim dividend for the year ended 30 June 2015 of $585,000 per share, paid March 2015 (unfranked)	**58.5**	-
Interim dividend for the year ended 30 June 2015 of $1,072,000 per share, paid April 2015 (unfranked)	**107.2**	-
	252.9	135.6

(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 $470,000 per fully paid ordinary share, unfranked. The aggregate amount of the dividend to be paid on 24 September 2015 out of retained earnings, but not recognised as a liability at year end is:	**47.0**	18.2

13 Equity and reserves

Keeping it simple …
Issued capital represents the amount of consideration received for securities issued by Aurizon Network.

The grant by Aurizon Holdings of rights over its equity instruments to the employees of subsidiary companies in the Aurizon Group is treated as a capital contribution to that subsidiary company. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period in Aurizon Network as an expense with a corresponding credit to equity.

(a) Issued capital

	2015 Shares	2014 Shares	2015 $	2014 $
Ordinary shares				
Fully paid	**100**	100	**100.0**	100.0

(b) Other contributed equity

	2015 $m	2014 $m
Capital contribution from the parent for share-based payments	**1.9**	2.4
	1.9	2.4
Total contributed equity	**1.9**	2.4

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.

(c) Convertible notes

	2015 $m	2014 $m
10 $120,000,000 convertible notes	**1,200.0**	1,200.0
	1,200.0	1,200.0

On 5 June 2013, the Company issued Convertible Notes to its parent, Aurizon Operations in the discharge of obligation to repay an intercompany loan to them. The non-interest bearing notes have a term of 30 years, at which time the Company will be entitled to convert the notes into ordinary shares. The convertible notes may be redeemed or converted into a fixed number of ordinary shares at the option of the Company. The notes do not carry a right to vote or any dividend rights.

The convertible notes represent an equity interest in the Company as the notes are not mandatorily convertible or redeemable and any such conversion is within the control of the Company. The Company is not obliged to issue a variable number of ordinary shares on conversion.

13 Equity and reserves (continued)

(d) Reserves

	2015 $m	2014 $m
Cash flow hedges		
Balance 1 July	**(19.0)**	-
Fair value (losses) taken to equity	**(19.9)**	(27.1)
Other transfers - transfer to property, plant and equipment	**2.8**	-
Deferred tax	**5.1**	8.1
Balance 30 June	**(31.0)**	(19.0)

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 16. Amounts are recognised in the consolidated income statement when the associated hedged transaction affects the consolidated income statement.

14 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		
Secured		
Finance lease liabilities	**1.1**	1.2
Unsecured		
Working capital facility	**2.0**	41.5
	3.1	42.7
Non-current		
Secured		
Finance lease liabilities	**9.3**	10.5
Unsecured		
Medium term notes	**1,249.7**	518.0
Bank facilities	**1,690.0**	1,985.0
Capitalised borrowing costs	**(13.8)**	(23.7)
	2,935.2	2,489.8

In September 2014 the Company issued a 10 year Euro Medium Term Note ("EMTN"), raising €500 million with a coupon of 2.00% per annum and repaid and cancelled $710 million of its existing term loan facility. Cross currency interest rate swaps were executed concurrently to fully swap the issuance back to AUD floating rate debt. The 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 Company can provide over their assets in certain circumstances. The unsecured bank facilities also impose certain covenants on the Company to ensure that certain financial ratios are met.

Details of the Company's financing arrangements and exposure to risks arising from current and non-current borrowings are set out in note 15(c).

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

14 Borrowings (continued)

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 note.

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 end of the reporting date.

(i) 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 5.01% (2014: 4.95%).

15 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 or 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. Please refer to note 25(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 ("USD") and the Euro ("EUR").

In September 2014, the Company issued €500 million EMTN. To remove the foreign exchange risk, cross currency interest rate swaps were executed concurrently to fully swap the issuance back to AUD debt. There is no other material foreign exchange risk exposure for the Group.

15 Financial risk management (continued)

(a) Market risk (continued)

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 rate risks.

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

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

	2015		2014	
	Weighted average interest	**Balance**	**Weighted average interest**	**Balance**
	%	**$m**	**%**	**$m**
Variable rate borrowings	**4.4**	**2,402.6**	4.2	2,026.5
Interest rate swaps	**3.4**	**(1,725.0)**	3.4	(1,725.0)
Net exposure to interest rate risk		**677.6**		301.5

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 72% (2014: 85%) 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. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The International Swaps and Derivatives Association agreements we hold with each of our counterparties allow for the netting of payments and receipts with respect to settlements for our interest rate swap transactions.

During the year, the net realised loss arising from interest rate hedging activities for the Group was $16.9 million (2014: $7.5 million) 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 point 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	**2014**	**2015**	**2014**
	$m	**$m**	**$m**	**$m**
100 bps movement in interest rates				
100 bps decrease in interest rates	**7.9**	20.4	**(37.2)**	(48.4)
100 bps increase in interest rates	**(7.7)**	(19.9)	**36.4**	47.1

15 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 of 30 June 2015 on the consolidated balance sheet of the Group is as follows:

	Notional amount	Carrying amount	Line item on the consolidated balance sheet	Change in fair value used for measuring ineffective-ness for the year
	$m	$m		$m
Cash flow hedges				
Foreign exchange risk - forward foreign exchange contracts	**EUR 5.0**	**0.1**	Current assets	**0.1**
Foreign exchange risk - forward foreign exchange contracts	**EUR 2.7**	**(0.1)**	Current liabilities	**-**
Foreign exchange and interest rate risks - cross currency interest rate swaps	**EUR 500.0**	**4.8**	Non-current assets	**0.1**
Interest rate risk - interest rate swaps	**AUD 1725.0**	**(42.7)**	Non-current liabilities	**(16.2)**
Fair value hedge				
Foreign exchange and interest rate risks - cross currency interest rate swaps	**EUR 500.0**	**13.6**	Non-current assets	**25.1**

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

Cash flow hedges	Cash flow hedge reserve	Change in value used for measuring ineffectiveness
	$m	$m
Foreign exchange risk		
Firm commitments	**-**	**(0.1)**
Foreign exchange and interest rate risk		
EMTN	**(1.2)**	**(0.1)**
Interest rate risk		
Forecast interest payments	**(43.1)**	**17.1**

Fair value hedges	Carrying amount	Accumulated fair value adjustment	Line item on the consolidated balance sheet	Change in fair value used for measuring ineffectiveness for the year
	$m	$m		$m
Foreign exchange and interest rate risk				
EMTN	(735.8)	(25.2)	Non-current liabilities - borrowings	(25.2)

15 Financial risk management (continued)

(a) Market risk (continued)

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

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	1.4
Interest rate risk	
Pay fixed/receive variable interest rate swaps	(17.3)
Foreign exchange and interest rate risk	
Cross currency interest rate swaps	(1.2)

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

(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 (d) for further details.

Apart from balances due from the Aurizon Group, 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 also 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 (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 Treasury Policy 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-. This 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.

15 Financial risk management (continued)

(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:

	Security	Maturity	Utilised *		Facility limit	
			2015	2014	2015	2014
			$m	$m	$m	$m
Working capital facility	Unsecured	Jun-16	**5.6**	47.0	**100.0**	100.0
Syndicated facility	Unsecured	Jul-16	**490.0**	1,200.0	**490.0**	1,200.0
Syndicated facility	Unsecured	Jul-18	**1,200.0**	785.0	**1,300.0**	1,300.0
Medium term note	Unsecured	Oct-20	**525.0**	525.0	**525.0**	525.0
European medium term note **	Unsecured	Sep-24	**710.6**	-	**710.6**	-
Total Group financing arrangements			**2,931.2**	2,557.0	**3,125.6**	3,125.0

* 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 $25.2 million.

Within the working capital facilities, the Group has access to financial accommodation arrangements totalling $100 million (2014: $100 million) 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 $3.6 million (2014: $5.5 million) 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 AUD. The contractual amount assumes current interest rates and foreign exchange rates estimated using forward curves applicable at the end of the reporting period.

15 Financial risk management (continued)

(c) Liquidity risk (continued)

2015	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
Non-derivatives					
Trade and other payables	**166.2**	**-**	**-**	**166.2**	**166.2**
Other liabilities	**30.4**	**-**	**-**	**30.4**	**30.4**
Borrowings* (excluding finance lease liabilities)	**131.0**	**2,077.5**	**1,412.2**	**3,620.7**	**2,909.5**
Finance lease liabilities	**2.1**	**7.6**	**6.8**	**16.5**	**10.4**
Financial guarantees	**3.6**	**-**	**-**	**3.6**	**-**
	333.3	**2,085.1**	**1,419.0**	**3,837.4**	**3,116.5**
Derivatives					
Interest rate swaps used for hedging (net settled)	**22.4**	**20.8**	**-**	**43.2**	**42.7**
Foreign exchange contracts used for hedging					
- (inflow)	**(11.0)**	**-**	**-**	**(11.0)**	**-**
- outflow	**11.0**	**-**	**-**	**11.0**	**-**
	22.4	**20.8**	**-**	**43.2**	**42.7**

*Borrowings includes the effect of cross currency interest rate swap derivatives which have a carrying amount of $18.4 million (non-current asset)

2014					
Non-derivatives					
Trade and other payables	240.5	-	-	240.5	240.5
Borrowings (excluding finance lease liabilities)	157.5	2,274.8	570.3	3,002.6	2,520.8
Finance lease liabilities	2.1	7.6	6.8	16.5	11.7
Financial guarantees	5.5	-	-	5.5	-
	405.6	2,282.4	577.1	3,265.1	2,773.0
Derivatives					
Interest rate swaps used for hedging (net settled)	13.8	16.2	-	30.0	26.6
Foreign exchange contracts used for hedging					1.7
- (inflow)	(28.3)	(0.2)	-	(28.5)	-
- outflow	30.0	0.2	-	30.2	-
	15.5	16.2	-	31.7	28.3

(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 it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instruments are observable, the instrument is included in level 2.

15 Financial risk management (continued)

(d) Fair value measurements (continued)

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 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% and 4.9%, depending on the type of borrowing (2014: 3.4% to 5.0%).

	Carrying amount		**Fair value**	
	2015	**2014**	**2015**	**2014**
	$m	**$m**	**$m**	**$m**
Financial assets carried at fair value				
Forward exchange contracts (note 16)	**0.1**	-	**0.1**	-
Cross currency interest rate swaps (note 16)	**18.4**	-	**18.4**	-
	18.5	-	**18.5**	-
Financial assets carried at amortised cost				
Cash and cash equivalents	**116.4**	1.1	**116.4**	1.1
Trade and other receivables (note 4)	**209.8**	233.0	**209.8**	233.0
Other assets (note 21)	**-**	15.4	**-**	15.4
	326.2	249.5	**326.2**	249.5
Financial liabilities carried at fair value				
Forward exchange contracts (note 16)	**(0.1)**	(1.7)	**(0.1)**	(1.7)
Interest rate swaps (note 16)	**(42.7)**	(26.6)	**(42.7)**	(26.6)
	(42.8)	(28.3)	**(42.8)**	(28.3)
Financial liabilities carried at amortised cost				
Trade and other payables (note 8)	**(166.3)**	(240.5)	**(166.3)**	(240.5)
Borrowings (excluding finance lease liabilities) (note 14)	**(2,927.9)**	(2,520.8)	**(3,033.8)**	(2,583.7)
Finance lease liabilities (note 14)	**(10.4)**	(11.7)	**(10.4)**	(11.7)
Other liabilities (note 10)	**(30.4)**	-	**(30.4)**	-
	(3,135.0)	(2,773.0)	**(3,240.9)**	(2,835.9)
Off-balance sheet				
Unrecognised financial assets				
Third party guarantees	**-**	-	**1.3**	1.3
Bank guarantees	**-**	-	**226.9**	155.6
Insurance company guarantees	**-**	-	**1.6**	1.3
Unrecognised financial liabilities	**-**	-	**(3.6)**	(5.5)
	-	-	**226.2**	152.7

15 Financial risk management (continued)

(d) Fair value measurements (continued)

Fair value hierarchy
Financial instruments carried at fair value may be grouped into 3 valuation categories:

- 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); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All of the Group's financial instruments are categorised as Level 2. There were no transfers between Level 1, Level 2 and Level 3 fair value hierarchies in any year.

16 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 15).

	2015 $m	2014 $m
Current assets		
Forward exchange contracts - cash flow hedges	**0.1**	-
Total current derivative financial instrument assets	**0.1**	-
Non-current assets		
Cross currency interest rate swaps	**18.4**	-
Total non-current derivative financial instruments assets	**18.4**	-
Total derivative financial instrument assets	**18.5**	-
Current liabilities		
Forward exchange contracts - cash flow hedges	**(0.1)**	(1.7)
Total current derivative financial instrument liabilities	**(0.1)**	(1.7)
Non-current liabilities		
Interest rate swap contracts - cash flow hedges	**(42.7)**	(26.6)
Total non-current derivative financial instrument liabilities	**(42.7)**	(26.6)
Total derivative financial instrument liabilities	**(42.8)**	(28.3)

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

16 Derivative financial instruments (continued)

Recognition and measurement (continued)
The Group designates certain derivatives as either 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 hedge inception and on an ongoing basis, documents its assessment of whether the derivatives that are 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 the 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 consolidated income statement 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.

17 Joint operations 44
18 Subsidiaries 44
19 Parent entity disclosures 45

17 Joint operations

The Surat Basin Rail joint venture, in which the Group had a 33.3% participating interest in through its wholly owned subsidiary, Aurizon Surat Basin Pty Ltd, was terminated on 28 February 2014 and is in the process of being wound up.

The amounts are included in the consolidated financial statements under their respective asset, liability, income and expense categories:

	2015 $m	2014 $m
Group's share of:		
Current assets	**-**	8.2
Non-current assets	**-**	-
Current liabilities	**(0.1)**	(0.2)
Non-current liabilities	**-**	-
Total net assets	**(0.1)**	8.0
Revenue		
Expenses *	**-**	(18.0)
Tax benefit	**-**	5.4
Net profit/(loss) after tax	**-**	(12.6)

* Relates to impairment losses, refer to note 2.

The consolidated balance sheet and consolidated income statement for 30 June 2015 is based on the financial statements of the Surat Basin Rail joint venture as at 30 June 2015.

Recognition and measurement
Where the Group has joint operations, it recognises its direct right to assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

18 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries:

Name of Entity	Country of incorporation	Class of shares	Equity holding 2015 %	Equity holding 2014 %
Aurizon Surat Basin Pty Ltd	Australia	Ordinary	**100**	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.

19 Parent disclosures

The parent and ultimate parent entity within the Group is Aurizon Network Pty Ltd.

(a) Summary financial information

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

	2015 $m	2014 $m
Current assets	**375.9**	323.6
Non-current assets	**5,434.8**	5,047.6
Current liabilities	**(268.6)**	(336.9)
Non-current liabilities	**(3,728.9)**	(3,208.6)
Net assets	**1,813.2**	1,825.7
Shareholders' equity		
Contributed equity	**1.9**	2.4
Convertible notes	**1,200.0**	1,200.0
Reserves	**(31.0)**	(19.0)
Retained earnings	**642.3**	642.2
Total equity	**1,813.2**	1,825.6
Total profit for the year	**253.0**	155.6
Other comprehensive income	**(12.0)**	(19.0)
Total comprehensive income	**241.0**	136.6

(b) Guarantees entered into by the parent entity

Financial guarantees given by the parent entity are disclosed in note 15(d).

(c) Contingent liabilities of the parent entity

Contingent liabilities of the parent entity are the same as those disclosed in note 26.

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

Contractual commitments for the acquisition of property, plant and equipment of the parent entity are as disclosed in note 27.

Recognition and measurement
The financial information for the parent entity, Aurizon Network Pty Ltd, 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 the Company.

(ii) Tax consolidation legislation
Aurizon Network Pty Ltd is a member of a tax consolidated group of which Aurizon Holdings Limited is the head entity and which has implemented tax consolidation legislation as of 22 November 2010.

Aurizon Network Pty Ltd accounts for its own current and deferred tax amounts. These tax amounts are measured as if Aurizon Network Pty Ltd continues to be a stand-alone taxpayer in its own right. However, the current tax liability and deferred tax assets arising from unused tax losses and unused tax credits are subsequently assumed by Aurizon Holdings Limited, as the head entity of the tax consolidation group.

19 Parent disclosures (continued)

(ii) Tax consolidation legislation (continued)
The members of the tax consolidated group have also entered into tax funding and tax sharing agreements which set out the funding obligations of members in respect of income tax amounts. The tax funding agreement allocates tax liabilities using the standalone taxpayer approach. These tax funding arrangements result in Aurizon Network recognising a current inter-entity receivable/payable equal in amount to the tax liability/asset assumed by the head entity on behalf of the Aurizon Network. The tax sharing agreement limits the joint and several liability of Aurizon Network in the case of a default by the head entity.

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.

20 Reconciliation of profit after tax to net cash inflow from operating activities 48
21 Other assets 48
22 Related party transactions 48
23 Key management personnel 50
24 Remuneration of auditors 50
25 Summary of other significant accounting policies 51

20 Reconciliation of profit after income tax to net cash inflow from operating activities

	2015 $m	2014 $m
Profit for the year	**244.9**	168.7
Depreciation and amortisation	**215.2**	198.5
Impairment of non-current assets	**1.8**	66.1
Interest expense	**134.2**	106.6
Non-cash employee benefits expense - share-based payments	**1.4**	0.8
Net loss on sale of non-current assets	**7.0**	9.3
Interest on finance leases	**0.9**	1.2
Change in operating assets and liabilities:		
Decrease in trade debtors	**23.2**	1.3
Decrease (increase) in inventories	**22.3**	(23.1)
Decrease (increase) in other operating assets	**15.0**	(12.6)
Decrease in trade and other payables	**(81.2)**	(9.8)
Increase (decrease) in other operating liabilities	**60.2**	(52.4)
Increase in deferred tax liabilities	**61.4**	61.1
(Decrease) increase in other provisions	**(0.7)**	(6.9)
Net cash inflow from operating activities	**705.6**	508.8

21 Other assets

	2015 $m	2014 $m
Current		
Tax loan receivable from ultimate parent entity	**-**	15.4
Prepayments	**0.3**	-
	0.3	15.4

22 Related party transactions

(a) Transactions with Directors and Key Management Personnel
There were no Key Management Personnel related party transactions during the year.

(b) Transactions with other related parties

The following transactions occurred and balances are recognised with related parties:

22 Related party transactions (continued)

(b) Transactions with other related parties (continued)

	2015 $'000	2014 $'000
Trade and other receivables from:		
- Parent	**75,525**	80,744
- Other related parties	**586**	482
Trade and other payables to:		
- Ultimate parent	**577**	1,719
- Parent	**43,128**	104,507
Tax loan payable to/(receivable from):		
- Ultimate parent	**30,398**	(15,359)
Access revenue received from:		
- Parent	**638,373**	581,585
- Other related parties	**6,483**	5,951
Other revenue received from:		
- Parent	**5,230**	2,225
- Joint ventures	**-**	-
Expenses paid to:		
- Parent	**332,958**	359,474
- Other related parties	**-**	-

Expenses paid to the parent entity include maintenance, facilities charges and general corporate overhead. Expenses paid to the parent entity also include $168.5 million (2014: $202.9 million) of costs that have subsequently been capitalised to the Balance Sheet in Assets under construction.

For details on dividends paid and equity from the parent, refer to notes 12 and 13 respectively.

(c) Terms and conditions of transactions with related parties other than Key Management Personnel or entities related to them and intra group transactions

In June 2013, a number of service agreements were executed between the Company and other entities within the Aurizon Group for the provision of services. These costs include shared services such as payroll, IT, accounts payable and HR operations.

All other transactions are 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 entities in the Aurizon Group. All loans are non-interest bearing. Outstanding balances are unsecured.

For details of lease arrangements between the Company and Aurizon Operations, refer to note 27(b). For details on tax loans, refer to note 3.

(d) Economic dependency

Aurizon Network is dependent on Aurizon Operations, for approximately 57% (2014: 62%) of the access revenue derived.

23 Key management personnel

	2015 $'000	2014 $'000
Short-term employee benefits	**5,958**	6,275
Post-employment benefits	**163**	192
Long-term benefits	**101**	142
Share-based payments	**3,471**	2,368
	9,693	8,977

Aurizon Operations has determined the compensation of key management personnel ("KMP") in accordance with their roles within the entire Aurizon Group. Employee contracts do not include any compensation, including bonuses, specifically related to the role of KMP of the Group and to allocate a figure may in fact be misleading. As there is no reasonable basis for allocating a KMP compensation amount to the Group, the entire compensation of the KMPs has been disclosed above.

KMP compensation is provided by the Company, the parent entity (Aurizon Operations) and the ultimate parent entity (Aurizon Holdings).

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.

24 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:

	2015 $'000	2014 $'000
PwC Australia		
Audit and other assurance services		
Audit and review of financial statements	**290**	355
Other assurance services	**88**	49
Total remuneration for audit and other assurance services	**378**	404
Taxation services		
Tax advisory services	**50**	37
Total remuneration of PwC Australia	**428**	440
Non PwC Audit Firms		
Audit and other assurance services		
Audit and review of financial statements	**-**	9
Total remuneration for audit and other assurance services	**-**	9
Total remuneration for non PwC Audit Firms	**-**	9

25 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 does not need to be applied until 1 January 2018, the Group has decided to adopt it early from 1 July 2014. It 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 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.

(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.

25 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. Aurizon Network operates in only one business and geographical segment (Queensland, Australia).

The nature of the Group's business is that it enters into long-term contracts with key customers. Access contracts with Aurizon Operations, as disclosed in note 22, represent a significant component of the Group's revenue.

(c) 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.

(d) 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.

25 Summary of significant accounting policies (continued)

(e) Leases

(i) Leases on property, plant and equipment
Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term borrowings. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

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 consolidated 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 the risks and rewards of ownership are transferred or not.

(f) 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 if 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; and
- 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 a fair value less any directly distributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

25 Summary of significant accounting policies (continued)

(g) 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 Aurizon Group is 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.

26 Contingencies 56
27 Commitments 56
28 Events occurring after the reporting period 57

26 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 15(d).

(b) Contingent assets

Guarantees and letters of credit
For information about guarantees given to the Group, refer to note 15(d).

27 Commitments

(a) Capital commitments

	2015 $m	2014 $m
Property, plant and equipment		
Within one year	**53.3**	178.3
	53.3	178.3

(b) Lease commitments

	2015 $m	2014 $m
Commitments for minimum lease payments in relation to non-cancellable operating leases (excluding GST) are payable as follows:		
Within one year	**3.7**	4.1
Later than one year but not later than five years	**7.4**	9.7
Later than five years	**-**	-
	11.1	13.8
The present value of finance lease liabilities is:		
Within one year	**1.1**	1.2
Later than one year but not later than five years	**5.0**	4.8
Later than five years	**4.3**	5.7
	10.4	11.7

Premises Licences
The Company entered into licence agreements with Aurizon Group companies on 24 June 2013 for access to and use of properties currently occupied by the Company.

Licence fees payable under the Premises Licence for the office premises are aligned to the commercial rent and outgoings being paid by the lessor (Aurizon Operations) and the term of that lease which expires on 30 September 2018. Licence fees payable under the agreement for the use of land are also on commercial terms. The term of that agreement is 5 years.

27 Commitments (continued)

Master Equipment Lease Agreement
The Company entered into a Master Equipment Lease Agreement with Aurizon Operations on 5 June 2013, pursuant to which Aurizon Operations will provide the Company with certain equipment, such as ballast undercutting and maintenance track resurfacing equipment. The lease charge is calculated on the basis that Aurizon Operations will recover the depreciation costs of each item to be leased, as well as a return on assets equivalent to that the regulatory allowance (which will reset every four years). The minimum lease payments calculated above are based on management's estimates of the regulatory allowance for UT4.

28 Events occurring after the reporting period

As disclosed on page 13, the final outstanding Queensland EAs relating to Aurizon Network staff was 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).

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 5 to 57 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*; and
   (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 years then 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.

Page 12 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

J Atkin
Chairman

Brisbane QLD
17 August 2015

Independent auditor's report to the members of Aurizon Network Pty Ltd

Report on the financial report

We have audited the accompanying financial report of Aurizon Network Pty Ltd (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 Network Pty Ltd 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. On page 12, 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.

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

Liability limited by a scheme approved under Professional Standards Legislation.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of Aurizon Network Pty Ltd 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 on page 12.

PricewaterhouseCoopers

Simon Neill
Partner

Brisbane
17 August 2015