



Aurizon Holdings Limited
ABN 14 146 335 622

ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

BY ELECTRONIC LODGEMENT

8 August 2022

2022 Annual Report and AGM

Attached is a copy of Aurizon Holdings Limited's (**Aurizon**) 2022 Annual Report (**Annual Report**).

In accordance with the relief from dual lodgement of financial statements under *ASIC Corporations (Electronic Lodgement of Financial Reports) Instrument 2016/181*, the Annual Report will not be lodged separately with ASIC.

Copies of the Annual Report are expected to be dispatched in September 2022 to shareholders who have elected to receive a hard copy of the Annual Report.

Aurizon's 2022 Annual General Meeting will be held at 2.00pm (Brisbane time) on Thursday 13 October 2022 online or in person in Townsville, Queensland. A Notice of Annual General Meeting is expected to be released to the market and provided to shareholders in early September 2022.

In accordance with ASX Listing Rule 3.13.1, the closing time and date for receipt of nominations from persons wishing to be considered for election as a Director of Aurizon is 2.00pm on Tuesday 23 August 2022.

Yours faithfully

A handwritten signature in blue ink, appearing to read "M. Wenck", followed by a horizontal line.

David Wenck
Company Secretary

Authorised for lodgement by the Aurizon Holdings Limited Board of Directors.



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21/22

ANNUAL
REPORT

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Our vision

To be the first choice for bulk commodity transport solutions.

Our purpose

To grow regional Australia by delivering bulk commodities to the world.

Our values



SAFETY

We know safe, we choose safe.



PEOPLE

We seek diverse perspectives.



INTEGRITY

We have the courage to do the right thing.



CUSTOMER

We strive to be the first choice for customers.



EXCELLENCE

We set and achieve ambitious goals.

FY2022 in Review

Result highlights (Underlying and statutory continuing operations)

(\$M)	FY2022	FY2021	VARIANCE
Total revenue	3,075.3	3,019.3	2%
EBITDA	1,467.6	1,482.2	(1%)
EBIT	875.3	903.1	(3%)
Adjustments (refer to note 1(c))	(14.2)	8.2	(273%)
EBIT Statutory	861.1	911.3	(6%)
NPAT	524.9	533.2	(2%)
NPAT Statutory	513.0	606.7	(15%)
Free cash flow (FCF)	663.6	588.6	13%
Final dividend (cps)	10.9	14.4	(24%)
Total dividend (cps)	21.4	28.8	(26%)
Earnings per share (cps)	28.5	28.5	-
Return on invested capital (ROIC)	10.3%	10.7%	(0.4ppt)
EBITDA margin (%)	47.7%	49.1%	(1.4ppt)
Operating ratio (OR) (%)	71.5%	70.1%	(1.4ppt)
Above Rail Tonnes (m)	244.8	253.2	(3%)
Above Rail opex/NTK (excluding access) (\$/'000 NTK)	23.8	21.2	(12%)
Gearing (net debt/(net debt + equity)) (%)	40.9%	45.6%	4.7ppt

Performance overview

- › EBITDA down 1% to \$1,467.6m with:
 - Network down \$47.5m (6%) driven by lower WIRP fees and the impact of the risk-free rate reset on GAPE revenues
 - Bulk down \$9.8m (7%) due to the end of contracts for Mt Gibson and Queensland livestock and approximately \$10m worth of one-off factors such as stand-up costs associated with new contracts, weather and an extended shut by a major customer which more than offset 7% revenue growth
 - Coal up \$7.9m (1%) despite a 4% reduction in volume, driven by higher revenue quality and cost management
 - Other improved by \$34.8m (87%) due to asset sales including the Rockhampton workshops and the benefit to provisions from higher discount rates.
- › Free cash flow increased 13% to \$663.6m driven by lower cash taxes, the sale of Rockhampton workshops and receipt of FY2021 Network Take-or-Pay in the first quarter of FY2022.
- › Final dividend declared of 10.9cps (100% franked) represents a payout ratio of 75% of underlying NPAT for the continuing operations.

Major items

Following approval from the Australian Competition and Consumer Commission (ACCC) on 14 July 2022, the acquisition of One Rail Australia Holdings LP (One Rail) completed on 29 July 2022. The focus for Aurizon is the integration of the One Rail Bulk operations and the divestment of East Coast Rail. This divestment will be undertaken either through a demerger or trade sale, whichever creates greater shareholder value. The financial effects of the transaction have not been recognised at 30 June 2022, refer to note 31 for further information.

Outlook

Underlying group EBITDA guidance for FY2023 of \$1,470m to \$1,550m and non-growth capital expenditure of \$500m to \$550m. This guidance includes the impact from wet weather in July 2022 and 11 months of contribution from One Rail Bulk with key assumptions as follows:

- › Coal — volume expected to increase but EBITDA to be lower due to revenue yield reduction
- › Bulk — revenue and EBITDA growth from increased volumes and services and the inclusion of One Rail Bulk
- › Network — flat EBITDA assuming volumes align to regulatory forecast, with higher FY2023 MAR offset by the non-recurring catch-up of historical WIRP fees
- › No material disruptions to commodity supply chains (such as extreme or prolonged wet weather and/or significant impacts from COVID-19 related disruptions)
- › East Coast Rail is excluded from guidance as it will be classified as a discontinued operation held for sale from acquisition and no dividend will be paid during Aurizon Holdings' ownership.

Chairman's Report

Dear fellow shareholders

I am pleased to present our FY2022 Annual Report.

It has been a challenging but productive year for Aurizon. We have navigated a number of significant headwinds to deliver a solid financial, operational and safety performance. At the same time, we have continued to work hard on transformation initiatives and the securing of long-term growth opportunities for the business.

Aurizon delivered Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of \$1,468 million in FY2022, which is in the middle of our guidance range of \$1,425-\$1,500 million. This was a good result in a year when our above rail and network volumes were lower than we expected.

Aurizon's business model and financial performance has remained resilient despite many challenges through the year, and ongoing issues facing the Australian and global economies. Like other Australian businesses, Aurizon is also facing rising costs and a tight labour market for skilled employees, including train crew.

Aurizon has a number of revenue protections in its above rail haulage contracts and network regulatory arrangements to help mitigate the impact of inflation, higher energy costs and lower tonnages. This has helped support strong, stable cash flow and returns for the business. Significant events in FY2022 that impacted our business included:

- major flooding in parts of Queensland and New South Wales that disrupted operations of rail and port infrastructure and lowered the production levels of our mining and agricultural customers, resulting in reduced haulage tonnes for Aurizon's Bulk and Coal businesses; and
- the ongoing impact of the COVID-19 pandemic on customers' production (primarily labour interruptions and supply chain constraints), which escalated as borders were re-opened and further outbreaks occurred with Omicron variants, resulting in lower demand for our rail haulage services.

The Board has declared a final dividend of 10.9 cents per share, 100% franked. This will take total dividends in respect of FY2022 to 21.4 cents. As advised in February 2022, we reduced our dividend payout ratio to 75% to support Aurizon's commitment to maintain our strong investment grade credit ratings as we complete the acquisition of One Rail Australia Holdings LP (ORA). Including this final dividend, Aurizon has returned to shareholders \$4.8 billion over the past seven years through dividends and share buybacks.

To date Aurizon has been largely successful in continuing to operate throughout the COVID-19 pandemic period without major interruptions to our business. Across our national footprint, local workplaces have done a good job in protecting the health and well-being of employees while ensuring transport and access services continued for our customers and for the benefit of the broader economy.

In terms of operational safety, the Board is pleased to note the improvement in FY2022 across our key safety metrics, together with a range of initiatives to support our employees' physical and mental well-being. Our Managing Director & CEO, Andrew Harding, shares more detail in his report on the following page.

After year end, on 14 July 2022, we welcomed regulatory approval of our \$2,350 million acquisition of ORA, which Aurizon first announced in October 2021. This has involved substantial work to date by the Aurizon project and Bulk teams and we are now focused on finalising all elements of the transaction.

The acquisition sets the stage for the next growth phase for Aurizon, aligned with our strategy to extend our reach into new commodity-rich regions of Australia. It is also a key plank in re-balancing Aurizon's portfolio over the next decade, with our Bulk business positioned to assume a greater proportion of Group revenue and earnings compared to coal-related earnings. While high-quality Australian metallurgical and thermal coal remains in high demand globally and continues to be a strong revenue and earnings source for Aurizon, we view the transition to a lower-carbon world as a major opportunity for the Australian economy and for Aurizon. Australia has an abundance of critical minerals and agricultural produce that will help fuel and feed economies across the globe in the decades to follow. With the ORA acquisition coupled with our existing Bulk business, Aurizon is well-positioned in those regions producing these commodities, in Queensland, New South Wales, Western Australia, South Australia and the Northern Territory.

A range of initiatives are underway to reduce our carbon footprint and to deliver lower carbon supply chains for our customers. These are captured in Aurizon's Climate Strategy and Action Plan that was released in 2020 and which provides our roadmap to reach a target of net-zero operational emissions (scope 1 and 2) by 2050. During the year, work was advanced on developing low-carbon technologies for our locomotive fleet including collaborating with global mining company Anglo American on a study to assess the introduction of hydrogen-powered freight trains.

Work is also continuing with the University of Queensland and Central Queensland University on rollingstock and infrastructure requirements for battery and hydrogen-powered rail solutions. In June 2022, Aurizon Network finalised a new electricity contract for our Central Queensland Coal Network which includes 25% of energy acquired from renewable sources such as solar and wind farms.

We know that rail is already the safest, most efficient and lowest-carbon solution for the land transport of bulk freight. Rapidly developing battery and hydrogen technology offers an exciting opportunity to take it to the next level, where we can significantly lower emissions for Aurizon, our customers and the national economy. Zero or low-carbon supply chains not only provide environmental benefits for the community but also deliver competitive advantage for Australian companies and our export industries in global markets.

In closing, I would like to acknowledge the tremendous effort and commitment of our employees across the business during the last year. Many parts of our operations dealt with unprecedented flooding events, and all areas of Aurizon worked hard to manage the health and operational impacts of the pandemic. The Board also extends its thanks and appreciation to our Managing Director & CEO, Andrew Harding, and his leadership team in guiding the Company through this period and ensuring our focus remained on delivering safe and reliable services for our customers.

I also acknowledge the contribution of Michael Fraser who retired as a Director of the Company in February 2022. Michael was a highly effective and valuable Director of Aurizon and Chairman of Aurizon Network over six years. His experience and insight, particularly in relation to regulatory, competition and legal issues was of great value to the Aurizon Board and management team.

Finally, thank you to our shareholders for your continued support. We have worked hard to improve and re-position the Company in recent years, building on a strong platform of performance in our above rail and network coal businesses and pivoting to new growth opportunities in future-facing markets for our Bulk business. With the ORA acquisition, Aurizon is now entering its next stage of growth where we continue our commitment to create value and deliver returns for shareholders.



Tim Poole

**Chairman
8 August 2022**

Managing Director & CEO's Report

Dear fellow shareholders

I open my report to you for FY2022 by addressing our operational safety performance and measures to support the health and well-being of our employees.

As I write, another wave of COVID-19 has emerged in parallel with a worse than usual flu season. It is a time for renewed vigilance in our communities and businesses, so we can continue the gradual return to our regular lives. Likewise in Aurizon, we are remaining vigilant across our workplaces to protect the health and well-being of our employees while continuing to deliver for customers and for the Australian economy. Many of the specific health and hygiene measures we adopted early in the pandemic in 2020 have become a normal part of our working lives, just like they have in the community. Practices such as social distancing, heightened cleaning regimes and good hygiene are supporting improved health and productivity outcomes, now and for the longer term. Our frontline teams have done an excellent job in remaining disciplined and diligent in the workplace, allowing the continued delivery of safe, reliable services for customers.

Flexible working for non-operational employees has become standard practice in Aurizon. Teams have found new ways to connect and to collaborate in this hybrid environment, travel requirements and costs have reduced, and technology solutions continue to evolve to support improved productivity.

We know our employees are our greatest asset and absolutely fundamental to our Company's continued success. Supporting healthy employees and healthy communities is a solid investment in our collective futures. In recent years we have stepped up mental health initiatives across the business, recognising the extra challenges that arrived with COVID-19. For example, Aurizon's Mental Health Peer Support Program has established a network of volunteer Mental Health First Aiders. The program provides volunteers from each site/business unit with the skills required to confidently support their peers in times of need, before (if required) accessing professional services provided by Aurizon.

Through our Community Giving Fund, Aurizon supports the health and well-being of local communities where our people live and work. In FY2022, we provided grants to 43 charities and community organisations in the areas of health and well-being, safety, education and environment. More than 500 groups have benefitted from grants over the past 11 years, which represents a major commitment by Aurizon in delivering social value to the communities in which our business operates.

It's been a little over 12 months since Aurizon launched our national partnership with Orange Sky Australia, the world's first free mobile laundry service for people experiencing homelessness. Aurizon's partnership has assisted Orange Sky maintain and grow their operations across Australia. It has also connected Aurizon's team in volunteering and fundraising efforts across numerous campaigns.

Turning now to operational safety performance, I am pleased to report significant improvements in safety as we work at Aurizon to protect ourselves, each other and our communities. Importantly, none of our people was seriously injured while at work.

The Total Recordable Injury Frequency Rate improved 17.6% against the prior financial year. Incident severity continues to reduce with soft tissue injuries (low severity body strains) being the most common. Several injury prevention and management initiatives to reduce the frequency of low severity injuries were implemented in FY2022. Rail Process Safety, which measures operational rail safety, including derailments, signals passed at danger, and rollingstock collisions, improved by 17.3% compared to FY2021. Aurizon continues to progress several strategic initiatives, including a focus on improving yard safety interfaces to reduce the number of yard incidents.

As the Chairman outlined in his report, the Company has delivered good financial results despite the economic disruption of COVID-19 and extreme weather events in Queensland and New South Wales. At a group level, Aurizon delivered Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of \$1,468 million in FY2022. Below is an overview of performance in each of our three business units.

Aurizon Bulk

After a number of years of rapid growth, FY2022 was a year of consolidation and investment for the Bulk business. It also experienced a range of impacts that lowered volumes including major flooding events, COVID-related disruptions and customer-specific reductions in production. Bulk's EBITDA in FY2022 was \$130 million, down 7% compared to FY2021.

Bulk incurred start-up costs in FY2022 for new long-term business secured during the year, including a 6+4-year contract for CBH grain haulage in Western Australia and a 5+5-year contract with Tronox for the transcontinental haul of mineral sands concentrate from New South Wales to Western Australia (WA). Other contracts won during the year included a five-year contract extension with Alcoa WA for alumina and associated inputs and a five-year contract with rare earths producer Lynas in WA. In December 2021, the Queensland Government advised we had been unsuccessful in retaining the livestock contract in North Queensland.

We were pleased to complete the acquisition of One Rail Australia in July 2022. This will result in an uplift in revenues and tonnages for the Bulk business, with strong opportunities as we expand into commodity-rich regions of South Australia (SA) and the Northern Territory (NT). We will now also progress the divestment of One Rail Australia's coal haulage business, which we refer to as East Coast Rail.

Aurizon Coal

Although overall tonnages of 194 million tonnes in FY2022 were down 4% compared to FY2021, the business has delivered a solid financial result with EBITDA of \$541 million, 1% more than the prior year. This is primarily the result of improved yield on contracted tonnes and lower costs for track access, train crew and maintenance.

During FY2022, the Coal business secured a number of contracts including a 10-year haulage agreement with Pembroke Resources for the new Olive Downs metallurgical coal mine in Queensland, due to commence in late 2023; and a five-year extension for Baralaba Coal in Queensland. In addition, Aurizon remains the primary hauler for South Walker Creek and Poitrel mines in Queensland, following the sale of these mines to Stanmore during FY2022. Two contracts ended during FY2022, both in December 2021. These were New Hope's New Acland mine (end of mine life) and Yancoal's Moolarben mine.

Aurizon Network

The Network business achieved EBITDA of \$801 million, down 6% compared to FY2021. Revenue reduced by 3%, with volumes lower than the regulatory forecast in FY2022 resulting in an under-recovery of revenue. Despite higher global market demand for Australian coal, largely as a result of the embargo on Russian coal supplies, volumes across the Central Queensland Coal Network declined by 1% to 206.5 million tonnes. The volume reductions were largely attributable to wet weather, mine-specific maintenance and production issues as well as COVID-19 related restrictions and disruptions.

In closing, I extend my gratitude to the continuing efforts and dedication of Aurizon teams across the country. In July 2022, we have welcomed 400+ new employees to the Company as we expand our national footprint to SA and NT. I look forward to their contribution in growing our business and delivering each and every day for customers.



Andrew Harding
Managing Director & CEO
8 August 2022

Directors' Report

Aurizon Holdings Limited For the year ended 30 June 2022

The Directors of Aurizon Holdings Limited 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 2022 and the Independent Auditors' Report thereon.

This Directors' Report has been prepared in accordance with the requirements of Division 1 of Part 2M.3 of the *Corporations Act*.

Board of Directors

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

T Poole

(Appointed 1 July 2015)
(Chairman, Independent Non-Executive Director)

A Harding

(Appointed 1 December 2016)
(Managing Director & Chief Executive Officer)

M Bastos

(Appointed 15 November 2017)
(Independent Non-Executive Director)

R Caplan

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

M Fraser

(Appointed 15 February 2016 – 11 February 2022)
(Independent Non-Executive Director)

Mr Fraser retired from the Board effective 11 February 2022.

S Lewis

(Appointed 17 February 2015)
(Independent Non-Executive Director)

S Ryan

(Appointed 1 December 2019)
(Independent Non-Executive Director)

L Strambi

(Appointed 1 December 2019)
(Independent Non-Executive Director)

K Vidgen

(Appointed 25 July 2016)
(Independent Non-Executive Director)

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

T Poole

Experience: Mr Poole began his executive career in 1990 at PricewaterhouseCoopers (then Price Waterhouse) before joining Hastings Funds Management in 1995.

He helped to build Hastings into a global investor in private market assets, principally equity and debt issued by infrastructure companies and was the Managing Director from 2005 to 2007.

Since retiring from Hastings, Mr Poole has been an investor and non-executive director of a range of public and private companies in sectors including infrastructure, transport, property, financial services and mining.

Qualifications: BCom.

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

Australian Listed Company Directorships held in the past three years: Lifestyle Communities Limited – Chairman (19 November 2007 to 14 August 2019); McMillan Shakespeare Limited – Non-Executive Director (17 December 2013 – ongoing); and Reece Limited – Non-Executive Director (28 July 2016 – ongoing).

A Harding

Experience: Mr Harding was appointed Managing Director & CEO of Aurizon in December 2016.

Mr Harding has more than 30 years' experience across the resource and rail sectors, as a leader committed to creating sustainable, productive businesses that make meaningful contributions to the community.

Mr Harding has led initiatives to leverage Aurizon's core expertise in heavy haulage and rail infrastructure and to drive improved safety and operational performance.

Mr Harding champions the role of rail in decarbonising the nation's supply chains, leveraging the environmental, safety and productivity benefits of rail freight for economic and community benefit.

Prior to starting with Aurizon, Mr Harding was the global Chief Executive of Rio Tinto's Iron Ore business with responsibility for managing supply chains for the world's largest integrated portfolio of iron ore assets.

Qualifications: B.Eng. (Mining Engineering), MBA.

Special responsibilities: Managing Director & CEO of Aurizon. Director of Aurizon subsidiary companies including Aurizon Network Pty Ltd. Member of Safety, Health & Environment Committee.

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

M Bastos

Experience: Mr Bastos has more than 35 years of experience globally in the mining industry. He has extensive experience in major project development, operations, logistics and senior leadership in most of the major sectors of the mining industry including iron ore, gold, copper, nickel, zinc and coal.

Previously Mr Bastos was the Chief Operating Officer of MMG Limited with responsibility for the business in four continents and a member of many of the company Boards. Before MMG he spent seven years with BHP Billiton where he served as President Nickel Americas, President Nickel West (based in Perth), and Chief Executive Officer and President of BHP Billiton Mitsubishi Alliance (based in Brisbane).

Mr Bastos also had a 19-year career with Vale in a range of senior management and operational positions in Brazil, including General Manager of Carajas in the northern region and also Director of Non Ferrous — Copper business.

Mr Bastos is currently a Non-Executive Director of Iluka Resources Limited — Chair of Sustainability Committee, Non-Executive Director of Anglo American PLC — Chair of Global Workforce Advisory Panel. Mr Bastos is also a Technical Review Board Member of Sumitomo Corporation. He was an External Director (Non-Executive Independent) of Golder Associates from 2017 to 2021.

Qualifications: B.Eng. Mechanical (Hons), MBA (FDC-MG), MAICD.

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

Australian Listed Company Directorships held in the past three years: Iluka Resources Limited — Non-Executive Director (February 2014 – ongoing); OZ Minerals Limited — Non-Executive Director (September 2018 to April 2019).

R Caplan

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

From 2006 to July 2010, he was Chairman of the Shell Group of Companies in Australia.

Mr Caplan is Chairman and Non-Executive Director of Horizon Roads Pty Ltd.

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

Qualifications: LLB, FAICD, FAIM.

Special responsibilities: Member of Remuneration and People Committee. Member of Audit, Governance & Risk Management Committee.

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

Directors' Report (continued)

S Lewis

Experience: Ms Lewis is currently a full-time Non-Executive Director. In addition to Aurizon, her current roles are Non-Executive Director and Chairman of the Audit & Compliance Committee of Orora Limited, Non-Executive Director and Chairman of the Audit & Risk Committee of Nine Entertainment Co. Holdings Limited and Chairman of APRA's Audit and Risk Committee. Previously, Ms Lewis was an Assurance & Advisory partner from 2000 to 2014 with Deloitte Australia.

Ms Lewis has extensive financial experience, including as a lead auditor of a number of major Australian listed entities.

Ms Lewis has significant experience working with clients in the manufacturing, consumer business and energy sectors, and, in addition to external audits, has provided accounting and transactional advisory services to other major organisations in Australia. Ms Lewis' expertise includes accounting, finance, auditing, risk management, corporate governance, capital markets and due diligence.

Qualifications: BA (Hons) EC, CA, ACA, GAICD.

Special responsibilities: Chair of Audit, Governance & Risk Management Committee. Member of Remuneration and People Committee. Member of Nomination & Succession Committee.

Australian Listed Company Directorships

held in the past three years: Orora Limited — Non-Executive Director (1 March 2014 – ongoing); and Nine Entertainment Co. Holdings Limited — Non-Executive Director (20 March 2017 – ongoing).

S Ryan

Experience: Dr Sarah Ryan has approximately 30 years of international experience in the oil and gas industry. Initially Dr Ryan spent 20 years in various technical, operational and senior management positions, including 15 years with Schlumberger Limited both in Australia and overseas. Dr Ryan then spent 10 years as an equity analyst covering natural resources with institutional investment firm Earnest Partners, based in the US.

Dr Ryan is currently a Non-Executive Director of ASX-listed Woodside Energy, Viva Energy Group Limited and OZ Minerals Limited, and a Non-Executive Director of Future Battery Industry Cooperative Research Centre. Dr Ryan is a former Non-Executive Director of Norwegian listed Akastor ASA.

Dr Ryan is a Fellow of the Australian Academy of Technology and Engineering.

Qualifications: PhD (Petroleum and Geophysics), BSc (Geophysics) (Hons 1), BSc (Geology), FTSE.

Special responsibilities: Member of Audit, Governance & Risk Management Committee. Member of Safety, Health & Environment Committee.

Australian Listed Company Directorships

held in the past three years: Woodside Energy — Non-Executive Director (24 October 2012 – ongoing); Viva Energy Group — Non-Executive Director (18 June 2018 – ongoing); and OZ Minerals Limited — Non-Executive Director (17 May 2021 – ongoing).

L Strambi

Experience: Mr Strambi has a wealth of experience in the aviation sector both in Australia and abroad, spanning 40 years. In June 2020, Mr Strambi concluded his tenure as CEO and Managing Director of Australia Pacific Airports Corporation (APAC). Having been appointed in September 2015, during his time at APAC he was responsible for the operation and development of both the Melbourne and Launceston airports and for overseeing a direct workforce of 300 staff and assets valued in excess of \$10 billion.

Prior to his role at APAC, Mr Strambi was the Chief Executive Officer of Qantas Airways Domestic, a role he held for three years following four years as the airline's Group Executive Operations. Between 2001 and 2008 Mr Strambi was based in London, working in senior roles at Virgin Atlantic that included Executive Director — Airline Services and followed by six years as Chief Operating Officer.

Mr Strambi is a Graduate and Fellow of the Australian Institute of Company Directors and a Member of the Australian Institute of Management.

As a Director, Mr Strambi has held positions with APAC, StarTrack Express, Traveland and Southern Cross Distribution Systems and was President of the Royal Flying Doctors SE.

Qualifications: BBus (Accy), FAICD.

Special responsibilities: Chair of Aurizon Network Pty Ltd. Member of Safety, Health & Environment Committee.

Australian Listed Company Directorships

held in the past three years: None other than Aurizon Holdings Limited.

K Vidgen

Experience: Ms Vidgen began her career as a banking, finance and energy lawyer at Mallesons Stephen Jacques and in 1998 started in the Infrastructure advisory team within the Macquarie Group.

During her time at Macquarie, Ms Vidgen has traversed a number of sectors with a focus on infrastructure, energy and resources. Ms Vidgen remains an Executive Director at Macquarie Asset Management and is currently the Head of Industrial Transition and Clean Fuels globally, within the Green Investment Group. This role is focused on developing the strategy and teams to deploy the Macquarie balance sheet across the energy value chain with a specific focus on clean fuels and deep decarbonisation. Ms Vidgen also sits on a number of leadership and governance committees within the Green Investment Group and the broader Macquarie Group, including chairing Macquarie Group's Climate Solutions Taskforce.

In June 2021 Ms Vidgen was appointed to the Board of the Clean Energy Regulator.

Ms Vidgen is a member of Chief Executive Women and a director of Bond University Limited.

Qualifications: LLB (Hons), BA, GAICD.

Special responsibilities: Chair of Remuneration and People Committee. Member of Nomination & Succession Committee. Non-Executive Director of Aurizon Network Pty Ltd.

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

FIGURE 1 — BOARD DIVERSITY

DIRECTORS BY GENDER:



DIRECTORS BY BOARD TENURE: YEARS



DIRECTORS BY AGE:



Company Secretary

David Wenck was appointed Company Secretary in April 2021. He joined Aurizon in 2010 as Group General Counsel and has over 20 years' experience in corporate and commercial law. Prior to joining Aurizon, David was a partner in a leading Australian law firm practising in corporate, commercial and competition law.

David holds a Bachelor of Laws with honours and is a member of the Australian Institute of Company Directors.

Qualifications: LLB (Hons.), GDLP (UTS), MAICD.

Deputy Company Secretary

Naomi Wecker was appointed Deputy Company Secretary in April 2021 and has been with Aurizon since July 2010. She has over eight years' corporate legal experience including strategic transactions, finance and governance.

Naomi holds a Bachelor of Laws, Bachelor of Business (Advertising) and Graduate Diploma of Legal Practice from the Queensland University of Technology.

Qualifications: LLB, BBus, GDLP

Board skills and experience

During the year, the Board reviewed and updated its Board Skills Matrix to reflect the mix of diverse skills and experience considered optimal for the Board.

The Board considers its Directors collectively have the range of skills, knowledge and experience necessary to direct the Company. The depth of experience held by the current Board members across key skill and experience areas including leadership, strategy and governance is reflected in the matrix in Table 2 on the following page.

The Board is an advocate for diversity of thinking and its gender, age and tenure diversity is depicted in Figure 1.

In instances where the Board recognises additional experience in a particular area would be beneficial to the Board's performance, the Board takes the approach of enhancing its experience in those areas, including through development opportunities such as conducting site visits, receiving further briefings from management and third parties, or undertaking workshops.

In identifying and selecting potential new Directors, the Skills Matrix assists in identifying the experience and skills that will best equip the Board to fulfil its role.

Directors' Report (continued)

FIGURE 2 — BOARD SKILLS & EXPERIENCE



TABLE 1 — DIRECTORS' MEETINGS AS AT 30 JUNE 2022

DIRECTOR	AURIZON HOLDINGS BOARD		AUDIT, GOVERNANCE & RISK MANAGEMENT COMMITTEE		REMUNERATION AND PEOPLE COMMITTEE		SAFETY, HEALTH & ENVIRONMENT COMMITTEE		NOMINATION & SUCCESSION COMMITTEE	
	A	B	A	B	A	B	A	B	A	B
T Poole ¹	18	18	7	7			5	5	4	4
A Harding ¹	18	17					5	5		
M Bastos	18	18					5	5		
R Caplan	18	18	7	7	4	4				
M Fraser ²	14	14			3	3				
S Lewis	18	18	7	7	4	4			4	4
S Ryan	18	18	7	7			5	5		
L Strambi	18	18					5	5		
K Vidgen ³	18	14			4	4			4	4

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

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

1 In addition to the meetings above, a Committee of the Board comprising T Poole and A Harding met on two occasions.

2 M Fraser retired from the Board on 11 February 2022.

3 The four meetings not attended by Ms Vidgen were out of cycle board meetings called for a specific purpose, with Ms Vidgen excusing herself on each occasion having regard to a potential conflict.

TABLE 2 — DIRECTORS' INTERESTS AS AT 30 JUNE 2022

DIRECTOR	NUMBER OF ORDINARY SHARES
T Poole	180,500
A Harding	1,728,659
M Bastos	60,947
R Caplan	82,132
S Lewis	63,025
S Ryan	63,000
L Strambi	42,787
K Vidgen	40,000

Details regarding remuneration and shareholding of Directors is set out in the Remuneration Report. Only Mr Harding, Managing Director & CEO, receives performance rights, details of which are set out in the Remuneration Report.

Directors' meetings

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

During the year, the Aurizon Network Pty Ltd Board met on four occasions.

Directors' interests

Directors' interests set out in Table 2 are as at 30 June 2022.

Directors' Report (continued)

Principal activities

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

Network

Manages the provision of access to, and operation of, the Central Queensland Coal Network (CQCNC).

Coal

Transport of metallurgical and thermal coal from mines in Queensland and New South Wales to domestic customers and coal export terminals.

Bulk

Integrated supply chain services, including rail and road transportation, port services and material handling for a range of mining, metal, industrial and agricultural customers throughout Queensland, New South Wales and Western Australia.

Review of operations

A review of the Group's operations for the financial year and the results of those operations are contained in the Operating and Financial Review as set out on pages 13-32 of this report.

Dividends

A final dividend of 14.4 cents per fully paid ordinary share (70% franked) was paid on 22 September 2021 and an interim dividend of 10.5 cents per fully paid ordinary share (95% franked) was paid on 30 March 2022.

Further details of dividends provided for, or paid, are set out in note 15 to the consolidated financial statements.

Since the end of the financial year, the Directors have declared to pay a final dividend of 10.9 cents per fully paid ordinary share. The dividend will be 100% franked and is payable on 21 September 2022.

State of affairs

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

Events since the end of the financial year

The Directors are not aware of any events or developments which are not set out in this report or note 31 of the Financial 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.

Since the end of the financial year, the acquisition of One Rail LP completed on 29 July 2022. Refer to note 31 for further information.

Likely developments

Information about likely developments in the operations of the Group and the expected results of those operations are covered in the Chairman's Report set out on page 2 of this report and the Managing Director & CEO's Report set out on page 3 of this report, and at a high level in the outlook provided on page 1 of this report.

In the opinion of the Directors, disclosure of any further information would be likely to result in unreasonable prejudice to the Group.

Effective governance for sustainability

We believe corporate governance is a critical pillar on which our business objectives and, in turn, shareholder value must be built. The Board has adopted a suite of charters and key corporate governance documents that articulate the policies and procedures our business follows in achieving our objectives.

Board skills and experience

Our Board is structured to include a range of optimum skills that enable the effective governance of our business. We carefully consider the character, experience, education and skill set as well as interests and associations of potential candidates for appointment to the Board, and we conduct appropriate checks to verify the suitability of candidates before their appointment. Our Board members possess a range of skills and experience across areas such as strategy, transactions, technology, sustainability, industry, government, and community relations and governance (see pages 7 to 8 of this report for more detail). Therefore, our Board is well equipped to consider a range of sustainability-related issues.

Committees and meetings

The Board provides oversight and strategic direction to sustainability and has ultimate responsibility for our Company's consideration of climate-related risk. It is guided by our Audit, Governance and Risk Management Committee (AGRMC) and Safety, Health and Environment Committee (SHEC) as part of our risk framework and broader corporate strategy and planning.

The AGRMC includes several members of the Board, including the Chairman, and is responsible for reviewing our governance policies, framework and compliance. The SHEC is responsible for reviewing and making recommendations to the Board on matters relating to safety, health and environmental performance and policies.

The Board understands that climate change is one of the key interests for stakeholders. Following the launch of the Climate Strategy and Action Plan (CSAP) during FY2021, the cross-functional CSAP Steering Committee has continued to guide the implementation of the CSAP and to align initiatives under the three key pillars: Manage Risk and Build Resilience; Deliver Decarbonisation; and Create Carbon Abatement Opportunities.

Discussions across a range of sustainability-related topics, including climate change, occur frequently at Board meetings. During FY2022, the Board:

- › provided guidance and approval of the Sustainability Report and the implementation of the CSAP
- › oversaw progress and implementation of the CSAP
- › were directly engaged in reviewing the scenarios for consideration under our Strategy in Uncertainty Framework, as well as developing plans and initiatives to position the organisation to mitigate risks and take advantage of opportunities. This strategic process is repeated at least annually to ensure that our strategic priorities are continually updated so we can proactively respond to emerging market dynamics and opportunities.

Embedding sustainability into decision-making

The AGRMC Charter acknowledges the need for the Board and, in turn, management to maintain effective risk management to identify and manage risks. This includes, but is not limited to, contemporary or emerging risks, such as conduct risk, digital disruption, and cyber risks, and climate change and sustainability risks. A copy of the charter is available in the Governance section of our website.

In that regard, climate change risk is incorporated into our Enterprise Risk Management Framework and is therefore specifically considered during investment decisions. Our Executive Committee and AGRMC regularly review and update the enterprise risk profile that applies the Enterprise Risk Management Framework to identify and rate enterprise-level risks for our Company.

The internal management process governing investment decisions, the Aurizon Investment Standard, has also been updated to ensure management considers climate change risk and carbon pricing on a materiality basis in decisions to recommend capital investment.

Managing sustainability performance through targets and monitoring

We continue to manage our progress as an organisation by monitoring our performance against key sustainability targets and objectives. Examples include (but are not limited to):

- › a net-zero operational emissions (scope 1 and 2) by 2050 target
- › an additional emissions intensity reduction target of 10% by 2030¹ to maintain an emphasis on using existing capabilities and assets in the near term
- › two primary safety metrics to measure safety outcomes across the enterprise: Total Recordable Injury Frequency Rate (TRIFR) and Potential Serious Injury and Fatality Frequency Rate (SIFR(a+p))
- › gender representation on the Board
- › representation of women in senior executive roles
- › representation of women in the workforce
- › representation of Aboriginal and Torres Strait Islander men and women in the workforce.

At the start of the performance year, the Board determines individual strategic measures for the Managing Director & CEO. These measures are based on our strategy of continuing to optimise, excel and extend the business. Relevant measures are subsequently cascaded to the Executive Committee and throughout the organisation.

Environmental and Cultural Heritage regulation and performance

Aurizon is committed to managing its operational activities and services in an environmentally responsible manner to meet legal, social and moral obligations. To deliver on this commitment, Aurizon seeks to comply with all applicable laws and regulations that have an environmental or cultural heritage focus.

Aurizon contributed to reducing horn impacts on the community, while maintaining safe operations, by playing a key role in the development of the 2022 Rail Industry Safety and Standard Board's Rail Traffic Horn Use Code of Practice. In NSW, where noise remains a focus of the EPA's rollingstock licensing, Aurizon's operations continue to be compliant.

In FY2022, Aurizon completed a comprehensive review of its Cultural Heritage (CH) management resources. This involved detailed gap analyses of existing CH documentation, statutory obligations and current agreements with Aboriginal parties. The analyses yielded a CH Action Plan and specialist CH and legal consultants were engaged to advise on development of a CH Governance Framework (CHGF) with key success criteria being that it must be:

- › contemporary, enabling Aurizon to meet its regulatory obligations
- › expanded such that it applies to Aurizon's national operational footprint
- › aware of both Aboriginal and non-Indigenous CH;
- › effectively communicated, practical and simple to implement.

Leading the CHGF is the CH Commitment Statement, which is 'to minimise our impact on Indigenous and non-Indigenous cultural heritage through a framework founded on knowledge, understanding and respect'. The Commitment Statement is underpinned by an implementation framework, which:

- › specifies jurisdictional requirements
- › articulates organisational responsibilities and accountabilities
- › outlines, through bespoke guidelines and procedures, how Aurizon's CH obligations are to be achieved during the planning and execution of work, including engagement with Aboriginal parties.

The CHGF was launched in November 2021 and is available to all employees and contractors. For the Central Queensland Coal Network, the CHGF is further supported by an online mapping resource that provides additional guidance to enable compliant interface with areas of CH value. Two online modules are available which promote awareness of CH, provide linkages to the CHGF and outline scenarios that demonstrate how CH values are protected during the conduct of work. The modules are mandatory for roles where there is a reasonable likelihood of encountering CH during the ordinary conduct of work.

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

At the close of the fifth Emissions Reduction Fund Safeguard Mechanism (Safeguard) compliance period (ended on 30 June 2021), three of Aurizon's NGER facilities were captured. Through effective management of the Company's emissions, Aurizon remained below its respective baselines and achieved full compliance with the Safeguard. Following amendments to the *National Greenhouse and Energy Reporting (Safeguard Mechanism) Rule 2015* in 2019, Aurizon has successfully transitioned all facilities remaining on reported baselines to production-adjusted baselines.

Further details of the Company's climate and environmental performance will be published in Aurizon's forthcoming Sustainability Report, which will be published in October 2022.

Environmental and Cultural Heritage prosecutions

Aurizon did not incur any monetary fines, nor was it subject to any prosecutions related to environment or cultural heritage regulations in FY2022.

¹ From a 2021 baseline of tonnes of carbon dioxide per net tonne kilometre.

Directors' Report (continued)

Risk management

Aurizon recognises that risk is characterised by both threat and opportunity, and manages risk to enhance opportunities and reduce threats to sustain shareholder value. Aurizon fosters a risk-aware culture through the application of high-quality, integrated risk assessments to support informed decision-making.

The Board is ultimately responsible for risk management, which considers a wide range of risks within strategic planning. Aurizon has a commitment to effective risk management as a key element of business success.

The AGRMC monitors management's performance against Aurizon's risk management framework, including whether it is operating within the risk appetite set by the Board (see page 54 of this Annual Report). The Company's Risk and Assurance Function is responsible for providing oversight of the risk management framework and assurance on the management of significant risks to the Managing Director & CEO and the Board.

Aurizon's risk-aware culture has an emphasis on frontline accountability for effective risk management. The consideration of risk features heavily in our thinking, from the framing of strategy through to informing decision-making. Aurizon's Enterprise Risk Management Framework and Appetite and supporting Risk Assessment Procedure are aligned to the international standard for risk management (AS/NZS ISO 31000:2018), supports the identification, assessment and reporting of risk across the business, and includes both financial and non-financial risks.

Processes exist for the prevention, detection and management of fraud within the Company, and for fair dealing in matters pertaining to fraud.

Further details of risks and risk management are set out on pages 24–30 of the Directors' Report.

CEO and CFO declaration

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

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

Indemnification and insurance of officers

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

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

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

Proceedings against the Company

The Directors are not aware of any current civil litigation proceedings, arbitration proceedings, administration appeals or criminal or governmental prosecutions of a material nature that are not set out in this report or note 30 of the Financial Report in which Aurizon Holdings is directly or indirectly concerned which are likely to have a material adverse effect on the business or financial position of the Company.

Remuneration Report

The Remuneration Report is set out on pages 33–48 and forms part of the Directors' Report for the financial year ended 30 June 2022.

Rounding of amounts

The amounts contained in this report and in the financial statements have been rounded to the nearest \$100,000 unless otherwise stated (where rounding is applicable) in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. The Company is an entity to which the instrument applies.

External audit services

Deloitte were appointed at the 12 October 2021 Annual General Meeting as the Company's external auditor commencing for the year ending 30 June 2022.

Non-audit services

During the year, the Company's auditor, Deloitte Touche Tohmatsu (Deloitte), performed other services in addition to its audit responsibilities, the majority of which commenced prior to Deloitte's appointment as auditor and have now been completed.

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

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

Ms Lewis, Chair of the Audit, Governance & Risk Management Committee, is a former partner of Deloitte, having retired in March 2014. She has no ongoing financial arrangements with Deloitte.

No other officer of the Company was a former Partner or Director of Deloitte and a copy of the auditor's independence declaration as required under the *Corporations Act* is set out in, and forms part of, this Directors' Report.

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

	2022 \$'000
OTHER ASSURANCE SERVICES	
Total remuneration for other assurance services	-
OTHER SERVICES	
Total remuneration for other services	610

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 49.

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



Tim Poole

**Chairman
8 August 2022**

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW

CONSOLIDATED RESULTS (Underlying continuing operations unless stated)

The Group's financial performance is explained using measures that are not defined under IFRS and are therefore termed Non-IFRS measures. The Non-IFRS financial information contained within this Directors' Report and Notes to the Consolidated Financial Report has not been audited in accordance with Australian Auditing Standards. The Non-IFRS measures used to monitor Group performance are EBITDA (Statutory and Underlying), EBITDA margin (Statutory and Underlying), EBIT (Statutory and Underlying), NPAT Underlying, Return on Invested Capital (ROIC), Net debt and Net gearing ratios. Each of these measures is discussed in more detail on page 117.

1. Annual comparison

FINANCIAL SUMMARY

(\$M)	FY2022	FY2021	VARIANCE
Total revenue	3,075.3	3,019.3	2%
Operating costs			
Employee benefits	(853.4)	(840.7)	(2%)
Energy and fuel	(255.2)	(191.4)	(33%)
Track access	(77.7)	(81.1)	4%
Consumables	(418.9)	(411.7)	(2%)
Other	(2.5)	(12.2)	80%
EBITDA	1,467.6	1,482.2	(1%)
Statutory EBITDA	1,453.4	1,490.4	(2%)
Depreciation and amortisation	(592.3)	(579.1)	(2%)
EBIT	875.3	903.1	(3%)
Statutory EBIT	861.1	911.3	(6%)
Net finance costs	(125.0)	(145.3)	14%
Income tax expense	(225.4)	(224.6)	-
Statutory Income tax expense	(223.1)	(159.3)	(40%)
NPAT	524.9	533.2	(2%)
Statutory NPAT	513.0	606.7	(15%)
Statutory Profit after tax from discontinued operations	-	123.6	(100%)
NPAT (group) Statutory	513.0	730.3	(30%)
Earnings per share¹	28.5	28.5	-
Statutory	27.9	32.5	(14%)
Earnings per share¹ (continuing and discontinuing operations)	28.5	29.1	(2%)
Statutory	27.9	39.1	(29%)
Return on invested capital (ROIC) ²	10.3%	10.7%	(0.4ppt)
Net cash flow from operating activities	1,320.1	1,277.0	3%
Total dividend per share (cps)	21.4	28.8	(26%)
Gearing (net debt/(net debt + equity)) (%) (group)	40.9%	45.6%	4.7ppt
Net tangible assets per share (\$) (group)	2.3	2.3	-
People (FTE)	4,917	4,825	(2%)
Labour costs ³ /Revenue	27.3%	27.2%	(0.1ppt)
Above Rail Tonnes (m) ⁴	244.8	253.2	(3%)

EBITDA BY SEGMENT

(\$M)	FY2022	FY2021	VARIANCE
Coal	541.2	533.3	1%
Bulk	130.1	139.9	(7%)
Network	801.3	848.8	(6%)
Other	(5.0)	(39.8)	87%
Group (Continuing operations)	1,467.6	1,482.2	(1%)

1 Calculated on weighted average number of shares on issue — 1,841m FY2022 and 1,869m FY2021.

2 ROIC is defined as underlying rolling 12-month EBIT divided by the average invested capital. The average invested capital is calculated as the rolling 12-month average of net assets (excluding cash, borrowings, tax, derivative financial assets and liabilities).

3 FY2022 excludes \$12.7m redundancy costs (FY2021 excludes \$13.9m redundancy costs).

4 Includes both Coal and Bulk.

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW

Group performance overview

Group EBITDA decreased \$14.6m or 1% driven by reduced WIRP fees for Network (noting that FY2021 included higher historical fees), in addition to the impact of a risk-free-rate reset in June 2021 for GAPE fees. Bulk EBITDA also declined mainly due to lower iron ore volumes, approximately \$10m one-off items including weather, start-up costs and the impact from a major customer shut-down which more than offset new customer growth, some of which were not operational for the full financial year. These declines more than offset growth in EBITDA for Coal which was driven by higher revenue yield and cost management. The improvement in Other EBITDA is principally due to asset sales and the positive impact of higher discount rates on some balance sheet provisions.

Revenue increased 2% with Bulk and Coal growth (including the impact of higher fuel prices) more than offsetting lower revenue in Network.

Operating costs increased \$70.6m or 5% with increases in all business units due to increased volumes and one-off costs in Bulk and higher fuel and energy costs (largely pass-through costs) more than offsetting transformation benefits.

Depreciation increased \$13.2m or 2% primarily due to capital expenditure in Bulk to support growth and increased ballast and rail renewals in Network. With the increase in depreciation, EBIT declined \$27.8m or 3%.

ROIC was 0.4ppts lower to 10.3% due to the decreased EBIT and slightly higher invested capital.

Reconciliation to statutory earnings

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

(\$M)	FY2022	FY2021
Continuing operations		
Underlying EBITDA	1,467.6	1,482.2
Depreciation and amortisation	(592.3)	(579.1)
Underlying EBIT	875.3	903.1
Significant items	(14.2)	8.2
Transaction costs incurred for ORA	(14.2)	-
Net gain on sale of shares in Aquila	-	8.2
Statutory EBIT	861.1	911.3
Net finance costs	(125.0)	(145.3)
Statutory Profit before tax	736.1	766.0
Income tax expense	(223.1)	(159.3)
Statutory NPAT – Continuing operations	513.0	606.7
Significant items, net of tax ⁵	(11.9)	5.7
Significant items – Aquila income tax benefit	-	67.8
Underlying NPAT – Continuing operations	524.9	533.2
Discontinued operations		
Underlying EBIT	-	14.9
Significant items	-	161.1
Net gain on sale of Acacia Ridge Intermodal Terminal	-	161.1
Income tax expense	-	(52.4)
Statutory NPAT – Discontinued operations	-	123.6
Significant items, net of tax	-	112.8
Underlying NPAT – Discontinued operations	-	10.8
Statutory NPAT – Continuing and discontinued operations	513.0	730.3
Underlying NPAT – Continuing and discontinued operations	524.9	544.0

⁵ Transaction costs incurred for ORA include amounts which are not deductible in calculating taxable income.

2. Other financial information

BALANCE SHEET SUMMARY

(\$M)	30 JUNE 2022	30 JUNE 2021
Assets classified as held for sale	0.1	5.0
Other current assets	860.1	806.9
Total current assets	860.2	811.9
Property, plant and equipment (PP&E)	8,406.8	8,445.3
Other non-current assets	408.5	507.4
Total non-current assets	8,815.3	8,952.7
Total assets	9,675.5	9,764.6
Total borrowings	3,220.8	3,738.0
Other current liabilities	711.8	658.2
Other non-current liabilities	1,330.6	1,093.8
Total liabilities	5,263.2	5,490.0
Net assets	4,412.3	4,274.6
Gearing (net debt/(net debt + equity)) (%)	40.9%	45.6%
Gearing (net debt/(net debt + accumulated fair value adjustments + equity)) (%)	42.5%	44.6%

Balance sheet movements

Total current assets increased by \$48.3m largely due to:

- › Increase in cash and cash equivalents of \$23.3m
- › Increase in inventories of \$35.8m to support maintenance and renewal programs
- › Increase in derivative financial instruments due to favourable movement in interest rate swaps.

This was partly offset by a reduction of \$49.7m in trade and other receivables predominately due to a lower Take-or-Pay accrual and a reduction in trade debtors.

Total non-current assets decreased by \$137.4m largely due to an \$87.1m unfavourable movement on derivative financial instruments and a decrease of \$52.6m in the carrying value of property, plant and equipment and intangible assets.

Total current liabilities, excluding borrowings increased by \$53.6m largely due to:

- › Increase in current tax liabilities of \$68.6m, primarily due to FY2021 being in a current tax asset position because of transactions and events that occurred in that reporting period
- › Increase in trade and other payables of \$24.8m due to an increase in capital accruals.

This was partly offset by a reduction of \$39.2m in provisions and other liabilities predominately due to lower employee benefits provisions and revenue recognised for contract liabilities.

Total borrowings decreased by \$517.2m predominately due to a net repayment of bank debt facilities of \$164.0m and a net fair value adjustment of \$359.8m on Medium-Term notes subject to fair value hedges.

Other non-current liabilities increased by \$236.8m largely due to a \$199.6m unfavourable movement on fair value hedges and a \$91.6m increase in net deferred tax liabilities due to accelerated fixed asset adjustments.

Gearing (net debt/(net debt + equity)) was 40.9% as at 30 June 2022.

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW

CASH FLOW SUMMARY

(\$M)	FY2022	FY2021
Statutory EBITDA (Continuing operations)	1,453.4	1,490.4
Working capital and other movements	(72.4)	(43.4)
Transaction costs incurred for ORA	14.2	-
Net gain on sale of shares in Aquila	-	(8.2)
Non-cash adjustments — asset impairments	2.1	3.1
Net cash inflow from Continuing operations	1,397.3	1,441.9
Interest received	1.7	4.2
Income taxes paid	(86.0)	(175.6)
Principal elements of lease receipts	7.1	6.5
Net cash inflow from operating activities from Continuing operations	1,320.1	1,277.0
Net operating cash flows from Discontinued operations	-	(23.0)
Net operating cash flows	1,320.1	1,254.0
Cash flows from investing activities		
Payments for PP&E and intangibles, net of interest paid on qualifying assets	(551.0)	(518.5)
Payments for business acquisitions and investment in joint venture	(16.9)	(63.5)
Proceeds from shares held in associate	-	10.0
Distributions from investments and proceeds from sale of PP&E	39.5	38.9
Net cash (outflow) from investing activities from Continuing operations	(528.4)	(533.1)
Net investing cash flows from Discontinued operations	-	168.8
Net investing cash flows	(528.4)	(364.3)
Cash flows from financing activities		
Net (repayment)/proceeds from borrowings, net of transaction costs	(164.1)	236.2
Payment for share buy-back, share-based payments and transaction costs	-	(306.0)
Interest paid	(128.1)	(155.3)
Dividends paid to Company shareholders	(458.3)	(528.8)
Principle elements of lease payments	(17.3)	(16.4)
Net cash (outflow) from financing activities from Continuing operations	(767.8)	(770.3)
Net financing cash flows from Discontinued operations	-	-
Net financing cash flows	(767.8)	(770.3)
Net increase/(decrease) in cash from Continuing operations	23.9	(26.4)
Net increase in cash from Discontinued operations	-	145.8
Free Cash Flow (FCF)⁶ from Continuing operations	663.6	588.6
Free Cash Flow (FCF)⁶ from Discontinued operations	-	145.8

Cash flow movements

Net cash inflow from operating activities from continuing operations increased by \$43.1m (3%) to \$1,320.1m primarily due to lower income taxes paid in FY2022 because of an income tax benefit recognised on disposal of the shares held in Aquila Resources Limited in FY2021. Network Take-or-Pay revenue of \$77.5m from the prior year also contributed to cash inflows given this revenue was collected in FY2022. This was partly offset by a reduction in EBITDA and working capital, which was mainly due to an increase in inventory and reduction in provisions.

Net cash outflow from investing activities from continuing operations decreased by \$4.7m (1%) to \$528.4m, due to lower payments for acquisitions than in FY2021 partly offset by an increase in payments for property, plant and equipment and intangibles.

Net cash outflow from financing activities from continuing operations reduced by \$2.5m to \$767.8m.

Free cash flow from continuing operations increased \$75.0m or 13%.

⁶ FCF — Defined as net cash flow from operating activities less net cash outflow from investing activities less interest paid.

Funding

The Group continues to be committed to diversifying its debt investor base and increasing average debt tenor.

During FY2022 there were no adjustments to the funding mix for the Aurizon Group with significant increases in funding occurring after balance date with the completion of the acquisition of ORA. With this One Rail debt now drawn to enable the acquisition, the focus for FY2023 will be on terming this debt out in capital markets.

In respect of FY2022:

- › Weighted average debt maturity tenor was 3.4 years as at 30 June 2022 which compares to 4.4 years in FY2021
- › Group interest cost on drawn debt was 3.4% (FY2021: 4.1%)
- › Available liquidity (undrawn facilities + cash) as at 30 June 2022 was \$1,622.1m (FY2021: \$1,618.2m)
- › Group gearing (net debt/(net debt + equity)) as at 30 June 2022 was 40.9% (FY2021: 45.6%)
- › Aurizon Network's gearing (net debt/Regulatory Asset Base (excluding Access Facilitation Deeds)) as at 30 June 2022 was 53.7% (FY2021: 60.8%)
- › Aurizon Operations' gearing (net debt/(net debt + equity)) as at 30 June 2022 was 5.6% (FY2021: 10.5%)
- › Aurizon Operations' and Aurizon Network's credit ratings have each been maintained at BBB+/Baa1
- › Aurizon Operations expanded the number of lenders by three to 15 banks.

Dividend

The Board has declared a final dividend for FY2022 of 10.9cps (100% franked) based on a payout ratio of 75% in respect of underlying NPAT from continuing operations.

The relevant final dividend dates are:

- › 22 August 2022 — ex-dividend date
- › 23 August 2022 — record date
- › 21 September 2022 — payment date.

Tax

Underlying income tax expense for FY2022 was \$225.3m and the underlying effective tax rate⁷ was 30%. Statutory income tax expense was similar at \$223.1m, resulting in a statutory effective tax rate of 30.3%.

The FY2022 underlying cash tax rate⁸ was 22.2%, which is less than 30% primarily due to accelerated fixed asset related adjustments.

Excluding the impact from ORA earnings, the underlying effective tax rate for FY2023 is expected to be in the range of 29–31% and the underlying cash tax rate is expected to be less than 28% for the short to medium term.

Aurizon publishes additional tax information in accordance with the voluntary Tax Transparency Code in its Sustainability Report. See the Sustainability section of the Aurizon website for further detail.

Discontinued operations

The Group completed the sale of the Acacia Ridge Intermodal Terminal to Pacific National on 26 March 2021.

⁷ Underlying effective tax rate = income tax expense excluding the impact of significant items/underlying consolidated profit before tax.

⁸ Underlying cash tax rate = cash tax payable excluding the impact of significant items/underlying consolidated profit before tax.

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW

BUSINESS UNIT REVIEW

COAL

Aurizon's Coal business provides a critical service to Australia's \$110bn⁹ export coal industry, the nation's second largest source of export revenue in FY2022. Aurizon hauls around half of Australia's export coal volume. Coal hauled is split approximately evenly between metallurgical coal and thermal coal, with demand linked to Asian steel production and energy generation, respectively.

Aurizon transports coal from mines in the Newlands, Goonyella, Blackwater, Moura and West Moreton systems in Queensland (QLD) and the Hunter Valley and Illawarra coal systems in New South Wales (NSW) to domestic customers and coal export terminals.

FINANCIAL SUMMARY

(\$M)	FY2022	FY2021	VARIANCE
Revenue			
Above Rail ¹⁰	1,195.1	1,179.9	1%
Track access ¹⁰	359.7	428.8	(16%)
Other	4.7	3.4	38%
Total revenue	1,559.5	1,612.1	(3%)
Track access costs	(376.2)	(451.0)	17%
Operating costs	(642.1)	(627.8)	(2%)
EBITDA	541.2	533.3	1%
Depreciation and amortisation	(208.7)	(208.7)	-
EBIT	332.5	324.6	2%

METRICS

	FY2022	FY2021	VARIANCE
Total tonnes hauled (m)	194.0	202.1	(4%)
CQCN	141.1	143.7	(2%)
NSW & SEQ	52.9	58.4	(9%)
Contract utilisation	84%	83%	1ppt
Total NTK (bn)	45.2	47.1	(4%)
CQCN	35.3	35.8	(1%)
NSW & SEQ	9.9	11.3	(12%)
Average haul length (km)	233	233	-
Total revenue/NTK (\$/'000 NTK)	34.5	34.2	1%
Above Rail Revenue/NTK (\$/'000 NTK) ¹⁰	26.4	25.1	5%
Operating Ratio (%)	78.7%	79.9%	1.2ppt
Opex/NTK (\$/'000 NTK)	27.1	27.3	1%
Opex/NTK (excluding access costs) (\$/'000 NTK)	18.8	17.8	(6%)
Locomotive productivity ('000 NTK/Active locomotive day)	389.1	390.5	-
Active locomotives (as at 30 June)	314	329	(5%)
Wagon productivity ('000 NTK/Active wagon day)	14.7	14.9	(1%)
Active wagons (as at 30 June)	8,285	8,723	(5%)
Payload (tonnes)	7,938	7,887	1%

⁹ Australian Bureau of Statistics (FY2022).

¹⁰ \$16.3 million has been reclassified from access revenue to above rail revenue for FY2021 for consistency with current year presentation.

Coal performance overview

Coal EBITDA increased \$7.9m (1%) to \$541.2m primarily due to higher above rail revenue relating to improved revenue quality and fuel revenue in addition to lower track access, traincrew and maintenance costs. This was partly offset by lower volumes, lower track access revenue and higher fuel costs.

Volumes decreased 8.1mt or 4% to 194.0mt with reductions across NSW, South-East Queensland (SEQ) and the Central Queensland Coal Network (CQCN).

- › In NSW and SEQ, volumes decreased by 5.5mt (9%) to 52.9mt due to the cessation of the New Acland and Moolarben contracts, weather impacts, customer maintenance and production issues and COVID-19 impacts. This was partly offset by higher railings in the Illawarra corridor.
- › Across the CQCN, volumes decreased by 2.6mt (2%) to 141.1mt due to customer production which saw mines impacted by weather and labour challenges as a result of COVID-19.

Coal revenue decreased by \$52.6m (3%) to \$1,559.5m with an 8.1mt reduction in volumes and lower track access revenue partly offset by improved revenue quality, including CPI favourably impacting contract rates, and higher fuel revenue (price related). Track access revenue decreased with additional volumes moving to end user agreements, lower overall volumes, contract expiry and prior year Take-or-Pay impacts. Above rail revenue per NTK increased by 5% due to CPI benefits, higher fuel revenue and customer mix changes towards higher yielding customers against prior comparative period.

Total operating costs decreased \$60.5m (6%) to \$1,018.3m with lower track access, traincrew and maintenance costs partly offset by higher fuel costs. The major drivers of these movements are:

- › Track access costs decreased by \$74.8m (17%) due to additional volume moving to end user agreements, lower overall volumes, prior year Take-or-Pay expense and expiry of contracts.
- › Other operating costs increased \$14.3m (2%) largely due to higher fuel partly offset by lower traincrew and maintenance costs. Traincrew costs reduced due to lower FTEs relating to the end-of-contract impacts, partly offset by increased CPI and higher overtime and leave impacts due to COVID-19. Maintenance costs declined with lower active locomotives and wagons due to lower volumes and transformation activities, partly offset by CPI impacts.

Depreciation remained flat, resulting in a 2% increase to EBIT against a 1% increase in EBITDA.

Operationally, key productivity metrics deteriorated against the prior comparative period with lower volumes and NTKs. Active locomotives decreased with contracted volume reduction and transfers to Bulk to support growth opportunities. Average payloads increased due to change in volume mix relating to lower SEQ volumes which have a lower payload.

Market update

Australia exported 359mt of coal in FY2022, down 1% against the prior year as volumes were impacted by adverse weather and COVID-19 related labour constraints.

Australia exported 162mt of metallurgical coal in FY2022, down 5% against the prior year. India remained Australia's largest metallurgical coal export market with export volume of 49mt (30% share), followed by Japan at 38mt (24% share) and South Korea at 24mt (15% share). In FY2022, Global crude steel production decreased 5% against the prior year, whilst India and Japan's crude steel output increased 8% and 6% respectively. The average hard coking coal (Premium Low Vol) price in FY2022 increased by 222% (compared to the prior year) to US\$391/t primarily driven by supply constraints. At 29 July 2022, the hard coking coal (Premium Low Vol) price was US\$191/t.

Australia exported 197mt of thermal coal in FY2022, up 2% against the prior year. Japan remained Australia's largest thermal coal export market with export volume of 86mt (44% share), followed by South Korea at 36mt (18% share) and Taiwan at 27mt (14% share). The average Newcastle benchmark thermal coal price in FY2022 increased by 216% (compared to the prior year) to US\$246/t. At 29 July 2022, the thermal coal price was US\$404/t.

Contract update

- › Stanmore — Aurizon remains the primary Goonyella system hauler for South Walker Creek and Poitrel mines following on from Stanmore's acquisition of the BHP Mitsui Coal assets.
- › Pembroke — Aurizon has secured a long-term haulage agreement with Pembroke Resources, expected to commence haulage late CY2023 at the new Olive Down Complex located in the Goonyella system.
- › Baralaba — Aurizon has secured a five-year extension to the haulage agreement with Baralaba Coal in the Moura System.
- › New Hope — New Acland contract ended December 2021 (end of mine life).
- › Yancoal — Moolarben contract ended December 2021.

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW

BULK

Aurizon's Bulk business provides integrated supply chain services, including rail and road transportation, port services and material handling for a range of mining, metal, industrial and agricultural customers. Following on from the acquisition of ORA in July 2022, the Bulk business also includes the integrated rail business with 2,460km of track infrastructure in South Australia and the Northern Territory.

FINANCIAL SUMMARY

(\$M)	FY2022	FY2021	VARIANCE
Revenue			
Freight transport	673.0	612.2	10%
Other	18.2	22.6	(19%)
Total revenue	691.2	634.8	9%
Operating costs	(561.1)	(494.9)	(13%)
EBITDA	130.1	139.9	(7%)
Depreciation and amortisation	(36.7)	(27.9)	(32%)
EBIT	93.4	112.0	(17%)
Total tonnes hauled (m)	50.8	51.1	(1%)
Operating ratio (%)	86.5%	82.4%	(4.1ppt)

Bulk performance overview

Bulk EBITDA decreased \$9.8m (7%) to \$130.1m due to lower iron ore volumes, significant one-off items in FY2022 offset by growth in new contract wins. Revenue increased \$56.4m (9%) to \$691.2m with:

- › The commencement of the CBH Grain contract in Western Australia (WA) in 1HFY2022
- › Stronger grain volumes in both QLD and NSW compared to the prior comparative period
- › The commencement of a long-term haulage contract with Tronox in 2HFY2022
- › The acquisition of ConPorts Pty Ltd (renamed Aurizon Port Services NSW Pty Ltd) on 31 December 2020
- › Higher fuel prices in FY2022 compared to the prior comparative period
- › Marginal revenue yield improvements including CPI increases.

Partly offsetting this was lower iron ore volumes and the loss of the QLD livestock contract in 2HFY2022 and BHP Nickel West in 2HFY2021. In addition, there was a major scheduled planned maintenance for IPL on the Mt Isa Line in 2HFY2022.

In Bulk East, volumes increased by 0.3mt driven by stronger grain volumes in NSW and QLD, partly offset by lower livestock volumes. In Bulk West, iron ore volume was down 3.2mt driven by the cessation of Mt Gibson volumes in December 2020 and lower MRL volumes into Esperance. Non-iron ore Bulk West volumes increased by 2.6mt due to the ramp up of CBH grain volumes partly offset by lower BHP Nickel West volumes and Alcoa volumes due to the ceasing of export bauxite.

Operating costs increased \$66.2m (13%) with:

- › Increased costs to support contract wins predominately in grain (including ramp up costs for both traincrew, rollingstock and facilities)
- › The acquisition of ConPorts Pty Ltd (renamed Aurizon Port Services NSW Pty Ltd) on 31 December 2020
- › Significantly higher fuel prices in FY2022 compared to the prior comparative period
- › A major derailment on the North Coast Line in QLD in 2HFY2022
- › Partly offset by ongoing cost benefits from the Bulk transformation program and lower costs from the loss of BHP Nickel West.

Depreciation increased \$8.8m or 32% with increased capital expenditure supporting the growth in the Bulk business. Therefore, EBIT decreased 17% compared to a 7% decrease in EBITDA.

Market update

Demand for bulk commodities is projected to continue to be driven by infrastructure development in addition to opportunities from new economy markets and increasing global food consumption.

- › During the March 2022 quarter, the Australian Bureau of Statistics reported that nickel (including cobalt) exploration expenditure in Australia rose by 37% (compared to the same period of the prior year) and copper exploration expenditure increased by 12% across the same period. Australian metal ore mining capital expenditure increased in the March 2022 quarter by 10% against the prior comparative period to A\$4.9b, the 18th consecutive quarter of year-on-year growth for the sector.
- › In June 2022, the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) has projected Australian export volume for major crops of wheat, barley and canola, with a record combined total of 39.6mt for the 2021-22 season. Strong volumes are expected to continue into the 2022-23 season, with the ABARES forecasting 35.3mt, the fourth highest year on record.

Contract update

- › CBH — 10-year¹¹ grain haulage contract commenced October 2021
- › Alcoa — five-year contract extension for alumina and associated inputs
- › Lynas — five-year contract for WA operations including new facility currently under construction
- › Tronox — five plus five-year term executed for the transport of mineral sands concentrate from Broken Hill region
- › Queensland Government (Department of Transport and Main Roads) — loss of Livestock contract in QLD from December 2021.

¹¹ The performance-based agreement has an initial term of six years, with options to extend to 10 years.

NETWORK

Network refers to the business of Aurizon Network Pty Ltd (Network) which operates the 2,670km CQCN. The open access network is the largest coal rail network in Australia and one of the country's most complex, connecting multiple customers from more than 40 mines to five export terminals located at three ports. The CQCN includes four major coal systems (Moura, Blackwater, Goonyella and Newlands) and a connecting link, the Goonyella to Abbot Point Expansion (GAPE).

FINANCIAL SUMMARY

(\$M)	FY2022	FY2021	VARIANCE
Revenue			
Track Access	1,133.7	1,178.9	(4%)
Services and other	59.2	46.0	29%
Total revenue	1,192.9	1,224.9	(3%)
Operating costs	(391.6)	(376.1)	(4%)
EBITDA	801.3	848.8	(6%)
Depreciation and amortisation	(344.8)	(339.7)	(2%)
EBIT	456.5	509.1	(10%)

METRICS

	FY2022	FY2021	VARIANCE
Tonnes (m)	206.5	208.3	(1%)
NTK (bn)	51.9	52.4	(1%)
Operating Ratio (%)	61.7%	58.4%	(3.3ppt)
Maintenance/NTK (\$/000 NTK)	2.6	2.4	(8%)
Opex/NTK (\$/000 NTK)	14.2	13.7	(4%)
Cycle Velocity (km/hr)	22.8	23.0	(1%)
System Availability (%)	82.6%	84.1%	(1.5ppt)
Average haul length (km)	251	252	-

Network performance overview

Network EBITDA declined \$47.5m (6%) to \$801.3m in FY2022, with decreased revenue of \$32.0m (3%) and increased operating costs of \$15.5m (4%).

Regulatory access revenue has been accounted for based on actual railed volumes using tariffs approved by the Queensland Competition Authority (QCA) on 22 June 2021. Actual net tonnes were 206.5mt compared to the regulatory system forecast of 226.9mt. Total Access Revenue in FY2022 reduced by \$45.2m (4%) compared to FY2021:

- › Allowable Revenue was lower by \$11.2m in FY2022 primarily due to capital underspends in FY2019 and FY2020
- › Reduced volumes compared to the regulatory forecast resulted in an under-recovery (excluding GAPE) after Take-or-Pay of \$39.0m in FY2022 (Access Revenue in FY2022 included the recognition of \$32.8m Take-or-Pay revenue). This compares to an under-recovery of \$34.6m (including \$88.2m of Take-or-Pay) in FY2021.

- › Network settled all disputes with WIRP customers under their respective WIRP Deeds in July 2022. WIRP fees of \$47.0m, including \$30.3m of historical fees relating to FY2016 – FY2021, have been recognised in FY2022 (FY2021: \$60.3m, including \$48.9m of historical fees).
- › GAPE revenue was \$20.0m lower primarily due to the risk-free rate reset in June 2021 and the inclusion of a Transfer Fee in FY2021.
- › The above movements were partly offset by higher Other Access revenue of \$3.7m.

Services and other revenue were \$13.2m (29%) higher in FY2022. This was primarily due to higher construction revenue in FY2022 and is partly offset in higher operating costs.

Operating costs increased by \$15.5m (4%) primarily due to higher construction costs associated with the higher revenue, increased electric traction charges and higher maintenance costs.

Depreciation increased \$5.1m (2%) primarily due to ongoing rail renewal, plant and ballast undercutting investment.

The Regulatory Asset Base (RAB) roll-forward is estimated to be \$5.4bn¹² (excluding Access Facilitation Deeds of \$0.3bn) as at 1 July 2022.

Regulation update

Network continues to progress the implementation of the 2017 Access Undertaking (UT5) which was approved by the QCA on 19 December 2019. The status of key aspects of UT5 are:

- › The QCA published the Independent Expert's (IE) Initial Capacity Assessment Report (ICAR) on 1 November 2021. The ICAR identified that the average annual deliverable network capacity of each coal system in the CQCN for the period FY2022 – FY2024, when measured as a percentage of the current contracted capacity for each coal system, is estimated as follows:
 - Goonyella: -93%
 - Blackwater System: -96%
 - GAPE System: -64%
 - Moura System: -93%
 - Newlands System: -66%.

¹² Includes deferred capital.

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW

On 12 November 2021, Network provided the Chair of the Rail Industry Group (RIG) and the QCA its preliminary response to the ICAR, which set out the proposed options to address the capacity deficits identified in each coal system by the IE in the ICAR.

Consistent with the definition of the term 'Report Date' in UT5, this notification to the Chair of the RIG on 12 November 2021 triggered an increase in Network's Weighted Average Cost of Capital (WACC) from 5.9% to 6.3%. The QCA-approved reference tariffs assumed 6.3% WACC from 1 March 2020. As a result of the delay in the ICAR, there has been an over-collection of access charges (the difference between 5.9% and 6.3%) in FY2022 of \$9.3m. This will be included in the FY2022 revenue adjustment amount and recovered in the FY2024 tariffs.

On 14 March 2022, Network provided its detailed report in response to the ICAR to the QCA and the Chair of the RIG, outlining a program of works to rectify the relevant coal systems' capacity deficits. Network's response also included a proposal to allow for both Network and the IE to recommend that a further expansion study be completed where there are one or more alternative expansions that could assist in resolving the relevant capacity deficit. As the current approved form of UT5 does not allow for such further studies, Network submitted a Draft Amending Access Undertaking (DAAU) on 8 June 2022 for QCA approval.

The QCA published the IE's Annual Capacity Assessment Report 2022 (ACAR) on 23 June 2022. The ACAR identified some differences between it and the findings in the ICAR in relation to the average annual deliverable network capacity of each coal system for the period FY2022 – FY2024, when measured as a percentage of the current contracted capacity for each coal system, which are as follows:

- Goonyella System has improved by -2% to -93 – 95%;
- Blackwater System has improved by -2-4% and is forecast to be at -100% in FY2026;
- GAPE System is slightly lower for FY2023 and FY2024 than at similar levels for other years;
- Moura System has improved by -7% to -99%; and
- Newlands System is lower in FY2023 compared to the ICAR, however similar for other years.

As required under UT5, on 17 June 2022, the IE made a recommendation to the QCA on which of the Transitional Arrangements identified in Network's Detailed Report would most effectively and efficiently resolve the deficits identified in the ICAR, following which the QCA will make a decision. The QCA has not made such a determination yet and therefore the impact of any such determination has not been assessed.

The Performance Rebate mechanism in UT5 came into effect on 12 November 2021. The Performance Rebate is payable if an End User does not receive its contracted Train Service Entitlement for the period 12 November 2021 until 30 June 2022 due to a performance breach by Network as determined by the IE under UT5, with certain permitted exclusions. Any transitional arrangements that are implemented to rectify an Existing Capacity Deficit will be taken into consideration in the calculation of the Performance Rebate. The FY2022 Performance Rebate is currently being considered by the IE.

On 8 June 2022, Network submitted to the QCA a DAAU to adjust the Electric Energy Charge (EC) under UT5 for FY2023. Due to the significant increase and forecast volatility in the wholesale electricity rates, it was necessary to submit the DAAU to adjust the EC tariff from \$1.11 to \$2.82 per eGTK. A QCA decision on the DAAU is expected in Q1 FY2023. Recognising the current price volatility in the electricity market, Aurizon Network has made a commitment to review and if required, submit a further update to the FY2023 EC Tariff and other regulatory inputs including coal volumes to the QCA no later than Q4 of FY2023 via a further DAAU.

UT5 provides for certain variable components of WACC (predominately risk-free rate, debt risk premium, inflation and the tax allowance) (Reset Values) to be reset on 1 July 2023 to take account of prevailing market conditions at that time. The two-stage process will involve preliminary Reset Values submitted to the QCA for consultation in July 2022 which will inform FY2024 tariffs and final Reset Values agreed in July 2023 which will apply from 1 July 2024. Any variation between final Reset Values and preliminary Reset Values will be included in FY2026 Revenue Adjustment Amounts.

Operational update

Network maintained strong operational performance during FY2022:

- CQCN volumes declined by 1% to 206.5mt. The volume reductions were largely attributable to wet weather, mine specific maintenance and production issues as well as COVID-19 related restrictions and disruptions
- Total System Availability was 82.6% compared to 84.1% in the PCP
- Cancellations due to the Network rail infrastructure increased from 1.6% to 2.1%
- Cycle velocity declined marginally from 23.0km/h to 22.8km/h.

Wiggins Island Rail Project (WIRP)

Network settled all disputes with WIRP customers under their respective WIRP Deeds in July 2022. WIRP fees of \$47.0m, including \$30.3m of historical fees relating to FY2016–FY2021, have been recognised in FY2022 (FY2021: \$60.3m, including \$48.9m of historical fees).

OTHER

Other includes the provision of maintenance services to internal and external customers and central costs not allocated such as the Board, Managing Director & CEO, Investor Relations, Strategy and Company Secretariat.

(\$M)	FY2022	FY2021	VARIANCE
Total revenue	45.1	32.4	39%
Operating costs	(50.1)	(72.2)	31%
EBITDA	(5.0)	(39.8)	87%
Depreciation and amortisation	(2.1)	(2.8)	25%
EBIT	(7.1)	(42.6)	83%

Other performance overview

EBITDA improved by \$34.8m (87%) mainly due to asset sales including the sale of the Rockhampton workshops and the benefit to provisions from an increase in discount rates.

INTERMODAL — DISCONTINUED OPERATION

(\$M)	FY2022	FY2021	VARIANCE
Total revenue	-	21.6	nm
Operating costs	-	(6.7)	nm
EBITDA — Underlying	-	14.9	nm
Depreciation and amortisation	-	-	nm
EBIT — Underlying	-	14.9	nm
Significant items	-	161.1	nm
Income tax expense	-	(52.4)	nm
NPAT (Discontinued operations) — Statutory	-	123.6	nm

Intermodal performance overview

The Group completed the sale of the Acacia Ridge Intermodal Terminal to Pacific National on 26 March 2021.

OPERATIONAL EFFICIENCY IMPROVEMENT UPDATE

As part of Aurizon's Strategy In Action, particularly the Optimise and Excel levers, Aurizon continues to focus on operational efficiency to continuously improve its operational performance, asset efficiency and cost competitiveness. Through the Optimise and Excel levers, Aurizon is making targeted investments in technology on the journey to continuous improvement. Project Precision is transitioned to business as usual in FY2022 with accountability now embedded in the Network Planning and Scheduling function.

Outlined below are the major initiatives currently being pursued in the business.

Automated Track Inspection System (ATIS)

The ATIS initiative seeks to measure track and overhead line alignment via locomotive-mounted equipment using lasers to achieve precise measurements at line speed. ATIS is a collection of systems including a Track Geometry Measurement System (TGMS), a Wire Geometry Measurement System (WGMS) and a Pantograph Collision Detection System (PCDS). Network currently uses a track-recording car to obtain these measurements, with the service provided by a third party which consumes train paths that would otherwise be used by revenue train services.

It is intended that ATIS will enable an increase in the timeliness of data allowing a move to a condition-based track resurfacing scope, tracking of defects and the ability to trend degradation to predict future fail points or intervention triggers. Other benefits of ATIS may include reduced cost and improved access by removing the requirement to utilise the track-recording car.

During FY2022 Network successfully trialled and completed verification reporting of the WGMS and PCDS systems confirming that overhead wire alignment information can also be captured via automated means.

Following the successful trials and support from our customers, the ATIS initiative will be implemented across the CQCN in FY2023.

TrainGuard

TrainGuard is a platform utilising ETCS (European Train Control System) technology to support driver decision-making, particularly in relation to speed control and signal enforcement. TrainGuard will support safer and more efficient train operations with reduced rail process safety issues and improved train handling. TrainGuard is also a pathway to expanding our driver-only operations in Central Queensland. Site integration testing of TrainGuard was successfully completed in July 2022. The project is scheduled to deploy the technology on the Blackwater mainline (Callemondah to Bluff) in FY2023 with work in the Goonyella system to follow.

Asset maintenance

Above Rail Asset Management (ARAM) is a multi-year transformation project and has progressed with the dedicated project team for a third year working in close collaboration with various business stakeholders. The program of work has matured Aurizon supply chain and vendor management processes, standardised planning processes across the business, improved depot work execution efficiency, and is now transitioning Aurizon's major rollingstock fleets from simple time-based to more mature condition-based maintenance strategies.

FY2022 has seen the successful implementation of more mature maintenance strategies across three of four major rollingstock fleets and will allow the business to continue on the maintenance maturity journey. These strategies contributed to maintenance cost reductions in the Coal business in FY2022. The project drew to a close at the end of FY2022 and sustainable business-as-usual (BAU) plans have been put in place. The value created will continue into future years, delivering sustained and further optimisation of the maintenance life cycle for Aurizon's rollingstock.

TrainHealth

TrainHealth provides Aurizon with capability to monitor performance of locomotives and train handling/utilisation in real-time. This initiative enables access to real-time asset data that is being used to inform the health of the locomotive, enhance asset reliability and maintenance decisions for the fleet, in addition to providing greater visibility on driver variability and support business decisions for on-time running. With installation completed for the CQCN Siemens electric locomotive fleet, installation across the CQCN diesel is scheduled for completion during FY2023.

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW

ADDITIONAL INFORMATION

Risk

We foster a risk-aware culture through a combination of leadership focus, training and the application of high-quality, integrated risk analysis and management. The consideration of risk features heavily in our thinking, from the framing of strategy through to informing decision-making at the front line. Our Enterprise Risk team, together with all leaders in the business, closely monitors the environment in which we operate to enable the business to understand and proactively manage key risk exposures and situational developments.

The Board-approved Enterprise Risk Management Framework and Appetite encompasses a broad range of risks, enabling continuous consideration and strategy development to manage the full scope of risks faced by our business. Risk reporting provided both to our Board and supporting Committees facilitates the early identification and proactive management of emerging risks, where the impacts and opportunities are continually evolving. Risk management procedures and templates deployed throughout the business further integrate the assessment of safety and non-safety risks and support a consistent approach to comprehensive, proportionate and effective risk management.

Aurizon's Enterprise Risk Profile is actively managed and regularly reported to the Board. It includes both those material inherent risks related to the enduring nature of Aurizon's business and also those that present an exposure linked to the changing operating landscape or point-in-time external factors.

These risks have been grouped around three themes of operational, market and strategic risk. The commentary has been provided to describe and summarise each key risk, the nature of the potential impacts to Aurizon, our view on our ability to influence the risk and consequences being realised, and a description of management's response to that risk. This is not intended to be a comprehensive list of all risks that the business is or could be exposed to.

It represents Aurizon's own assessment of these risks at a point in time and, given the complexities and nature of these risks, this information is subjective and may be subject to change. Investors need to form their own assessment and conclusions.

LEGEND

RISK IMPACT ICONS

-  Strategy & Execution
-  Stakeholder & Reputation
-  Operational
-  Financial
-  Health & Safety
-  Environment & Climate

RISK INFLUENCE METER

The risk influence meter is provided to acknowledge that there are internal and external contributions to all of the risks that the business is exposed to. The meter is subjective and reflects only one way to consider further the risks presented.



A risk influence rating here means that Aurizon can significantly influence this risk; for instance, it is largely driven by internal factors or is readily managed.



A risk influence rating here means that Aurizon has limited ability to influence this risk; for instance, it is largely driven by external factors or is complex to manage.

RISK	RISK DESCRIPTION AND POTENTIAL IMPACTS	IMPACTS AND INFLUENCE	MANAGEMENT RESPONSE
OPERATIONAL RISK			
Major Hazard, Serious Injury or Fatality	Given the nature and scale of Aurizon's operations, there are hazards in the business that, if not managed, have the potential to cause a serious injury or fatality. Aurizon's safety risk exposure is impacted by the diversity and scale of its operations — from train operations, on-track works, ports and heavy vehicle haulage. Incidents could include: › Process Safety Incident — major process safety event leading to death or injuries to our people › Road Vehicle Incident — death or injuries to our people from operating road vehicles › Trespass — safety risks to employees and individuals due to persons illegally entering the rail corridor and danger zone intentionally (theft or protest) or otherwise. The potential realisation of these risks could have direct safety, operational disruption and reputational consequences including licence to operate.	 	Aurizon's commitment to keeping people safe and healthy is a priority. Our safety value 'We know safe, we choose safe' promotes leadership and personal accountability for safety. Aurizon's leadership team and Board regularly review safety performance, improvement strategies and activities across the business, aligned to a defined enterprise safety strategy. Refer to page 31 for further information on safety.
Cyber Security and Technology Reliance	The rapidly evolving cyber threat landscape continues to challenge industry. Malicious attacks resulting in business interruptions, nationally and internationally, are increasing. Aurizon relies on technology and is exposed to cyber-related risks which can arise through a multitude of vectors including malicious external hackers, insider threats, unintentional human error or through links to third parties. A cyber breach or other technology-related disruption could impact Aurizon's operations and impair its ability to provide services. Such an event could potentially result in financial losses, reputational damage, legal or regulatory action or other adverse consequences.	 	Cyber security controls including identification, prevention, detection and recovery controls are in place and are tested regularly. Policies, frameworks, tools and training to ensure baseline expectations for the management of cyber risks are understood and adhered to. Aurizon participates in cross-industry collaboration and provides the threat intelligence required to improve defences based on emerging threats and real-time incident data. Aurizon has developed a cyber security investment roadmap to continue to enhance its protective cyber security capabilities in a targeted manner that will prioritise those assets most critical to the business to increase resilience.
Severe Weather	Aurizon owns and maintains rail track infrastructure in addition to other rail assets, maintenance facilities, rail depots and worksites across Australia. Maintaining a large physical footprint exposes Aurizon to risks caused by the increasing severity and prolonged nature of extreme weather events, such as flooding, bushfires, heatwaves and cyclones. Damage caused by destructive weather events could cause safety, health and environmental risks, operational disruption, increasing operational costs or driving financial losses.	 	Incident management and business continuity planning, protocols and expertise are essential to manage a safe and effective response to severe weather events. Assessments of operational resilience are undertaken and consideration is made of resilience in engineering design (adaptive design approach). Weather patterns and forecasts are monitored to provide early warning of potential severe weather and planning time for safe provision of service.

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW

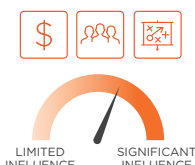
RISK	RISK DESCRIPTION AND POTENTIAL IMPACTS	IMPACTS AND INFLUENCE	MANAGEMENT RESPONSE
Prolonged Pandemic	The Coronavirus pandemic exposed employees to health issues which has had a minor impact on Aurizon's ability to provide services to customers. This risk was also realised by other supply chain participants, such as mines and ports, and their ability to provide continuity of service with increased staff absenteeism. As the Coronavirus evolves and international travel continues to return to pre-pandemic levels, there is a risk that there are ongoing implications to employee health potentially increasing absenteeism and further impacting services. Related risks of changes in commodity demand, economic and supply chain risks are considered below.	 	Effective business resilience planning and crisis management activities supported the navigation through the pandemic and minimised operational disruption. Our employee education and awareness program, alongside careful planning, has supported our people's ability to stay safe. Contractual provisions such as force majeure and Take-or-Pay mechanisms provided some protection against loss of revenue resulting from the disruption.
Supply Chain Reliability	Building resilient supply chains and effective inventory management is critical to ensure optimal levels of supply, minimise costs and ensure Aurizon's operational assets are appropriately maintained to enable uninterrupted service delivery. A number of recent events have increased supply chain complexity and challenged reliability, including the global pandemic, evolving international trade relations tensions, labour shortages, constraints on the availability of raw materials and risk of engaging with suppliers who are either directly or indirectly implicated in modern-day slavery. These risks will continue to manifest with increasing supply chain costs, lead times and delays in obtaining goods and services, which could result in operational disruption.	 	Aurizon is addressing these challenges by working closely with key suppliers, assessing and managing supply chain resilience and taking action to diversify supplier bases, including the creation of dual supply. Our key focus remains on demand forecasting, refreshing inventory management approaches and strengthening inventory levels, and through monitoring of emerging supply chain risks. In December 2021, Aurizon published its second Modern Slavery Statement, which addresses the Company's obligations contained in the <i>Modern Slavery Act 2018 (Cth)</i>.
People and Capability	Aurizon's workforce comprises individuals with a wide array of specialist skills, technical knowledge and subject matter expertise. An inability to attract and retain talent with the right skill sets necessary to drive the business forward could have material negative impacts on Aurizon's market value proposition and ability to compete. This could result in adverse financial impacts, reputational damage, suboptimal service delivery, employee disengagement and other adverse impacts.	 	Talent attraction and retention strategies have been implemented including career progression pathways, remuneration and other incentives, and through investment in learning and internal development opportunities. People and capability planning also forms part of organisational and business strategy development, such as the identification of critical roles to inform recruitment strategies.
Delivery of Transformation Programs	Aurizon has a range of programs and initiatives, focusing on transformation to: › be more cost competitive › support the development of compelling service offerings › enable longer term growth ambitions; and › improve safety and operational processes. Impacts of non-delivery include reduction in EBITDA margins, not achieving budget and failure to maximise volumes within customer contracts with reputational risk impact and suboptimal return on capital deployed undermining the long-term Board Strategy.	 	Each of the transformation programs has a structure and reporting process to support effective delivery, including: › Steering Committee structures and Executive sponsors › oversight and reporting from the Program Liaison Office › dedicated transformation change management support › business-unit led transformation and continuous improvement function › assurance activities.

RISK	RISK DESCRIPTION AND POTENTIAL IMPACTS	IMPACTS AND INFLUENCE	MANAGEMENT RESPONSE
Greenhouse Gas Emissions, Metrics and Targets	Aurizon is an emitter of GHG (Greenhouse Gases) through consumption of fossil fuels used in delivering services to customers and in the creation, purchase and utilisation of our assets. Under the Safeguard Mechanism, Aurizon is required to maintain its scope 1 emissions below regulated baselines. Failure to do so could expose Aurizon to direct carbon costs and/or regulatory action. Australian and international governments will continue to evolve expectations on emissions management and reporting, which could impact Aurizon. Aurizon has set targets for the reduction of emissions; however, with a large, complex and multi-year decarbonisation program there are risks relating to: › the ability to reduce those emissions as committed to the market › the availability of technology at scale to meet those ambitions › the targets, or actions taken in progressing towards those targets, not being considered sufficient to key stakeholders. These risks could result in increasing operational costs, damage to social licence, shareholder action or litigation or other reputational impacts.	  LIMITED INFLUENCE SIGNIFICANT INFLUENCE	Aurizon is taking action to: › design, invest and support the delivery of fleet decarbonisation projects and carbon abatement initiatives › incorporate the assessment of the impact on greenhouse gas emissions as part of investment decision-making, › engage with government and regulators regarding policy and advocacy to promote fair and equitable treatment of rail as a low carbon form of land-based bulk freight transportation. Aurizon provides accurate and timely reporting of emissions and provides information about the programs in hand to reduce those emissions. For more information on our approach to climate change, including risks relating to decarbonising and reporting, refer to the annual Sustainability Report.
MARKET RISK			
Competition	Aurizon may face competition from parties willing to compete at reduced margins, with lower returns or greater risk positions than Aurizon would accept. Market factors and changes in customer expectations may compel Aurizon to take on more risk or reduce rates to retain customers or win new work. Increased competition may come from new entrants or existing competitors and could include customers in-sourcing services, impacting Aurizon's competitiveness, and is a risk to future financial performance.	  LIMITED INFLUENCE SIGNIFICANT INFLUENCE	To reduce exposure to competition risk, management is focused on the delivery of high-quality service to support recontracting of existing key customers on long dated terms wherever possible. In addition, strategic targeting of suitable growth and new work winning opportunities is in place across all business units supported by a central strategy team.
Counterparty	Macroeconomic drivers may degrade overall counterparty quality and creditworthiness. A move from some to divest coal assets and new Bulk customer profiles are changing Aurizon's counterparties. Deterioration of counterparty quality could stem from volatile commodity demand, production rates and commodity price, which increase the risk of a counterparty default, challenges of operator solvency, stranded asset risk or financial losses.	  LIMITED INFLUENCE SIGNIFICANT INFLUENCE	The Market Intelligence, Strategy and Business Unit teams work together to assess long-term demand planning and mine viability analysis and support the strategic targeting of suitable growth opportunities. Counterparty credit quality is assessed and monitored by treasury and business unit leadership teams.

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW

RISK	RISK DESCRIPTION AND POTENTIAL IMPACTS	IMPACTS AND INFLUENCE	MANAGEMENT RESPONSE
Evolving Commodity Demand	Aurizon is linked to the demand for and supply of Australian commodities, and notably to coal, and those commodities are almost entirely destined for export markets in Asia. A quicker transition away from global seaborne coal demand could impact Aurizon's coal customer volumes, exacerbate key market dependencies and commodity mix and negatively impact customer pricing. A failure to recognise this transition could also lead to suboptimal investment decisions and missed opportunities for non-coal customers.	 	The Bulk Growth Strategy was developed to set out a proactive approach to the evolution of commodity supply and demand, targeting diversification of revenue streams, including fleet cascade opportunities from the Coal fleet to support Bulk growth. The Strategy in Uncertainty Framework enables the monitoring of key market indicators and, alongside Free Cash Flow modelling, supports informed decision-making relating to work winning, capital investment and other core business decisions. For more information on our approach to climate change, including risks relating to supply and demand of commodities, refer to the annual Sustainability Report.
Environment and Finance	As the transition to a lower carbon global economy continues to gain momentum, the availability and cost of debt capital may become more challenging for the mining and logistical services sectors. The availability and cost of insurance may also be impacted as some insurers seek to reduce their exposure to fossil fuel industries. Investor sentiment and shareholder expectations will continue to focus increasingly on Environmental and Social Governance (ESG) related issues. Where these risks are unmitigated, they could impact the financial viability of our current clients, restrict future mining investments, lead to increasing costs of finance and insurance, or, where investor expectations are unmet, damage to reputation and social licence to operate.	 	Early renegotiation of maturing debt helps to ensure capacity of funding and reduce impacts of increasing costs of funding. For the details of the maturity profile of existing financing arrangements, please refer to Note 18 of the Financial Report. Ongoing engagement with insurers and brokers allows closer understanding of market developments to allow policy design and renewal programs to be designed accordingly. For more information on our approach to climate change, including risks relating to financing and insurance, refer to our Climate Strategy and Action Plan and the annual Sustainability Report.
Geopolitics	Aurizon's customer base is exposed to fluctuating overseas demand for Australian bulk commodities, predominantly in key export markets in South-East Asia. Recent geopolitical developments, particularly in relation to Australia's trade relationship with China, and the Russian invasion of Ukraine, have the potential to impact Australian coal and other bulk commodity exports. Instability in trade relations could impact demand resulting in changes to end customer profitability or viability, or disrupt global supply chains, which in turn affect Aurizon's financial performance.	 	The Bulk Growth Strategy has been developed to target diversification of revenue streams. The Strategy in Uncertainty Framework enables the monitoring of key market indicators, including geopolitical risk factors, which then supports informed decision-making relating to work winning, capital investment and other core business decisions. Active situation monitoring of political and international trade performance allows for the identification of impacts and appropriate planning.

RISK	RISK DESCRIPTION AND POTENTIAL IMPACTS	IMPACTS AND INFLUENCE	MANAGEMENT RESPONSE
Regulation and Compliance	Aurizon's operations and financial performance are subject to legislative and regulatory oversight. Unfavourable regulatory changes may occur with respect to access regimes, safety accreditation, taxation, carbon reduction, environmental and industrial (including occupational health and safety) regulation, government policy and approval processes. Implementation of these changes may have a material adverse impact on project investment, Aurizon's profitability and business in general, as well as Aurizon's customers. Aurizon is also exposed to the risk of material regulatory breaches resulting in the loss of operating licences, additional regulatory oversight and financial penalties. In the event of a loss of licence, critical business operations may not be supplied to customers, impacting profitability and reputation.	 LIMITED INFLUENCE SIGNIFICANT INFLUENCE	Aurizon is an active participant in consultation on future legislation, and provides participation and leadership within industry advocacy groups to bring influence on regulatory change as needed. In relevant jurisdictions where Aurizon is the Access Provider, prior to submissions being made to the relevant regulator, engagement with industry groups is sought to reduce the risk of adverse regulatory outcomes. To enable our people to support the business's compliance with legislative requirements, employee training and education are provided, along with the Employee Code of Conduct, and internal quality assurance, checks and controls.
Macroeconomic	After an extended period of low interest rates and inflation for several years, both are starting to climb. The price of electricity and fuel has increased notably, impacting core costs of Aurizon's service delivery. In April 2022, the International Monetary Fund (IMF) reduced its forecast for global economic growth post pandemic and, in June 2022, the World Bank has warned of an increased risk of global recession. Aurizon is exposed to changes in the macroeconomic environment. This includes economic growth driving or restricting demand for commodities hauled, as well as exposure to increasing costs in delivering of services, in servicing debt obligations and through an exposure to the financial viability of key customers and suppliers.	 LIMITED INFLUENCE SIGNIFICANT INFLUENCE	The majority of Aurizon's debt funding is in the Network business unit, with interest rate movements being recovered through Network's WACC. The remaining interest rate exposure is managed primarily by maintaining a mix of fixed and floating rate borrowings. In contemplation of the future debt structure post the acquisition of One Rail and in contemplation of a changing interest rate landscape, the Treasury policy is being refreshed. Hedging strategies are employed to manage some exposures, including foreign exchange risk. Please refer to Note 18 to the Financial Report which sets out Aurizon's approach to Financial Risk Management. Escalation clauses in revenue contracts provide some protection against increasing costs of service delivery through inflation recovery, and counterparty credit monitoring and supply chain resilience reviews consider financial viability to manage credit risk.
STRATEGIC RISK			
Delivering Bulk Growth	Aurizon aspires to double Bulk EBIT by 2030, and therefore faces the risk of failing to achieve this target. This could occur due to an inability to identify and execute suitable growth opportunities, a lack of available resources and funding or other associated factors. Failing to achieve this deliverable could result in stranded assets, material damage to investor sentiment, and reputational damage.	 LIMITED INFLUENCE SIGNIFICANT INFLUENCE	A clear strategy has been developed to achieve this objective by diversifying our Bulk portfolio and expanding our supply chain services. To support the delivery of Bulk Growth strategy, allocation has been made of appropriate resources, funding and expertise, along with the identification and targeting of multiple success pathways for organic and inorganic growth, to support delivery of this strategic objective.

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW

RISK	RISK DESCRIPTION AND POTENTIAL IMPACTS	IMPACTS AND INFLUENCE	MANAGEMENT RESPONSE
One Rail Australia – Divestment of East Coast Rail (ECR)	On 29 July 2022, Aurizon completed the acquisition of One Rail Australia. One Rail's coal haulage business in New South Wales and Queensland, known as East Coast Rail (ECR), will be divested under the terms of an undertaking given to the Australian Competition and Consumer Commission (ACCC). There is a risk that Aurizon fails to divest ECR in an optimal and timely manner. Failure to effectively divest ECR could result in financial losses, negative investor sentiment, reputational damage and impairment on the achievement of strategic objectives.	  LIMITED INFLUENCE SIGNIFICANT INFLUENCE	Aurizon has commenced a dual track process for the divestment, to be completed via a trade sale or demerger. Until divestment, ECR will be held and operated separately to Aurizon, with an independent Board and management and an Independent Manager approved by the ACCC. A divestment project team has been established and provided with appropriate resources to ensure optimal deal execution is achieved, including the use of experts throughout due diligence and transaction phases to build divestment readiness. The Board will continue to receive regular updates relating to transaction progress and risk through regular meetings with management and reporting.
One Rail Australia – Integration	Aurizon's ability to generate value from the acquisition of One Rail is dependent on the successful integration of One Rail into Aurizon's Bulk business unit. Aurizon faces the risk that it fails to effectively integrate One Rail and to achieve the underlying business case and associated financial benefits of the acquisition. Materialisation of these risks could result in financial losses, negative investor sentiment, reputational damage and impairment on the achievement of strategic objectives.	  LIMITED INFLUENCE SIGNIFICANT INFLUENCE	An integration project team has been established and provided with appropriate resources to ensure effective integration and longer-term value generation for the Bulk business unit. The Board will receive regular updates relating to integration progress and risk through regular meetings with management and reporting.
Fleet Strategy	Aurizon's ability to effectively serve its customers is largely dependent on its ability to make optimal use of its long-life operational assets. Suboptimal management of the Aurizon fleet resulting in degraded operational performance could result in financial losses attributable to performance penalties, foregone demand or failure to deliver on key strategic objectives, such as growing Bulk earnings. Lack of alignment with organisational strategy or suboptimal development or execution of the near- and longer-term fleet strategy can impact the pursuit of opportunities, erosion of customer and investor confidence, and safety risks for employees and the broader public. As we prepare to decarbonise our fleet, new technology will be employed that may not be sustainable, may result in financial losses or may cause delays in meeting our climate commitments.	  LIMITED INFLUENCE SIGNIFICANT INFLUENCE	Aurizon regularly reviews both fleet allocation and performance to optimise service delivery. Track-based condition monitoring equipment provides real-time data to support efficient maintenance practices and performance management. Specific transformation initiatives have been undertaken to improve asset availability, reliability and utilisation while optimising total operating costs. A key focus has been the development of an over-arching Fleet Strategy that addresses: › the divergence in demand outlook between coal and non-coal markets › the imperative to deliver an ambitious but credible decarbonisation pathway towards net-zero operational emissions. This Strategy combines operational, financial, and market intelligence to understand the value implications of fleet positions (e.g., long/short; surplus/deficit) and prioritise strategic interventions. It also applies an enterprise lens to fleet decision-making that seeks to point assets to the right value-creating opportunities and time horizons so that Aurizon can sustainably achieve both its free cash flow resilience objectives and decarbonisation ambitions.

Sustainability

Aurizon keeps stakeholders informed of our corporate governance and financial performance via announcements to the Australian Securities Exchange (ASX) and our website. Investors can access copies of announcements to the ASX, notices of meetings, annual reports, policies, investor presentations, webcasts, and transcripts of those presentations on our website.

In addition to the above disclosures, we take a direct approach to reporting environmental, social and governance (ESG) disclosures to our stakeholders with the publication of our annual Sustainability Report.

We recognise that our climate change disclosures are one of the key areas of interest to stakeholders. Since 2017, we have aligned our climate-related disclosures to the Task Force on Climate-related Financial Disclosures (TCFD) as recommended by the Financial Stability Board. This framework enables consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders.

In June 2022, we received a 'Comprehensive' rating, the highest rating for an eighth consecutive year by the Australian Council of Superannuation Investors (ACSI) for corporate sustainability reporting in Australia.

Safety

At Aurizon, we are committed to protecting ourselves, each other, and our communities. We are determined to focus on managing what matters, with a specific focus on identifying and learning from events that have the potential for Serious Injury and Fatality (SIF).

In FY2022, the primary safety metrics to measure safety performance across the enterprise were Total Recordable Injury Frequency Rate (TRIFR) and Rail Process Safety (RPS).

Importantly, none of our people were seriously or fatally injured while at work.

TRIFR was 8.41 injuries per million hours worked, which was an 18% improvement against the prior comparative period. Several injury prevention and management initiatives to reduce the frequency of low severity injuries were implemented in FY2022. There is ongoing support to embed Telehealth and proactive intervention strategies to ensure our people are provided support whenever it is needed.

Rail Process Safety, which measures operational rail safety, including derailments, signals passed at danger, and rollingstock collisions (expressed per million train kilometres) improved by 17% against the prior comparative period to 4.24. Aurizon continues to progress several strategic initiatives, including a community of practice focused on improving yard safety interfaces to reduce the number of yard incidents. RPS as a consolidated frequency rate measure will no longer be reported internally or externally after FY2022. Instead, the sub-component parts will continue to be managed and monitored by management and operational leaders.

In FY2023, Aurizon is changing its key operational safety metrics as foreshadowed in our half-year results by removing RPS and replacing it with SIF Rate, including both actual and potential events (SIFR(a+p)). The measure change is important for Aurizon as it recognises our significant growth journey and operational diversification. While SIF actual and potential events have been internally reported, in FY2023 we will now be monitoring the rate of SIF actual and potential events across our operation, per million hours worked. Unlike RPS, SIFR(a+p) captures our full breadth of activities across ports, terminals, road transport, and broader infrastructure activities. As such, it will help direct our efforts to preventing serious injury events across all of Aurizon's operations.

During FY2022, we have continued to embed our Safety Strategy through nine key priorities focused on building and implementing simple systems and processes, understanding and controlling safety hazards and risks, and building leadership capability with a strong in-field presence.

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW

Environment

We recognise that we are responsible for helping our local communities and supply chains to deliver environmental value through effective management of environmental risks and improved enterprise environmental performance. We employ proactive and evidence-based management measures covering key environmental issues such as climate change, resource use and clean air.

In FY2022, Aurizon contributed to the development of Rail Industry Safety and Standards Board's (RISSB) Train Horn Use Code of Practice (CoP). The CoP seeks to minimise horn use impacts on the community whilst maintaining safe operations, through standardisation of network rules and improved driver awareness.

Aurizon continues to work collaboratively with supply chain partners to minimise coal dust emissions associated with Aurizon's coal haulage operations. Data from the CQCN opacity monitoring stations indicated FY2022 continued to yield low rates of coal dust loss from tops of wagons well below the long-term average. For further detail in relation to coal dust management and monitoring processes, refer to Aurizon's annual Sustainability Report.

Aurizon successfully transitioned its Safeguard Mechanism Facilities (covering Scope 1 GHG emissions associated with rail activities in QLD and WA) from reported safeguard baselines to production-adjusted safeguard baselines. To date, Aurizon has not been required to purchase or retire Australian Carbon Credit Units (ACCUs) to meet its obligations under the safeguard mechanism. This has been achieved through effective management of its scope 1 emissions intensity to remain below baselines.

In FY2022, Aurizon launched its Cultural Heritage Governance Framework (CHGF). Leading the CHGF is a Commitment Statement which is *'to minimise our impact on Indigenous and non-Indigenous cultural heritage through a framework founded on knowledge, understanding and respect.'* The CHGF provides an implementation framework, specifying jurisdictional requirements, articulating responsibilities, accountabilities, and providing direction to bespoke guidelines and procedures. The CHGF is supported by a Cultural Heritage Awareness learning package available to all Aurizon employees.

In FY2022:

- › Aurizon did not incur any fines, penalties or prosecutions arising from environmental or cultural heritage related incidents; and
- › Aurizon had three notifiable environmental incidents. Remedial actions were implemented as required and no ongoing material environmental impacts are anticipated.

People

At Aurizon, our people are our greatest asset. We have over 5,000 employees, with more than 85% living and working in regional Australia, including more than 20% of our senior management. Our Aurizon values (Safety, People, Integrity, Customer and Excellence) guide our people's work, in delivering bulk commodities to the world, and are underpinned by a workplace culture of connection to enable great outcomes.

Through our commitment to safe and efficient delivery for our customers, we are building our workforce for the future. Strong leadership, culture and values-aligned people practices lay the foundation to achieve this. During the year we progressed key initiatives, including:

- › embedding our three core Leadership programs designed to embed a safe and high performing culture where our people live our values and are engaged and enabled to do their best work
- › supporting development at all levels, with targeted capability programs and a new, self-paced learning platform
- › further improvements to our people, processes and systems with a focus on our annual performance, talent and succession process facilitating the development of our internal talent pool. This engages and retains valued employees, and their knowledge, while reducing external recruitment costs and ensures we maintain our focus on our current and future capability requirements
- › continuing to strive towards creating an inclusive culture by embedding flexible work practices, creating awareness and driving action for inclusion through employee representative groups (across gender, Aboriginal and Torres Strait Islander and LGBTQIA+ inclusion), meeting workforce representation targets and actively reducing the gender pay gap.

Directors' Report (continued)

REMUNERATION REPORT

Dear fellow shareholders

On behalf of the Board, we are pleased to present Aurizon's Financial Year (FY) 2022 Remuneration Report. The Board believes that the Company has performed well and wishes to recognise the Leadership Team's performance in executing our business strategy and for achieving key milestones during the year. The Board would also like to thank all employees for their commitment and contributions throughout the year.

Aurizon delivered Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) in FY2022 of \$1,468 million. This was a solid result given the uncertain business environment during the period, including major flooding events on the East Coast of Australia and ongoing COVID-19 related impacts on production for many of our customers. Aurizon's ability to deliver within guidance demonstrates the resilience of our Company, with strong operating discipline and revenue protection mechanisms in place, and the ongoing efforts and dedication of our employees during a challenging time.

Despite 4% lower volumes in FY2022, the Coal business recorded higher Underlying EBITDA of \$541 million, which represented a 1% increase compared to FY2021.

The Network business achieved an Underlying EBITDA of \$801 million, down 6% compared to FY2021. Revenue reduced by 3%, with volumes in FY2022 lower than the regulatory forecast resulting in an under-recovery of revenue.

The Bulk business recorded an Underlying EBITDA of \$130 million which was down 7% compared to the prior period. This was the result of lower volumes, due to the end of contracts for Mt Gibson and Queensland livestock and one-off factors such as stand-up costs associated with new contracts, weather and an extended shut-down by a major customer which more than offset 7% revenue growth. After year end, in July 2022, we were pleased to announce that Aurizon had received the regulatory approval to progress with the acquisition of One Rail Australia. This is a significant outcome for Aurizon and a great opportunity to grow and expand our service offering. Delivering on the growth from this acquisition and integration synergies will be a key focus for management with targets being built into management scorecards to drive outcomes for shareholders.

The Short Term Incentive (STI) Award for FY2022 continued to be based on annual performance measures of Underlying EBITDA, Safety and Individual Key Deliverables. Business Unit earnings metrics also continue to be used for Bulk, Coal and Network.

In FY2022, Group Underlying EBITDA achieved a Target performance with Underlying EBITDA outcomes varying across the Business Units. Network achieved an Underlying EBITDA outcome above Target, Coal achieved an outcome just below Target performance while Bulk was below Threshold.

At Aurizon, we are committed to protecting ourselves, each other and our communities. In FY2022, we retained two primary safety metrics to measure safety outcomes across the enterprise including Total Recordable Injury Frequency Rate (TRIFR) and Rail Process Safety (RPS), which measures operational safety including derailments, signals passed at danger and rollingstock collisions. There has been a significant improvement in both TRIFR (17.6% improvement) and RPS (17.3% improvement) against the prior year with both metrics achieving Stretch performance for FY2022.

The STI Award also considers performance against individual objectives which vary for Key Management Personnel (KMP). Throughout the year progress has been made against key transformation initiatives to improve efficiency and competitiveness, continue growth plans within the Bulk contract book including capital optimisation and fleet cascading to support this growth, continuing with inorganic growth plans and continued improvement of safety and performance culture.

Through Aurizon's Climate Strategy and Action Plan (CSAP), which forms part of Executive performance deliverables, we continue to focus on specific initiatives to build resilience, manage risk, leverage opportunities and decarbonise our operations. During FY2022, we have continued to progress our fleet decarbonisation program, which is supported by a multi-year research program and industry partnerships. Aurizon and Anglo American entered into an agreement to conduct a feasibility study exploring the application of Anglo American's proprietary hydrogen fuel cell and hybrid battery power units in heavy haul freight operations. Aurizon Network also finalised a new electricity contract for the Central Queensland Coal Network which includes 25% energy acquired from renewable sources such as solar and wind farms.

The varied performance across the Enterprise and Business Unit earnings measures, the significant improvement in safety measures and performance against individual measures are reflected directly in the STI payments for our Executive KMP. The Board has determined that an overall outcome above Target will be awarded to Coal, Network and Support Unit participants and an overall outcome below Target will be awarded to Bulk participants.

The Long Term Incentive (LTI) Award performance measures are Return on Invested Capital (ROIC) and relative Total Shareholder Return (TSR). During FY2022, the 2018 LTI Award was subject to testing. No portion of the TSR component vested and these rights will lapse. ROIC achieved an outcome above the maximum vesting point and therefore 50% of the total award will vest in August 2022.

The Board considers that these overall remuneration outcomes reach an appropriate balance between business performance, shareholder outcomes and recognising the value-adding contribution of the Leadership Team.

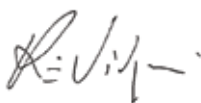
During FY2022, the Board continued to review and refine Aurizon's Remuneration Framework. With the continued growth of the business beyond rail, from FY2023 Aurizon is moving to a more comprehensive safety metric, Potential Serious Injury and Fatality Frequency Rate (SIFRa+p). Encompassing all our activities across rail, ports, terminals, road transport and broader infrastructure, this measure will support our efforts in preventing serious injury events and driving improved safety performance. This metric will replace RPS. In addition, in response to shareholder feedback and to further align incentive structures with business strategy, the strategic transformation measure in the 2022 LTI Award will change from a non-coal gross revenue growth measure to a non-coal Underlying EBITDA growth measure. This change will continue to recognise the importance of growth opportunities as we build non-coal revenue across our portfolio but also ensures the Leadership Team maintains focus on driving value from the Bulk business, including the One Rail and ConPorts acquisitions. Further changes may be implemented from FY2024 to ensure the framework continues to deliver against our remuneration principles, long-term strategic outlook and to ensure it remains effective in driving strong performance.

We are grateful for your ongoing support.

Yours faithfully



Tim Poole
Chairman



Kate Vidgen
Chair, Remuneration and People Committee

Directors' Report (continued)

REMUNERATION REPORT

1. Remuneration Report Introduction

Aurizon's remuneration practices are aligned with the Company's strategy of providing rewards that drive and reflect the creation of shareholder value while attracting and retaining Directors and Executives with the right capability to achieve results.

The Remuneration Report for the year ended 30 June 2022 is set out as per Table 1. The information in this Report has been audited.

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2. Directors and Executives

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

The Non-Executive Directors and Executives that formed part of the KMP for the Financial Year (FY) as at 30 June 2022 are identified in Table 2.

Table 3 identifies other persons who were KMP at some time during FY2022.

TABLE 2 — KEY MANAGEMENT PERSONNEL

NAME	POSITION
NON-EXECUTIVE DIRECTORS	
T Poole	Chairman, Independent Non-Executive Director
M Bastos	Independent Non-Executive Director
R Caplan	Independent Non-Executive Director
S Lewis	Independent Non-Executive Director
S Ryan	Independent Non-Executive Director
L Strambi	Independent Non-Executive Director
K Vidgen	Independent Non-Executive Director
EXECUTIVE KMP	
A Harding	Managing Director & Chief Executive Officer
P Bains	Group Executive Network
G Lippiatt	Chief Financial Officer & Group Executive Strategy
C McDonald	Group Executive Bulk
E McKeiver	Group Executive Coal

TABLE 3 — FORMER KEY MANAGEMENT PERSONNEL

NAME	POSITION
FORMER NON-EXECUTIVE DIRECTOR	
M Fraser ¹	Independent Non-Executive Director

¹ M Fraser retired on 11 February 2022.

3. Remuneration Framework Components

Total Potential Remuneration

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

- › **Fixed remuneration** (not 'at risk') that comprises salary and other benefits, including superannuation
- › **Short Term Incentive Award (STIA)** ('at risk' component, awarded on the achievement of performance conditions over a 12-month period) that comprises both a cash component and a component deferred for 12 months into equity which is subject to claw-back for financial misstatements and misconduct
- › **Long Term Incentive Award (LTIA)** ('at risk' component, awarded on the achievement of performance conditions over a four-year period) that comprises only an equity component.

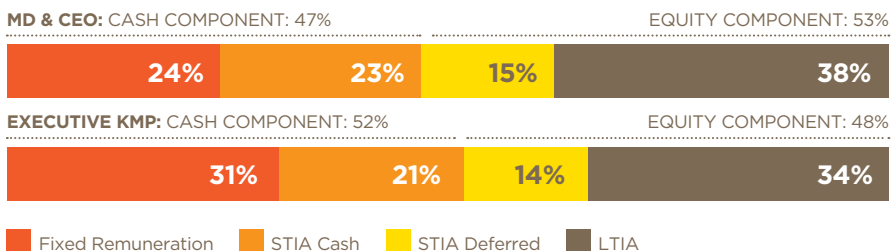
The structure is intended to provide an appropriate mix of fixed and variable remuneration, and provide a combination of incentives intended to drive performance against the Company's short and longer-term business objectives.

The mix of potential remuneration components for FY2022 for the MD & CEO and Executive KMP is set out in Figure 1: Total potential remuneration. The remuneration mix for MD & CEO and remaining Executive KMP remains unchanged.

Executive Remuneration Governance

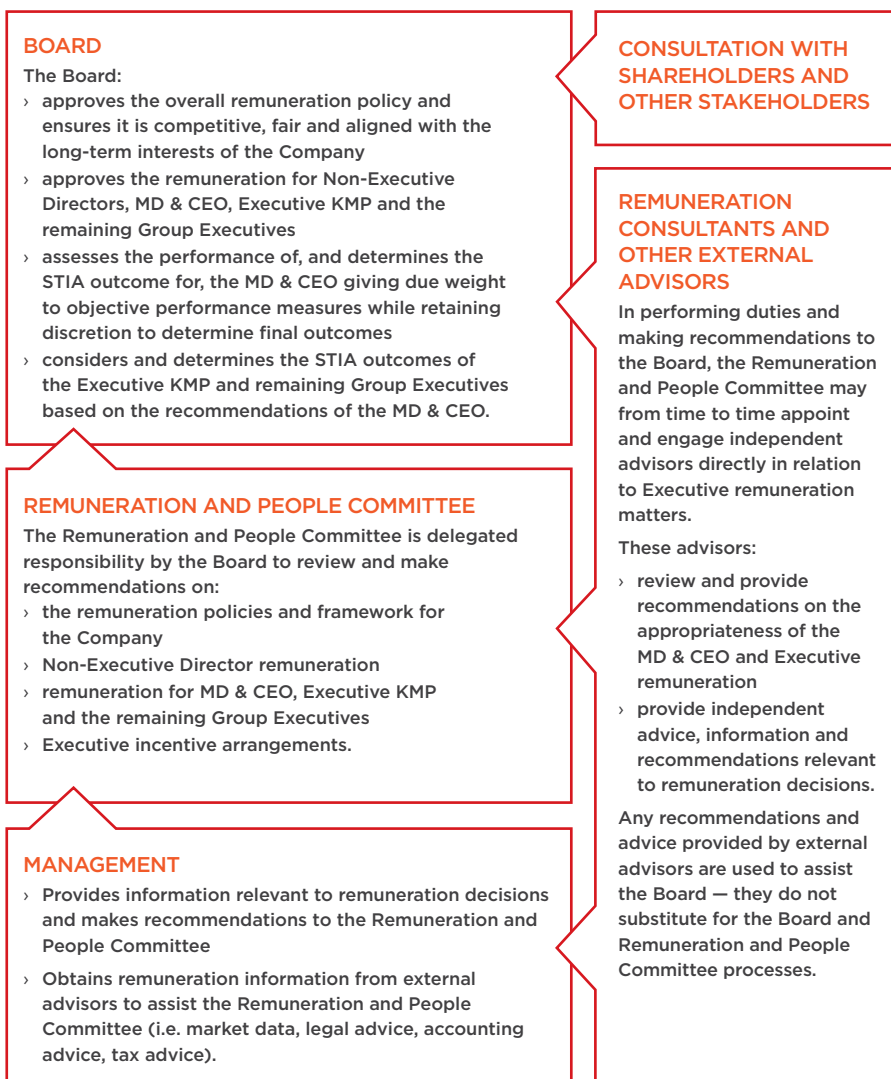
Figure 2 represents Aurizon's remuneration governance framework. Details on the composition of the Remuneration and People Committee (Committee) are set out on page 9 of this report. The Committee's Charter is available in the Governance section of the Company's website at www.aurizon.com.au.

FIGURE 1 — TOTAL POTENTIAL REMUNERATION¹



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

FIGURE 2 — REMUNERATION GOVERNANCE FRAMEWORK



Directors' Report (continued)

REMUNERATION REPORT

Remuneration Framework and objectives

The Board is continuing to review and refine Aurizon's Remuneration Framework. Summarised in Figure 3 are the changes that were implemented in FY2022 and the changes being implemented in FY2023. Further changes may be implemented from FY2024 to ensure the framework continues to deliver against our remuneration principles, long-term strategic outlook and to ensure it remains effective in driving strong performance.

FIGURE 3 — REMUNERATION FRAMEWORK AND OBJECTIVES

	PERFORMANCE MEASURE	STRATEGIC OBJECTIVES AND LINK TO PERFORMANCE	FY2022 AND FY2023 FRAMEWORK CHANGES
FIXED REMUNERATION	Considerations: › Experience and qualifications › Role and responsibility › Retain key capability › Reference to remuneration paid by similar sized companies in similar industry sectors › Internal and external relativities.	› To attract and retain Executives with the right capability to achieve results.	Effective 1 July 2021, fixed remuneration increases were provided to ensure alignment with external peer group: › MD & CEO: from \$1.717m to \$1.75m (1.9%) › Other Executive KMP: between 1.5% and 7.1%. The Board reviews Executive remuneration annually.
SHORT TERM INCENTIVE AWARD	› Underlying EBITDA (Enterprise and, if applicable, Business Unit) (60%) › Safety (10%) › Individual (30%) Measured over a one-year performance period Participants can earn up to a maximum of 150% of 'at-target' percentage STIA at Risk: MD & CEO: Target 100% of Fixed Remuneration and maximum 150% of Fixed Remuneration Other Executive KMP: Target 75% of Fixed Remuneration and maximum 112.5% of Fixed Remuneration.	The financial and non-financial performance measures were chosen because: › Underlying EBITDA delivers direct financial benefits to shareholders › Safety drives a continuous safety improvement culture and embeds safe, efficient and effective processes across all aspects of a heavy industry business › Individual aligns employee contribution to the achievement of Aurizon's strategy. At the start of the performance year the Board determines the MD & CEO's individual deliverables. Relevant measures are cascaded to the Executive Committee and throughout the organisation.	› From FY2022 the financial performance measure was adjusted to Underlying EBITDA in place of Underlying EBIT in line with guidance reporting › From FY2023 there will be increased focus and alignment of KMP individual deliverables with the Climate Strategy and Action Plan (CSAP) › As flagged at FY2022 half-year results the FY2023 safety measure Rail Process Safety (RPS) will be replaced with Potential Serious Injury and Fatality Frequency Rate (SIFRa+p) measure. The weightings remain unchanged.
LONG TERM INCENTIVE AWARD	› Relative Total Shareholder Return (TSR) (25%) › Strategic Transformation (25%) › Return on Invested Capital (ROIC) (50%) Measured over a four-year performance period LTIA at Risk (Maximum): MD & CEO: 150% of Fixed Remuneration Other Executive KMP: 112.5% of Fixed Remuneration.	› Relative TSR is a measure of the return generated for Aurizon's shareholders over the performance period relative to a peer group of companies (from the ASX100 Index) › Strategic Transformation reflects the growing aspirations of the Bulk business and other non-coal investments › ROIC reflects the fact that Aurizon operates a capital-intensive business and our focus should be on maximising the level of return generated on the capital we invest Note: Minimum shareholding requirements for Executive KMP and the remaining Group Executives encourage retention of shares and alignment with shareholder interests.	› From the 2021 Award, a strategic transformation measure (25% weighting) was introduced which reduced the portion of the award weighted towards relative TSR (from 50% to 25% weighting) › From the 2022 Award the strategic transformation measure will change from Non-Coal Gross Revenue Growth to Non-Coal Underlying EBITDA Growth. The weightings remain unchanged.

Total Remuneration

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

4. Company Performance for Financial Year 2022

Aurizon reported Group Underlying EBITDA of \$1,468 million for continuing operations for year ended 30 June 2022 in line with the EBITDA guidance range (\$1,425m–\$1,500m).

This was a solid result given the uncertain business environment during the period, including major flooding events on the East Coast of Australia and ongoing COVID-19 related impacts on production for many of our customers. Aurizon's ability to deliver within guidance demonstrates the resilience of our Company, with strong operating discipline and revenue protection mechanisms in place, and the ongoing efforts and dedication of our employees during a challenging time.

Table 4 shows historical Company performance across a range of key measures. Performance across earnings and individual measures is reflected directly in STIA payments. Detail related to performance against the FY2022 STIA performance measures is provided in Table 6 (page 40). Table 8 (page 41) provides additional information related to the LTIA performance outcomes.

TABLE 4 — HISTORICAL COMPANY PERFORMANCE AGAINST KEY MEASURES

KEY PERFORMANCE MEASURES	DESCRIPTION	FY2022	FY2021	FY2020	FY2019	FY2018
Group Underlying EBITDA ¹	\$m	1,467.6	1,482.2	1,467.6	1,371.6	1,466.1
Bulk Underlying EBITDA ¹	\$m	130.1	139.9	110.1	54.5	75.2
Coal Underlying EBITDA ¹	\$m	541.2	533.3	616.4	609.8	611.2
Network Underlying EBITDA ¹	\$m	801.3	848.8	798.1	721.2	788.6
Return on Invested Capital (ROIC)	%	10.3	10.7	10.9	9.7	10.9
Total Recordable Injury Frequency Rate (TRIFR)	per million work hours	8.41	10.21	9.92	11.07	10.02
Rail Process Safety (RPS)	per million train kilometres	4.24	5.13	4.74	4.38	5.08
Total Shareholder Return (TSR)	%	10.4	(14.9)	(9.6)	28.2	(13.6)
4-year TSR ²	%	13.8	(11.1)			
Share Buy Back	\$m	-	300	400	-	300
Share price at beginning of year	\$	3.73	4.80	5.40	4.32	5.32
Share price at end of year	\$	3.80	3.72	4.92	5.40	4.33
Dividends per share ³	cps	21.4	28.8	27.4	23.8	27.1
Dividends ⁴	\$m	394	533	529	474	540

1 Continuing operations.

2 Reporting on 4-year TSR was aligned to the commencement of a 4-year performance period from the 2017 LTIA. Prior to this the TSR was aligned to a 3-year performance period.

3 Dividends per share for each Financial Year (the final dividend is paid in the following financial year).

4 Dividends for each Financial Year (the final dividend is paid in the following financial year).

Directors' Report (continued)

REMUNERATION REPORT

5. Take Home Pay

Table 5 identifies the actual remuneration earned during FY2022 for Executive KMP.

The table has not been prepared in accordance with accounting standards but has been provided to ensure shareholders are able to clearly understand the remuneration outcomes for Executive KMP. Remuneration outcomes, which are prepared in accordance with the accounting standards, are provided in Section 10 (page 46).

Following a market review, effective 1 July 2021, fixed remuneration increases were provided to the MD & CEO (1.9%) and other Executive KMP (between 1.5% and 7.1%) to ensure alignment with external peer groups.

The remuneration outcomes identified in Table 5 are directly linked to the Company performance described in Section 6 (page 39) and Section 7 (page 41).

The actual STIA is dependent on Aurizon, Business Unit and individual performance as described in Section 6.

Varying performance across our key measures is also reflected directly in the STIA payments for our Executive KMP, which range from 50% to 83% of their potential maximum.

The actual vesting of the LTIA is dependent on Aurizon's performance and the outcomes are further described in Section 7.

During FY2022, the 2018 Award was subject to testing. No portion of the relative TSR component vested and these rights will lapse. ROIC achieved an outcome above the maximum vesting point and therefore 50% of this Award will vest in August 2022.

Movement in the Aurizon share price over the various performance periods is reflected in the remuneration outcomes for Executive KMP, aligning the Executive KMP outcomes with the shareholder experience.

TABLE 5 — REMUNERATION EARNED IN FINANCIAL YEAR 2022

NAME	FIXED REMUNERATION \$'000	NON-MONETARY BENEFITS ¹ \$'000	STIA CASH ² \$'000	STIA DEFERRED FROM PRIOR YEAR ³ \$'000	LTIA VESTING ⁴ \$'000	SHARE PRICE DEPRECIATION ⁵ \$'000	ACTUAL FY2022 REMUNERATION OUTCOMES \$'000
EXECUTIVE KMP							
A Harding	1,750	-	1,253	760	1,030	(142)	4,651
P Bains	800	-	447	313	422	(58)	1,924
G Lippiatt	750	-	398	223	140	(17)	1,494
C McDonald	710	-	239	257	341	(47)	1,500
E McKeiver	710	-	370	182	371	(53)	1,580

¹ Non-monetary benefits represent the value of Reportable Fringe Benefits for the respective FBT year ending 31 March.

² The amount relates to the cash component (60%) of the FY2022 STIA which will be paid in September 2022.

³ The amount relates to the deferred component (40%) of the FY2021 STIA which was awarded in performance rights and will become unrestricted in September 2022 (calculation based on share price of \$3.73 at date of issue).

⁴ The amount relates to the portion of the 2018 Award which was subject to testing in FY2022 but will vest in August 2022 (calculation based on share price of \$4.48 at date of issue).

⁵ The amount is the number of rights which vest multiplied by the increase or decrease in the Aurizon share price over the period ended 30 June 2022 (calculation assumes share price appreciation of \$0.07 Deferred STIA and a share price depreciation of \$0.68 LTIA).

6. Short Term Incentive Award

What is the STIA and who participates?

The STIA is 'at risk' remuneration subject to the achievement of pre-defined Company, Business Unit and individual performance measures which are set annually by the Board at the beginning of the performance period.

For each component of the STIA, three performance levels are set:

- › **Threshold**, below which no STIA is paid for that component
- › **Target**, which typically aligns to relevant corporate plans and budgets, a business improvement targeted outcome or reflects an improvement on historical achievement
- › **Stretch**, outcomes which are materially better than Target.

The STIA applies in a similar manner to other eligible employees. For the MD & CEO, Executive KMP and the remaining Group Executives a portion (40%) will be deferred into equity for a period of 12 months, which is subject to claw-back for financial misstatements and misconduct.

What are the Company performance measures?

The performance measures which apply to all participants are Underlying EBITDA, Safety and individual performance.

Business Unit measures are included in the scorecard for Bulk, Coal and Network.

Each measure has a defined level of performance. The measures drive a continuous safety improvement culture and strengthen and grow our current business while continuing to transform the Enterprise.

This is achieved through a focus on people and asset efficiencies while at the same time, delivering benefits to shareholders.

Individual performance measures relate to each specific role and measure an individual's contribution against a range of operational and strategic performance measures (including additional safety measures). At the start of the performance year the Board determines the MD & CEO's individual deliverables. Relevant deliverables are cascaded to the Executive Committee and throughout the organisation as reflected in Figure 4.

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

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

STIA outcomes are determined by calculating the performance outcome against the relevant weighted performance measure. Figure 5 provides an example of an at-target performance outcome.

What are the outcomes for FY2022?

Table 6 identifies the performance measures, relevant weightings and outcomes for FY2022. Target performance was achieved for Group Underlying EBITDA.

Underlying EBITDA outcomes varied across the Business Units, with Network achieving an outcome above Target performance, Coal achieving an outcome slightly below Target performance while Bulk performance was below Threshold.

During the year Aurizon has progressed a number of initiatives to accelerate safety performance improvement which has seen a significant improvement in both TRIFR and RPS. As a result, both TRIFR and RPS have achieved a performance outcome above Stretch.

The STIA also considers performance against individual deliverables which vary for Executives and are aligned to strategic enterprise objectives.

During FY2022, an example of a key individual deliverable has been progress against Aurizon's Climate Strategy and Action Plan (CSAP), including our fleet decarbonisation program, which is supported by a multi-year research program and industry partnerships, and a new electricity contract for the Central Queensland Coal Network which includes 25% energy acquired from renewable sources such as solar and wind farms.

From FY2023, a Potential Serious Injury and Fatality Frequency Rate (SIFRa+p) performance measure will replace RPS. Changing the metric will ensure safety remains core to the business with increasing focus on high severity events that have the potential to seriously injure our people.

The FY2022 actual outcomes for Executive KMP are identified in Table 7.

FIGURE 4 — STRATEGIC MEASURES CASCADING PROCESS

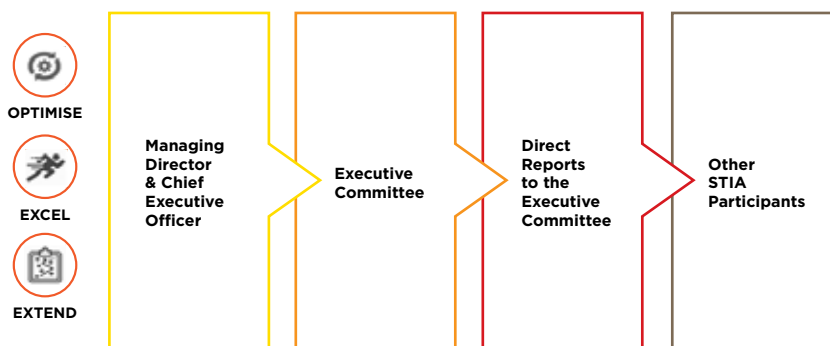
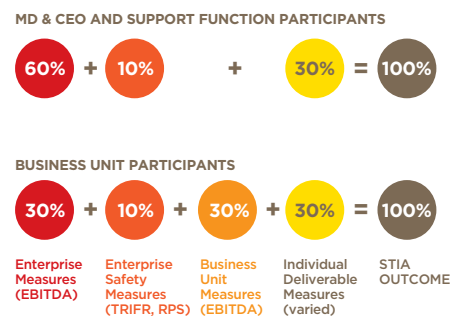


FIGURE 5 — STIA AT-TARGET PERFORMANCE OUTCOME CALCULATION



Directors' Report (continued)

REMUNERATION REPORT

TABLE 6 — SHORT TERM INCENTIVE AWARD FINANCIAL YEAR 2022 OBJECTIVES¹

PERFORMANCE MEASURE	WEIGHTING		TARGET	FY2022 PERFORMANCE OUTCOME
	MD & CEO & CFO	COAL, BULK & NETWORK		
ENTERPRISE				
Group Underlying EBITDA: Underlying EBITDA delivers financial benefit to shareholders through the achievement of underlying operating earnings	60%	30%	\$1,467m	\$1,468m
Group Safety: The measures drive a commitment to delivering a continuous safety improvement culture across all of the Company measured through equally weighted parameters which include:				
➤ Total Recordable Injury Frequency Rate (TRIFR)	5%	5%	9.19	8.41
➤ Rail Process Safety (Total Accident Rate and Signals Passed at Danger)	5%	5%	4.62	4.24
BUSINESS UNIT				
Coal Underlying EBITDA:			\$543m	\$541m
Bulk Underlying EBITDA:	-	30%	\$164m	\$130m
Network Underlying EBITDA:			\$793m	\$801m
INDIVIDUAL: At the start of the performance year the Board determines the MD & CEO's individual deliverables. These individual deliverables are based on the Aurizon strategy of continuing to optimise, excel and extend the business. Relevant measures are subsequently cascaded to the Executive KMP and throughout the organisation. During FY2022 key deliverables for the MD & CEO and across the organisation were:	30%	30%	Individual performance targets vary for each specific role	Personal outcomes for MD & CEO and Executive KMP varied between Threshold and Stretch depending on performance against individual KPIs
➤ Progress key transformation efforts to improve efficiency and competitiveness				
➤ Grow the Bulk contract book				
➤ Continue implementation of Aurizon's Climate Strategy and Action Plan				
➤ Capital optimisation and fleet cascading to support Bulk growth				
➤ Continue inorganic growth plans				
➤ Deliver safety and performance culture transformation plan.				
TOTAL OUTCOME	100%	100%	MD & CEO, CFO, Coal & Network Bulk	

¹ Company performance hurdles relate to continuing operations.

● Stretch ● Between Target and Stretch ● Target ● Between Threshold and Target ● Threshold ● Below Threshold

TABLE 7 — SHORT TERM INCENTIVE AWARDED IN FINANCIAL YEAR 2022

NAME	TARGET STIA \$'000	MAXIMUM POTENTIAL STIA \$'000	AWARDED FY2022 \$'000				% OF TARGET STIA	% OF MAXIMUM STIA ²
			STIA CASH COMPONENT	STIA DEFERRED SHARE COMPONENT ¹	TOTAL STIA PAYMENT			
EXECUTIVE KMP								
A Harding	1,750	2,625	1,253	835	2088	119	80	
P Bains	600	900	447	298	745	124	83	
G Lippiatt	563	844	398	265	663	118	79	
C McDonald	533	799	239	160	399	75	50	
E McKeiver	533	799	370	246	616	116	77	

¹ A portion (40%) of the STIA awarded in the form of rights to shares, which vest on the first anniversary of payment of the cash component subject to Board's ability to 'claw-back'.

² Executives have forfeited between 17% and 50% of their maximum potential outcomes.

7. Long Term Incentive Award

What is the LTIA and who participates?

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

What is the amount that Executives can earn through an LTIA?

The maximum potential remuneration (expressed as a percentage of Fixed Remuneration) available through the LTIA is 150% in the case of the MD & CEO and 112.5% for the remaining Executive KMP.

What is the performance period?

The company hurdles for the LTIA are measured over a four-year period. Retesting does not form part of any award.

What are the performance hurdles?

The 2018 Award through to the 2020 Award have two performance hurdles: Relative Total Shareholder Return and Average Return on Invested Capital. From the 2021 Award a Strategic Transformation measure was introduced to reflect the growing aspirations of the Bulk business and other non-Coal investments as outlined in Table 9.

How is the LTIA determined?

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

Each performance right is a right to receive one share in Aurizon upon vesting. The number of performance rights that vest is determined by performance outcomes compared against predetermined company hurdles as described in Table 8 and Table 9.

What happens when performance rights vest?

Performance rights awarded under the LTIA vest subject to the satisfaction of company hurdles. Rights vest and the resulting shares are transferred to the Executive at no cost to the Executive. Value of the award will be subject to movements in the Aurizon share price over the performance period, aligning Executive outcomes and shareholder experience.

Company performance and vesting outcomes for the 2018 LTIA are identified in Table 8. Partial vesting of the LTIA has occurred which is aligned with the shareholder experience over the performance period.

TABLE 8 — COMPANY PERFORMANCE AGAINST LONG TERM INCENTIVE AWARDS SUBJECT TO TESTING IN FINANCIAL YEAR 2022

COMPANY HURDLE AND PERFORMANCE MEASUREMENT PERIOD		WEIGHTING	RESULT	% VESTED	% LAPSED
2018 AWARD: 01 JULY 2018 — 30 JUNE 2022					
Relative TSR: against peer group within ASX100 Index	30% of rights vest at the 50th percentile, 75% at the 62.5th percentile up to 100% at the 75th percentile	50%	Below Median ●	0%	100%
ROIC: average annual ROIC FY2019-FY2022	50% of rights vest with an average ROIC of 9%, up to 100% at 10%	50%	10.3% ●	100%	0%

● Maximum ● Between Minimum and Maximum ● Minimum ● Below Minimum

Directors' Report (continued)

REMUNERATION REPORT

TABLE 9 — LONG TERM INCENTIVE AWARD PERFORMANCE OVERVIEW AND HURDLES FOR FUTURE AWARDS

DEFINITION		VESTING THRESHOLDS			
RELATIVE TOTAL SHAREHOLDER RETURN					
Measures the growth in share price plus cash distributions notionally reinvested in shares and is:		Vesting Thresholds are consistent across all outstanding Awards			
		WEIGHTING	MINIMUM VESTING	MAXIMUM VESTING	
Outstanding					
2019 Award		50%	30% of rights	75% of rights	100% of rights
2020 Award		50%	vest at the 50th percentile	vest at the 62.5th percentile	vest at the 75th percentile
2021 Award		25%			
Future					
2022 Award		25%			
All rights will vest pro-rata on a straight-line basis between the vesting points					
RETURN ON INVESTED CAPITAL					
For the purposes of LTIA, ROIC is Underlying EBIT divided by Invested Capital and will be calculated on the same basis as published ROIC with the following exceptions:		Vesting Thresholds are consistent across all outstanding Awards			
		WEIGHTING	MINIMUM VESTING	MAXIMUM VESTING	
Outstanding					
2019 Award		50%			
2020 Award		50%	50% of Rights vest with an average ROIC of 9.5%	100% of Rights vest with an average ROIC of 10.5%	
2021 Award		50%			
Future					
2022 Award		50%			
All rights will vest pro-rata on a straight-line basis between the minimum and maximum vesting points					
STRATEGIC TRANSFORMATION					
Measures the growth aspirations of the Bulk business and other non-Coal investments.		Vesting Thresholds vary across outstanding Awards			
		WEIGHTING	MINIMUM VESTING	MAXIMUM VESTING	
Outstanding					
2021 Award		25%	50% of Rights vest with non-coal gross revenue growth of 29%	100% of Rights vest with non-coal gross revenue growth of 43%	
Future					
2022 Award		25%	50% of Rights vest with Non-Coal Underlying EBITDA growth of 45%	100% of Rights vest with Non-Coal Underlying EBITDA growth of 60%	
All rights will vest pro-rata on a straight-line basis between the minimum and maximum vesting points					

¹ An adjustment was made to the peer group in the 2021 Award which resulted in a shift from company classifications to industry sectors. Companies in the financial, healthcare, biotechnology, casinos and gaming companies were excluded from the peer group for the 2019 Award and 2020 Award.

How does Aurizon utilise retention awards?

In some circumstances, as approved by the Board, Management may recommend using retention awards where the services of an individual are considered critical to Aurizon over the short-to-medium term and the existing remuneration arrangements are thought to be insufficient to retain those services. Retention awards may be time-based or project-based and are governed by stringent performance conditions and may be cash-based or equity-based. During FY2022, no retention awards were issued to Executive KMP and 78,900 performance rights were issued across three employees. Further information is available in note 27 of the Financial Report (page 104).

8. Executive Employment Agreements

Executive Employment Agreements

Remuneration and other terms of employment for the MD & CEO and Executive KMP are formalised in an Employment Agreement as summarised in Table 10.

Minimum shareholding and retention policy

To align KMP and Group Executives with shareholders, the Company requires:

- › Non-Executive Directors to accumulate and maintain one year's Total Directors' fees (consisting of Directors' fee plus applicable Committee fee/s) of shares in the Company
- › the MD & CEO to accumulate and maintain one year's Fixed Remuneration of shares in the Company
- › the remaining Executive KMP and Group Executives to accumulate and maintain 50% of one year's Fixed Remuneration of shares in the Company.

This is to be achieved within six years of the date of their appointment. This will be calculated with reference to the Total Directors' fees and Executives' Fixed Remuneration during the period divided by the number of years.

Details of KMP shareholdings as at 30 June 2022 are set out in Table 11.

Hedging and margin lending policies

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

TABLE 10 — EMPLOYMENT AGREEMENTS

NAME	DURATION OF EMPLOYMENT AGREEMENT	FIXED REMUNERATION AT END OF FINANCIAL YEAR 2022 ¹	NOTICE PERIOD ²	
			BY EXECUTIVE	BY COMPANY ³
EXECUTIVE KMP				
A Harding	Ongoing	\$1,750,000	6 months	12 months
P Bains	Ongoing	\$800,000	3 months	6 months
G Lippiatt	Ongoing	\$750,000	3 months	6 months
C McDonald	Ongoing	\$710,000	3 months	6 months
E McKeiver	Ongoing	\$710,000	3 months	6 months

1 Fixed remuneration includes a superannuation component.

2 Post employment restraints in any competitor business in Australia are aligned to the notice period.

3 Any termination payment will be subject to compliance with the *Corporations Act 2001* and will not exceed 12 months (unless approved by shareholders).

TABLE 11 — KMP SHAREHOLDINGS AS AT 30 JUNE 2022

NAME	BALANCE AT THE START OF THE YEAR	RECEIVED DURING THE YEAR ON VESTING	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR	% OF FIXED REMUNERATION ¹
NON-EXECUTIVE DIRECTORS					
T Poole ²	135,500	-	45,000	180,500	140%
M Bastos	45,947	-	15,000	60,947	103%
R Caplan ²	82,132	-	-	82,132	150%
S Lewis ²	63,025	-	-	63,025	105%
S Ryan	48,000	-	15,000	63,000	115%
L Strambi	42,787	-	-	42,787	71%
K Vidgen ³	40,000	-	-	40,000	68%
EXECUTIVE KMP					
A Harding	576,525	152,134	1,000,000	1,728,659	375%
P Bains	126,132	50,754	-	176,886	84%
G Lippiatt	67,959	-	10,000	77,959	39%
C McDonald	156,001	61,077	(19,398)	197,680	106%
E McKeiver	122,151 ⁴	31,092	-	153,243	82%

1 Assumes Total Directors' Fees and Fixed Remuneration as at 30 June 2022 and the calculation assumes a share price of \$3.80.

2 KMP required to meet the minimum shareholding requirement due to length of service in a KMP role being longer than six years.

3 Ms Vidgen became a KMP required to meet the minimum shareholding requirement due to length of service on 25 July 2022. Having regard to the Company's Securities Dealing Policy, Directors have had limited windows to trade shares during FY2022.

4 Restated from FY2021.

Directors' Report (continued)

REMUNERATION REPORT

9. Non-Executive Director Remuneration

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

Remuneration for Non-Executive Directors is reviewed by the Committee and set by the Board, taking into account external benchmarking. Fees and payments to Non-Executive Directors are reviewed annually by the Board and reflect the demands which are made on, and the responsibilities of, the Directors.

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

Fee structure

The current annual base fees for the Non-Executive Directors are set out in Table 12.

The Chairman's fee is inclusive of fees for Committee memberships.

In addition, to the base Directors' fee, the other Non-Executive Directors receive the applicable fee component for chairperson and/or membership responsibilities. These Committee fees are set out in Table 13.

The base Directors' fee and Committee fees include both cash and any contributions to a fund for the purposes of superannuation benefits. There are no other retirement benefits in place for Non-Executive Directors. Non-Executive Directors do not receive a performance pay.

The actual remuneration outcomes for the Non-Executive Directors of the Company are summarised in Table 14. Details of the Non-Executive Director membership are disclosed on page 9.

What are the aggregate fees approved by shareholders?

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

TABLE 12 — DIRECTORS' FEES

DIRECTORS	TERM	FEES
Chairman	Directors' fees (inclusive of all responsibilities and superannuation)	\$490,000
Other Non-Executive Directors	Directors' fees (inclusive of all responsibilities and superannuation)	\$170,000

TABLE 13 — COMMITTEE FEES

	NETWORK BOARD	AUDIT, GOVERNANCE AND RISK MANAGEMENT COMMITTEE	REMUNERATION AND PEOPLE COMMITTEE	SAFETY, HEALTH AND ENVIRONMENT COMMITTEE
Chairperson	\$40,000	\$40,000	\$35,000	\$35,000
Member	\$20,000	\$20,000	\$17,500	\$17,500

TABLE 14 — NON-EXECUTIVE DIRECTORS' REMUNERATION

NAME	YEAR	SHORT-TERM EMPLOYEE	POST-EMPLOYMENT	TOTAL	
		BENEFITS	BENEFITS		
		SALARY AND	NON-	SUPERANNUATION	REMUNERATION
		FEES¹ \$'000	MONETARY	\$'000	\$'000
			BENEFITS²		
			\$'000		
NON-EXECUTIVE DIRECTORS					
T Poole	2022	466	-	24	490
	2021	468	-	22	490
M Bastos	2022	205	-	20	225
	2021	205	-	20	225
R Caplan	2022	189	-	19	208
	2021	208	-	-	208
S Lewis	2022	207	-	21	228
	2021	222	-	6	228
S Ryan	2022	208	-	-	208
	2021	208	-	-	208
L Strambi	2022	195	-	20	215
	2021	189	-	18	207
K Vidgen	2022	205	-	20	225
	2021	205	-	20	225
FORMER NON-EXECUTIVE DIRECTOR					
M Fraser	2022	135	-	14	149
	2021	208	-	20	228
Total	2022	1,810	-	138	1,948
	2021	1,913	-	106	2,019

1 Salary and fees include any salary sacrificed benefits.

2 Non-monetary benefits represent the value of Reportable Fringe Benefits for the respective FBT year ending 31 March.

Directors' Report (continued)

REMUNERATION REPORT

10. Executive Remuneration for Financial Year 2022

The table below details the number and value of movements in equity awards during FY2022¹.

TABLE 15 — RIGHTS GRANTED AS COMPENSATION

NAME	INCENTIVE PLAN	BALANCE AT BEGINNING OF YEAR	RIGHTS AWARDED DURING THE YEAR ²	VALUE OF RIGHTS GRANTED IN YEAR	VESTED IN YEAR	VESTED IN YEAR	FORFEITED IN YEAR	FORFEITED IN YEAR
		NO.	NO.	\$'000	%	NO.	NO.	%
EXECUTIVE KMP								
A Harding	2017 (4 year) ³	295,938					(295,938)	100
	2018 ⁴	459,911						
	2019	347,454						
	2020 STIAD ⁵	152,134			100	(152,134)		
	2020	556,263						
	2021 STIAD ⁶	-	203,647	760				
P Bains	2021	-	654,613	1,781				
	2017 (4 year) ³	114,241					(114,241)	100
	2018 ⁴	188,337						
	2019	149,494						
	2020 STIAD ⁵	50,754			100	(50,754)		
	2020	191,469						
G Lippiatt	2021 STIAD ⁶	-	83,786	313				
	2021	-	224,439	610				
	2017 (4 year) ³	37,573					(37,573)	100
	2018 ⁴	62,500						
	2019	48,799						
	2020	170,086						
C McDonald	2021 STIAD ⁶	-	59,735	223				
	2021	-	210,411	572				
	2017 (4 year) ³	97,921					(97,921)	100
	2018 ⁴	152,176						
	2019	126,539						
	2020 STIAD ⁵	61,077			100	(61,077)		
E McKeiver	2020	162,068						
	2021 STIAD ⁶	-	68,828	257				
	2021	-	199,190	542				
	2017 (4 year) ³	104,449					(104,449)	100
	2018 ⁴	165,737						
	2019	129,574						
	2020 STIAD ⁵	31,092			100	(31,092)		
	2020	165,956						
	2021 STIAD ⁶	-	48,946	183				
	2021	-	199,190	542				

¹ Each equity instrument granted, vested or exercised (as applicable) were issued by Aurizon and resulted or will result in a right to receive one ordinary share in Aurizon being provided.

² The number of performance rights awarded, as described in Section 7, is a function of the market price (5-day VWAP) at the time of the award, that is, 'face value'. For remuneration purposes, Aurizon does not use fair value to determine LTI Awards.

³ Details of the vesting outcomes are described in Table 7 of the FY2021 Remuneration Report.

⁴ Details of vesting outcomes are described in Table 8.

⁵ Deferred STIA component as described in Section 3 and Section 6 of this report and Table 7 in the FY2020 Remuneration Report.

⁶ Deferred STIA component as described in Section 3 and Section 6 of this report and Table 6 in the FY2021 Remuneration Report.

VALUE OF RIGHTS FORFEITED IN YEAR	BALANCE AT END OF YEAR	WEIGHTED FAIR VALUE PER RIGHT AT GRANT DATE	GRANT DATE	DATE ON WHICH GRANT VESTS	EXPIRY DATE
\$'000	NO.	\$			
885	-	2.99	18-Oct-17	18-Oct-21	31-Dec-21
	459,911	2.58	18-Oct-18	18-Oct-22	31-Dec-22
	347,454	3.95	17-Oct-19	17-Oct-23	31-Dec-23
	0	4.30	28-Sep-20	28-Sep-21	31-Dec-21
	556,263	2.51	14-Oct-20	14-Oct-24	31-Dec-24
	203,647	3.73	27-Sep-21	27-Sep-22	31-Dec-22
	654,613	2.72	13-Oct-21	13-Oct-25	31-Dec-25
351	-	3.07	6-Oct-17	6-Oct-21	31-Dec-21
	188,337	2.56	5-Oct-18	5-Oct-22	31-Dec-22
	149,494	3.95	17-Oct-19	17-Oct-23	31-Dec-23
	-	4.30	28-Sep-20	28-Sep-21	31-Dec-21
	191,469	2.51	14-Oct-20	14-Oct-24	31-Dec-24
	83,786	3.73	27-Sep-21	27-Sep-22	31-Dec-22
	224,439	2.72	13-Oct-21	13-Oct-25	31-Dec-25
115	-	3.07	6-Oct-17	6-Oct-21	31-Dec-21
	62,500	2.56	5-Oct-18	5-Oct-22	31-Dec-22
	48,799	3.95	17-Oct-19	17-Oct-23	31-Dec-23
	170,086	2.51	14-Oct-20	14-Oct-24	31-Dec-24
	59,735	3.73	27-Sep-21	27-Sep-22	31-Dec-22
	210,411	2.72	13-Oct-21	13-Oct-25	31-Dec-25
301	-	3.07	6-Oct-17	6-Oct-21	31-Dec-21
	152,176	2.56	5-Oct-18	5-Oct-22	31-Dec-22
	126,539	3.95	17-Oct-19	17-Oct-23	31-Dec-23
	-	4.30	28-Sep-20	28-Sep-21	31-Dec-21
	162,068	2.51	14-Oct-20	14-Oct-24	31-Dec-24
	68,828	3.73	27-Sep-21	27-Sep-22	31-Dec-22
	199,190	2.72	13-Oct-21	13-Oct-25	31-Dec-25
321	-	3.07	6-Oct-17	6-Oct-21	31-Dec-21
	165,737	2.56	5-Oct-18	5-Oct-22	31-Dec-22
	129,574	3.95	17-Oct-19	17-Oct-23	31-Dec-23
	-	4.30	28-Sep-20	28-Sep-21	31-Dec-21
	165,956	2.51	14-Oct-20	14-Oct-24	31-Dec-24
	48,946	3.73	27-Sep-21	27-Sep-22	31-Dec-22
	199,190	2.72	13-Oct-21	13-Oct-25	31-Dec-25

Directors' Report (continued)

REMUNERATION REPORT

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

TABLE 16 — EXECUTIVE REMUNERATION

NAME	YEAR	SHORT-TERM EMPLOYEE BENEFITS					POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS	EQUITY-SETTLED SHARE-BASED PAYMENTS	TOTAL \$'000	PROPORTION OF COMPENSATION PERFORMANCE RELATED ⁸ %	REMUNERATION CONSISTING OF RIGHTS FOR THE YEAR %
		CASH SALARY AND FEES ¹ \$'000	CASH BONUS ² \$'000	ANNUAL LEAVE ³ \$'000	NON-MONETARY BENEFITS ⁴ \$'000	OTHER ⁵ \$'000	SUPER-ANNUATION ⁶ \$'000	LONG-SERVICE LEAVE \$'000	RIGHTS ⁷ \$'000			
EXECUTIVE KMP		A	B	C	D	E	F	G	H	I	J	K
A Harding	2022	1,726	1,253	(98)	-	-	24	38	2,189	5,132	67	43
	2021	1,695	1,139	98	-	515	22	44	1,426	4,939	62	29
P Bains	2022	773	447	(8)	-	-	27	2	885	2,126	63	42
	2021	763	469	(28)	-	105	25	18	528	1,880	59	28
G Lippiatt	2022	726	398	2	-	-	24	13	509	1,672	54	30
	2021	678	334	35	-	158	22	68	165	1,460	45	11
C McDonald	2022	686	239	57	-	-	24	13	724	1,743	55	42
	2021	645	385	10	10	109	22	13	482	1,676	58	29
E McKeiver	2022	686	370	14	-	-	24	(39)	651	1,706	60	38
	2021	661	274	(21)	4	154	22	11	393	1,498	55	26
Total Executive KMP compensation (group)	2022	4,597	2,708	(33)	-	-	123	27	4,958	12,379	62	40
	2021	4,442	2,601	94	14	1,041	113	154	2,994	11,453	58	26

1 Cash salary and fees include any salary sacrifice benefits.

2 This amount relates to the cash component (60%) of the FY2022 STIA which will be paid in September 2022.

3 Annual leave represents annual leave accrued or utilised during the financial year and excludes periods of unpaid annual leave. Negative amounts represent the utilisation of annual leave.

4 Non-monetary benefits represent the value of Reportable Fringe Benefits for the respective FBT year ending 31 March.

5 In assessing the overall performance for FY2021, the Board acknowledged the receipt of the WIRP fees which were payable following the decision of the Queensland Court of Appeal. The Board determined that a one-off cash payment would be made to recognise the WIRP fees payable between FY2016 — FY2020 but collected in FY2021. Payment was made to Executive KMP in September 2021.

6 Superannuation amounts represent employers' contribution to superannuation.

7 The accounting expense recognised in relation to rights granted in the year is the fair value independently calculated at grant date using an expected outcome model. This was consistent with the Monte-Carlo simulation conducted in the prior year and resulted in similar outcomes. This amount is progressively expensed over the vesting period. Refer to note 27 for further details regarding the fair value of Rights. These values may not represent the future value that the Executive will receive, as the vesting of the Rights is subject to the achievement of performance conditions. This includes the cost of deferred short-term incentives and long-term incentives.

8 The short-term incentives (cash bonus), deferred short-term incentives and long-term incentives (equity settled share-based payments) represent the at-risk performance related remuneration.



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8 August 2022

Board of Directors
Aurizon Holdings Limited
900 Ann Street
Fortitude Valley, QLD 4006
Australia

Dear Board Members

Auditor's Independence Declaration to Aurizon Holdings Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the Board of Directors of Aurizon Holdings Limited.

As lead audit partner for the audit of the financial report of Aurizon Holdings Limited for the year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the *Corporations Act 2001* in relation to the audit and
- Any applicable code of professional conduct in relation to the audit.

Yours faithfully


DELOITTE TOUCHE TOHMATSU



Matthew Donaldson
Partner
Chartered Accountants

Corporate Governance Statement

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

The Board has adopted a suite of charters and key corporate governance documents which articulate the policies and procedures followed by Aurizon. These documents are available in the Governance section of the Company's website **aurizon.com.au**. These documents are reviewed periodically to address any changes in governance practices and the law.

This Statement explains how Aurizon complies with the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations – 4th Edition* (ASX Principles and Recommendations), and all the practices outlined in this Statement unless otherwise stated, have been in place for the full reporting period.

This Statement was adopted by the Board on 5 August 2022.

Principle 1: Lay solid foundations for management and oversight

RECOMMENDATION	AURIZON'S COMPLIANCE WITH RECOMMENDATIONS	
1.1 Role of Board and management which is set out in a Board Charter	The Board has established a clear distinction between the functions and responsibilities reserved for the Board and those delegated to management, which are set out in the Aurizon Board Charter (Charter). The Charter also provides an overview of the roles of the Chairman, individual Directors, the Managing Director & CEO and the Company Secretary. A copy of the Charter is available in the Governance section of the Company's website aurizon.com.au.	✓
1.2 Information regarding election and re-election of Director candidates and appropriate checks are undertaken on Director and senior executive appointments	Aurizon carefully considers the character, experience, education, skill set as well as interests and associations of potential candidates for appointment to the Board and conducts appropriate checks to verify the suitability of each candidate prior to their appointment. Aurizon has appropriate procedures in place to ensure material information relevant to a decision to elect or re-elect a Director is disclosed in the Notice of Meeting provided to shareholders. Aurizon also conducts checks in relation to character, experience, education, criminal records and bankruptcy history of each candidate before appointing a new Director or a senior executive (e.g. the Managing Director & CEO and their direct reports).	✓
1.3 Written agreements setting out terms of appointment	In addition to being set out in the Charter, the roles and responsibilities of Directors are also formalised in a letter of appointment entered into with each Director on their appointment. The letters of appointment specify the term of appointment, time commitment envisaged, expectations in relation to committee work and any other special duties attached to the position (if any), reporting lines, remuneration arrangements, disclosure obligations in relation to personal interests, confidentiality obligations, insurance and indemnity entitlements and details of the Company's key governance policies, such as the Securities Dealing Policy. A copy of the Company's key governance policies can be found on the Company's website aurizon.com.au. Each senior executive enters into a service contract which sets out the material terms of employment, including a description of the senior executive's position and duties, reporting lines, remuneration arrangements, termination rights and entitlements. The details and experience of each senior executive (known as the Executive Committee) are listed in the Leadership section of the Company's website aurizon.com.au. The material terms of the appointment of those senior executives who are Key Management Personnel can be found on page 43 of the Annual Report.	✓
1.4 Company Secretary	Each Company Secretary is directly accountable to the Board, through the Chairman, for facilitating and advising on the Company's corporate governance processes and on all matters to do with the proper functioning of the Board. Each Director is entitled to access the advice and services of each Company Secretary. The Charter also sets out the responsibilities of the Company Secretary. In accordance with the Company's Constitution and Charter, the appointment or removal of a Company Secretary is a matter for the Board as a whole. Details of each Company Secretary's experience and qualifications are set out on page 7 of the Annual Report.	✓

Principle 1: Lay solid foundations for management and oversight (continued)

RECOMMENDATION	AURIZON'S COMPLIANCE WITH RECOMMENDATIONS																
1.5 Diversity	Aurizon has had an Inclusion and Diversity Policy since 2011 which is reviewed periodically, and which sets out its objectives including its stated values and reporting practices with respect to inclusion and diversity. It is available in the Governance section of the Company's website aurizon.com.au. The Board and management remain committed to increasing female representation at all levels within the Company. The measurable objectives and outcomes for diversity, agreed by the Board for FY2022, are set out below: <table border="1"> <thead> <tr> <th>ENTERPRISE MEASURES</th><th>FY2022 TARGET</th><th>FY2022 ACTUAL</th></tr> </thead> <tbody> <tr> <td>Gender representation on the Board</td><td>Minimum 30% (each gender)</td><td>38% women/62% men</td></tr> <tr> <td>Representation of women in senior executive roles (being the Group Executives)</td><td>30%</td><td>20%</td></tr> <tr> <td>Representation of women in the workforce</td><td>24%</td><td>23%</td></tr> <tr> <td>Representation of Aboriginal and Torres Strait Islander men and women in Aurizon</td><td>7%</td><td>6.6%</td></tr> </tbody> </table> In compliance with the <i>Workplace Gender Equality Act 2012</i>, Aurizon submitted its annual compliance reports to the Workplace Gender Equality Agency in 2022. Aurizon's most recent Gender Equality Indicators (as defined in the WGE Act) are available on the Workplace Gender Equality Agency website www.wgea.gov.au. Further details on the Company's inclusion and diversity performance and activities can be found on the Company website aurizon.com.au, including within Aurizon's Sustainability Report.	ENTERPRISE MEASURES	FY2022 TARGET	FY2022 ACTUAL	Gender representation on the Board	Minimum 30% (each gender)	38% women/62% men	Representation of women in senior executive roles (being the Group Executives)	30%	20%	Representation of women in the workforce	24%	23%	Representation of Aboriginal and Torres Strait Islander men and women in Aurizon	7%	6.6%	✓
ENTERPRISE MEASURES	FY2022 TARGET	FY2022 ACTUAL															
Gender representation on the Board	Minimum 30% (each gender)	38% women/62% men															
Representation of women in senior executive roles (being the Group Executives)	30%	20%															
Representation of women in the workforce	24%	23%															
Representation of Aboriginal and Torres Strait Islander men and women in Aurizon	7%	6.6%															
1.6 Board reviews	A performance review is undertaken annually in relation to the Board and the Board Committees. Periodically the Board reviews the individual performance of the Directors (including the Chairman) and engages a professional independent consultant experienced in Board reviews to conduct a review of the Board and its Committees, and the effectiveness of the Board as a whole. In relation to FY2022 an external independent consultant was engaged to undertake a comprehensive review of both the collective and individual performance of the Board, its Committees and individual Directors including the Chairman.	✓															
1.7 Management reviews	Each year the Board sets financial, operational, management and individual targets for the Managing Director & CEO. The Managing Director & CEO (in consultation with the Board) in turn sets targets for senior executives. Performance against these targets is assessed periodically throughout the year, and a formal performance evaluation for senior executives is completed for the year-end. The Company's Remuneration and People Committee reviews the remuneration and performance management frameworks during the year. In addition, the Managing Director & CEO and each senior executive presents to the Board on the status of, progress made towards and their performance against their set key deliverables. A performance evaluation as described was undertaken for all senior executives in FY2022. In respect of the Managing Director & CEO, the evaluation was led by the Chair and discussed with the Remuneration and People Committee.	✓															

Principle 2: Structure the Board to be effective and add value

RECOMMENDATION	AURIZON'S COMPLIANCE WITH RECOMMENDATIONS	
2.1 Nominations Committee	The Nomination & Succession Committee comprises three members (including the Chairman), all of whom are Independent Non-Executive Directors. Details of the membership of the Nomination & Succession Committee, including the names and qualifications of the Committee members, are set out on pages 4-7 of the Annual Report. The number of meetings held and attended by each member of the Nomination and Succession Committee during the financial year are set out on page 9 of the Annual Report. The Nomination & Succession Committee assists the Board by facilitating and making recommendations on matters of Board composition, succession planning, the appointment and recruitment of Directors, together with the ongoing implementation of professional development programs as well as the Board review processes. During FY2022 the Nomination & Succession Committee assisted the Board in, among other things, reviewing the appropriate mix of skills, competencies and experience of its members and facilitating the external Board review process. The Charter governing the conduct of the Nomination & Succession Committee is reviewed annually and is available in the Governance section of the Company's website aurizon.com.au. Aurizon also has in place a policy on election and appointment of Non-Executive Directors, which is reviewed annually.	✓

Corporate Governance Statement

(continued)

RECOMMENDATION	AURIZON'S COMPLIANCE WITH RECOMMENDATIONS	
2.2 Board skills	During the reporting period, the Board reviewed and updated its board skills matrix to set out the diverse mix of skills and experience considered optimal for the Board. The Board considers that Directors have an appropriate range of skills, knowledge and experience necessary to direct the Company. Detail regarding the board skills matrix, and the skills and experience of each Director and the Board collectively is included on pages 4-8 of the Annual Report.	✓
2.3 Disclose independence and length of service	Details regarding which Directors are considered independent and the length of their service are set out on page 4 of the Annual Report. Mr Fraser retired as Director of Aurizon Holdings Limited and Chairman of Aurizon Network Pty Ltd on 11 February 2022. Mr Strambi was subsequently appointed to the role of Chairman of the Board of Aurizon Network Pty Ltd. In FY2022, Mr Caplan will have served as a Director of Aurizon for over 11 years. The Board remains satisfied that the interests of security holders are well served as Mr Caplan continues to bring independent judgement and deep operational understanding of the Company to bear on issues before the Board. Only the Managing Director & CEO is not considered independent, by virtue of the role being an Executive of the Company.	✓
2.4 Majority of Directors independent	In accordance with the Charter, the majority of Directors are considered to be independent, and Directors abstain from participating in discussion or voting on matters in which they have a material personal interest. Details regarding which Directors are considered independent and the length of their service are set out on page 4 of the Annual Report and in response to Recommendation 2.3 above.	✓
2.5 Chair independent	The Chairman, Tim Poole, is an Independent Non-Executive Director. The role of Managing Director & CEO is performed by another Director. Further details regarding the Directors are set out on pages 4-7 of the Annual Report.	✓
2.6 Induction and professional development	An induction process including appointment letters and ongoing education exists to promote early, active and relevant involvement of new and existing members of the Board. In addition to peer review, interaction and networking with other Directors and industry leaders, Directors participate, from time to time, in Aurizon leadership forums and actively engage with Aurizon employees by visiting operational sites to gain an understanding of the Company's operating environment. During the year, Directors receive accounting policy updates, especially around the time the Board considers the half-year and full-year financial statements. The Board also receives briefings periodically on relevant matters including legal, accounting, regulatory and technology developments. Directors are encouraged and given the opportunity to broaden their knowledge of the business by visiting offices and sites in different locations. During the financial year, Directors made visits to operational sites across the Bulk, Coal and Network businesses in Queensland and New South Wales.	✓

Principle 3: Instil a culture of acting lawfully, ethically and responsibly

RECOMMENDATION	AURIZON'S COMPLIANCE WITH RECOMMENDATIONS	
3.1 The values of the Company are articulated and disclosed	The Company has a clear set of core values. These core values are Safety, People, Integrity, Customer and Excellence. A description of these values is set out in the Company's Code of Conduct and the Company's Annual Report. The Company's values, their articulation and their acknowledgement are embedded in all meetings of the Board, Board Committee and the Managing Director & CEO's Executive meetings and form part of the performance and remuneration framework of the Company.	✓
3.2 Code of Conduct	The Board has a Code of Conduct for its Directors, senior executives and employees, a copy of which is available in the Governance section of the Company's website aurizon.com.au . The Company's Code of Conduct forms part of the induction of Directors as well as new employees. The code is reviewed periodically by the Board. The Board is informed of any material breaches of the code either through the whistleblower reports or the governance reports that are presented from time to time to the Company's Audit, Governance & Risk Management Committee.	✓
3.3 Whistleblower Policy	The Company has a Whistleblower Policy, a copy of which is available in the Governance section of the Company's website aurizon.com.au and the Board, through the Audit, Governance & Risk Management Committee, reviews reports on concerns raised or material breaches under the Whistleblower Policy.	✓
3.4 Anti-Bribery and Anti-Corruption Policy	The Company has an Anti-Bribery and Anti-Corruption Policy, a copy of which is available in the Governance section of the Company's website aurizon.com.au and the Board, through the Audit, Governance & Risk Management Committee, receives an update annually on any material breaches of this policy through the governance report to the Committee.	✓

Principle 4: Safeguard the integrity of corporate reports

RECOMMENDATION	AURIZON'S COMPLIANCE WITH RECOMMENDATIONS	
4.1 Audit Committee	The Audit, Governance & Risk Management Committee comprises four members, all of whom are Independent Non-Executive Directors. Details of the membership of the Audit, Governance & Risk Management Committee, including the names and qualifications of the Committee members, are set out on pages 4-7 of the Annual Report. In addition to the Audit, Governance & Risk Management Committee members, the Managing Director & CEO, CFO, Head of Risk & Assurance, external auditors and each Company Secretary attend the Audit, Governance & Risk Management Committee meetings. The number of meetings held and attended by each member of the Audit, Governance & Risk Management Committee during the financial year are set out on page 9 of the Annual Report. The Audit, Governance & Risk Management Committee reviews and makes recommendations to the Board on matters including the Company's financial and governance reporting processes, the governance and risk policies and frameworks of the Company, the internal and external audit functions, risk and control culture and the control environment. During FY2022, among other things, the Committee has overseen the external audit plan and approach, transition reports and insights provided as part of the FY2022 audit following the appointment and transition of the external audit to Deloitte. The Audit, Governance & Risk Management Committee Charter is reviewed annually and is available on the Company's website aurizon.com.au. Among other things, the Audit, Governance & Risk Management Committee reviews the processes that validate the Directors' Report and the Annual Report. The Board, as a whole, has oversight of other corporate reporting, such as investor presentations prepared for full-year and half-year results briefings or at other times.	✓
4.2 CEO and CFO certification of financial statements	The Board has obtained a written assurance from the Managing Director & CEO and CFO that the declaration provided under Section 295A of the <i>Corporations Act 2001</i> (and for the purposes of Recommendation 4.2) is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial reporting and material business risks.	✓
4.3 Disclose processes to verify the integrity of periodic corporate reports released to the market	The periodic corporate reports, being the half-year and full-year financial statements, including the Company's Annual Report, are underpinned by a certification process whereby each Group Executive and finance partner for each Business Unit responds to set questionnaires and signs a certification. This process provides verification and sign off for the Managing Director & CEO and CFO then to provide a signed representation letter to the external auditors and also a signed declaration to the Board that supports that the accounts provide a true and fair view, that there is integrity in the statements and that the financial statements comply with the <i>Corporations Act 2001</i> and relevant Accounting standards. The certification process is reviewed annually with the view that it remains current having regard to any changes in the <i>Corporations Act 2001</i>, accounting standards or governance. For other types of periodic corporate reports (including the annual Directors' Report), the Company conducts an internal review and verification process to ensure that such reports are materially accurate, balanced and provide investors with appropriate information. Where applicable, the relevant reports will be approved in accordance with the Company's Disclosure and Communication Policy. The annual Sustainability Report draws upon information that is verified by respective Business Units through existing verification processes as described above, and undergoes an internal review process. In addition, Aurizon's greenhouse gas emissions data (scope 1, 2 and 3) provided in the Sustainability Report also undergoes an external, independent assurance process. A statement of limited assurance is provided in the annual Sustainability Report.	✓

Principle 5: Make timely and balanced disclosure

RECOMMENDATION	AURIZON'S COMPLIANCE WITH RECOMMENDATIONS	
5.1 Disclosure and Communications Policy	Aurizon has a Disclosure & Communications Policy which sets out the processes and practices to ensure compliance with the continuous disclosure requirements under the ASX Listing Rules and the <i>Corporations Act 2001</i>. Aurizon has guidelines to assist officers and employees of the Company comply with the Company's Disclosure & Communications Policy. A copy of the policy is available on the Company's website aurizon.com.au.	✓
5.2 Material Market Announcements	The Board receives a copy of all announcements under Listing Rule 3.1 immediately prior to those announcements being made to the ASX (noting that the Board may not approve or authorise all announcements made to the ASX).	✓
5.3 New and substantive investor or analyst presentation materials to be released to the ASX ahead of the presentation	Aurizon releases new and substantive presentations to the ASX prior to them being presented. This will typically occur at the half-year and full-year results briefings, prior to the Annual General Meeting, and when an investor day is held. Where practicable, shareholders are provided with the opportunity to participate in such presentations, for example by providing dial-in details.	✓

Corporate Governance Statement (continued)

Principle 6: Respect the rights of security holders

RECOMMENDATION	AURIZON'S COMPLIANCE WITH RECOMMENDATIONS	
6.1 Information on website	Aurizon keeps investors informed of its corporate governance, financial performance and prospects via announcements to the ASX and the Company's website. Investors can access copies of all announcements to the ASX, notices of meetings, annual reports, investor presentations, webcasts and/or transcripts of those presentations and a key event calendar via the 'Investors' tab. Investors can access general information regarding the Company and the structure of its business under the 'Company', 'What we deliver' and 'Sustainability' tabs.	✓
6.2 Investor relations programs	Aurizon conducts regular market briefings including in relation to its half-year and full-year results announcements, holds investor days and site visits, and attends regional and industry-specific conferences in order to facilitate effective two-way communication with investors and other financial markets participants. Access to senior executives and operational management is provided to investors and analysts at these events, with separate one-on-one or group meetings offered whenever possible. The presentation material provided at these events is sent to the ASX prior to commencement and subsequently posted on the 'Investors' tab on the Company's website, including the webcast and transcript if applicable.	✓
6.3 Facilitate and encourage participation at meetings of security holders	Aurizon uses technology to facilitate the participation of security holders in meetings including webcasting of the Annual General Meeting (AGM). In 2022, the Company will host a hybrid AGM in Townsville giving security holders (or their proxies or representatives) the opportunity to attend, comment and ask questions, and vote either online or in person.	✓
6.4 Resolutions decided by Poll	Shareholders are encouraged to participate and are given an opportunity to ask questions of the Company and its auditor at the AGM. All resolutions put to shareholders at the Company's AGM are determined by Poll.	✓
6.5 Option to receive communications electronically	Aurizon provides shareholders the option to receive communications from, and send communications to, the Company and the share registry electronically.	✓

Principle 7: Recognise and manage risk

RECOMMENDATION	AURIZON'S COMPLIANCE WITH RECOMMENDATIONS	
7.1 Risk Committee	Aurizon Audit, Governance & Risk Management Committee oversees the process for identifying and managing material risks faced by the Company in accordance with the Aurizon Enterprise Risk Management Framework, and undertakes the functions of a risk committee as set out in the ASX Principles and Recommendations. Further details regarding the Committee, its membership, charter and the number of meetings held during the financial year and attendance at those meetings, are set out in response to Recommendation 4.1 and on page 9 of the Annual Report.	✓
7.2 Annual risk review	The Board reviews Aurizon's Enterprise Risk Management Framework and Appetite at least annually to approve updates, where required. In FY2022, the Board considered updates to and reviewed the Enterprise Risk Management Framework. The Audit, Governance & Risk Management Committee also monitors management's performance against the Enterprise Risk Management Framework, including whether it is operating within the risk appetite set by the Board. The Executive Committee regularly reviews and updates the enterprise risk profile to satisfy itself that Aurizon is operating with due regard to the risk appetite set by the Board. The Company's Risk and Assurance Function is responsible for providing oversight of the Risk Management Framework and assurance on the management of significant risks to the Managing Director & CEO and the Board.	✓
7.3 Internal audit	The Company has an Assurance (internal audit) function that operates under a Board-approved Internal Audit Charter. The Assurance function is independent of management and the external auditor and is overseen by the Audit, Governance & Risk Management Committee. In accordance with the Committee Charter, the Committee's role includes making recommendations to the Board in relation to the appointment or removal of the Head of Risk & Assurance. The Head of Risk & Assurance provides ongoing Assurance reports to the Audit, Governance & Risk Management Committee, as well as an annual assessment of the adequacy and effectiveness of the Company's control processes and risk management procedures.	✓

RECOMMENDATION	AURIZON'S COMPLIANCE WITH RECOMMENDATIONS	
7.4 Sustainability risks	Aurizon discloses material exposures to environmental, social and governance (ESG) risks and associated risk management strategies through our annual Sustainability Report. During FY2022, the Company published its eighth Sustainability Report (for the period ended 30 June 2021). A copy of this report is available in the Sustainability section of the Company's website aurizon.com.au. Aurizon's FY2022 Sustainability Report will be published in October 2022. This will be the sixth reporting period in which Aurizon incorporates recommendations from the Financial Stability Board's (FSB) Final Report: Recommendation of the Task Force on Climate-related Financial Disclosures (TCFD), released in June 2017. During FY2021, Aurizon published its inaugural Climate Strategy and Action Plan which consolidated Aurizon's position on climate change underpinned by long-term strategies, actions and targets to mitigate climate risk and leverage emerging opportunities. A copy of the Company's Climate Strategy and Action Plan is available in the Sustainability section of the Company's website. Aurizon commits to supporting and respecting the protection of internationally proclaimed human rights, as set out in the Universal Declaration of Human Rights and the 10 principles of the United Nations Global Compact. Aurizon understands its responsibility to respect human rights and has committed to providing transparency on any risks that exist in the Company's supply chain and how they are being addressed. In accordance with legislation, in FY2022, the Company published its second Modern Slavery Statement, which described the modern slavery risks associated with its business activities and actions taken to address those risks. A copy of the Modern Slavery Statement is available in the Sustainability section of the Company's website.	✓

Principle 8: Remunerate fairly and responsibly

RECOMMENDATION	AURIZON'S COMPLIANCE WITH RECOMMENDATIONS	
8.1 Remuneration Committee	Aurizon's remuneration function is performed by the Remuneration & People Committee, comprising four members, all of whom are Independent Non-Executive Directors. Details of the membership of the Remuneration & People Committee, including the names and qualifications of the Committee members, are set out on pages 4-7 of the Annual Report. The number of meetings held and attended by each member of the Remuneration & People Committee during the financial year are set out on page 9 of the Annual Report. The Remuneration & People Committee makes recommendations to the Board on the remuneration policies and practices for Board members and senior executives (including the MD & CEO), as well as the Company's remuneration strategy and incentive programs, and the Company's people, diversity and inclusion policies and practices. During FY2022, the Remuneration & People Committee undertook its usual practices and activities in regard to remuneration and performance, and continued to have a focus on broader people-related priorities and initiatives. The Charter governing the conduct of the Remuneration & People Committee is reviewed annually and is available in the Governance section of the Company's website aurizon.com.au.	✓

Corporate Governance Statement (continued)

Principle 8: Remunerate fairly and responsibly (continued)

RECOMMENDATION	AURIZON'S COMPLIANCE WITH RECOMMENDATIONS	
8.2 Disclosure of Executive and Non-Executive Director remuneration policy	The Company seeks to attract and retain high-performing Directors and senior executives with appropriate skills, qualifications and experience to add value to the Company and fulfil the roles and responsibilities required. It reviews requirements for additional capabilities at least annually. Executive remuneration is to reflect performance and, accordingly, remuneration is structured with a fixed component and a performance-based component. Non-Executive Directors are paid fixed fees for their services in accordance with the Company's Constitution. The Chairman's fee is inclusive of fees for Committee membership and the other Non-Executive Directors are paid a fixed base fee plus Committee fees, as applicable. Further detail is set out in the Remuneration Report on pages 44 to 45. The Company has in place a Share Holding and Retention Policy which applies to Non-Executive Directors, the Managing Director & CEO and the direct reports of the Managing Director & CEO. Further details regarding remuneration and share retention policies, and the remuneration of senior executives and Non-Executive Directors, are set out on pages 33 to 48 of the Annual Report. The Company also has in place a Related Party Transaction Policy. The policy and disclosures under that policy are reviewed annually by the Board. During the year, there were no agreements entered for the provision of consulting or similar services by a Director or senior executive, or by a related party of a Director or senior executive.	✓
8.3 Policy on hedging equity incentive schemes	Aurizon's Executives must not enter into any hedge arrangement in relation to any performance rights they may be granted or otherwise entitled to under an incentive scheme or plan, prior to exercising those rights or, once exercised, while the securities are subject to a transfer restriction. For the purposes of this policy, hedging includes the entry into any transaction, arrangement or financial product which operates to limit the economic risk of a security holding in the Company and includes financial instruments such as equity swaps and contracts for differences. The term 'Executive' is broadly defined to include the Managing Director & CEO and the role's direct reports and any other person entitled to participate in an Aurizon performance rights plan. Further details regarding the Company's hedging policy are set out in the Company's Securities Dealing Policy which is available on the Governance section of the website aurizon.com.au.	✓

Principle 9: Additional recommendations

RECOMMENDATION	AURIZON'S COMPLIANCE WITH RECOMMENDATIONS
9.1-9.3 Additional recommendations	Recommendations 9.1-9.3 of the ASX Principles and Recommendations do not apply to Aurizon, and did not at any stage during FY2022, and are therefore not relevant to the period.

Financial Report

for the year ended 30 June 2022

FINANCIAL STATEMENTS

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Results for the year	Operating assets and liabilities	Capital and financial risk management	Group structure	Other notes	Unrecognised items and events after reporting date
1. Segment information	6. Trade and other receivables	14. Capital risk management	19. Joint ventures	24. Notes to the consolidated statement of cash flows	30. Commitments and contingencies
2. Revenue	7. Inventories	15. Dividends	20. Material subsidiaries	25. Related party transactions	31. Events occurring after the reporting period
3. Expenses	8. Property, plant and equipment	16. Equity	21. Parent entity disclosures	26. Key Management Personnel	
4. Income tax	9. Intangible assets	17. Borrowings	22. Acquisition of businesses and interests in joint ventures	27. Share-based payments	
5. Earnings per share	10. Other assets	18. Financial risk management	23. Discontinued operations	28. Auditor's remuneration	
	11. Trade and other payables			29. Summary of other significant accounting policies	
	12. Provisions				
	13. Other liabilities				

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Consolidated income statement

for the year ended 30 June 2022

	Notes	2022 \$m	2021 \$m
Revenue from continuing operations	2	3,047.9	3,005.9
Other income		27.4	21.6
Total revenue and other income		3,075.3	3,027.5
Employee benefits expense	3	(853.4)	(840.7)
Energy and fuel		(255.2)	(191.4)
Track access		(77.7)	(81.1)
Consumables		(433.1)	(411.7)
Depreciation and amortisation	3	(592.3)	(579.1)
Impairment losses		(2.1)	(3.1)
Other expenses		(0.8)	(9.4)
Share of net profit of investments accounted for using the equity method		0.4	0.3
Operating profit		861.1	911.3
Finance income		1.9	4.1
Finance expenses	3	(126.9)	(149.4)
Net finance costs		(125.0)	(145.3)
Profit before income tax		736.1	766.0
Income tax expense	4	(223.1)	(159.3)
Profit from continuing operations after tax		513.0	606.7
Profit from discontinued operations after tax	23	-	123.6
Profit for the year attributable to owners of Aurizon Holdings Limited		513.0	730.3
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of Aurizon Holdings Limited	5		
Basic earnings per share		27.9	32.5
Diluted earnings per share		27.8	32.4
Earnings per share for profit attributable to the ordinary equity holders of Aurizon Holdings Limited	5		
Basic earnings per share		27.9	39.1
Diluted earnings per share		27.8	39.0

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

Consolidated statement of comprehensive income for the year ended 30 June 2022

	Notes	2022 \$m	2021 \$m
Profit for the year		513.0	730.3
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Changes in the fair value of cash flow hedges	16(b)	107.1	22.1
Income tax relating to changes in fair value of cash flow hedges	16(b)	(32.1)	(6.6)
Reclassification to profit or loss on cessation of joint venture	16(b)	(0.2)	-
Exchange differences on translation of foreign operations	16(b)	(1.0)	(0.1)
Reclassification to profit or loss on disposal of shares in associate	16(b)	-	1.8
Other comprehensive income for the year, net of tax		73.8	17.2
Total comprehensive income for the year attributable to owners of Aurizon Holdings Limited		586.8	747.5

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

Consolidated balance sheet

as at 30 June 2022

	Notes	2022 \$m	2021 \$m
ASSETS			
Current assets			
Cash and cash equivalents		172.1	148.8
Trade and other receivables	6	434.1	483.8
Inventories	7	186.2	150.4
Derivative financial instruments	18(a)	43.8	0.1
Current tax receivables		-	8.5
Other assets	10	23.9	15.3
Assets classified as held for sale		0.1	5.0
Total current assets		860.2	811.9
Non-current assets			
Inventories	7	55.6	45.9
Derivative financial instruments	18(a)	37.9	125.0
Property, plant and equipment ¹	8	8,406.8	8,445.3
Intangible assets ¹	9	217.7	231.8
Other assets	10	75.3	78.6
Investments accounted for using the equity method	19	22.0	26.1
Total non-current assets		8,815.3	8,952.7
Total assets		9,675.5	9,764.6
LIABILITIES			
Current liabilities			
Trade and other payables	11	293.9	269.1
Borrowings	17	255.0	59.0
Derivative financial instruments	18(a)	-	0.6
Current tax liabilities		68.6	-
Provisions	12	280.6	296.9
Other liabilities	13	68.7	91.6
Total current liabilities		966.8	717.2
Non-current liabilities			
Borrowings	17	2,965.8	3,679.0
Derivative financial instruments	18(a)	266.3	66.6
Deferred tax liabilities	4(c)	797.5	705.9
Provisions	12	49.1	64.2
Other liabilities	13	217.7	257.1
Total non-current liabilities		4,296.4	4,772.8
Total liabilities		5,263.2	5,490.0
Net assets		4,412.3	4,274.6
EQUITY			
Contributed equity ²	16(a)	3,673.7	3,673.7
Reserves ²	16(b)	26.4	(56.6)
Retained earnings		712.2	657.5
Total equity		4,412.3	4,274.6

1 FY2021 is restated to reclassify \$37.9 million to intangible assets, refer to note 8 and 9.

2 FY2021 is restated to reclassify the capital reserve of \$3,467.1 million to contributed equity, refer to key events and transactions.

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

Consolidated statement of changes in equity

for the year ended 30 June 2022

	Notes	Attributable to owners of Aurizon Holdings Limited			
		Contributed equity ¹ \$m	Reserves ¹ \$m	Retained earnings \$m	Total equity \$m
Balance at 1 July 2021		3,673.7	(56.6)	657.5	4,274.6
Profit for the year		-	-	513.0	513.0
Other comprehensive income	16(b)	-	73.8	-	73.8
Total comprehensive income for the year		-	73.8	513.0	586.8
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	15	-	-	(458.3)	(458.3)
Share-based payments	16(b)	-	9.2	-	9.2
		-	9.2	(458.3)	(449.1)
Balance at 30 June 2022		3,673.7	26.4	712.2	4,412.3
Balance at 1 July 2020		3,973.7	(72.0)	456.0	4,357.7
Profit for the year		-	-	730.3	730.3
Other comprehensive income	16(b)	-	17.2	-	17.2
Total comprehensive income for the year		-	17.2	730.3	747.5
Transactions with owners in their capacity as owners:					
Buy-back of ordinary shares	16(a)	(300.0)	-	-	(300.0)
Dividends provided for or paid	15	-	-	(528.8)	(528.8)
Share-based payments	16(b)	-	(1.8)	-	(1.8)
		(300.0)	(1.8)	(528.8)	(830.6)
Balance at 30 June 2021		3,673.7	(56.6)	657.5	4,274.6

¹ Balance at 1 July 2020 is restated to reclassify the capital reserve of \$3,467.1 million to contributed equity, refer to key events and transactions.

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

Consolidated statement of cash flows

for the year ended 30 June 2022

	Notes	2022 \$m	2021 \$m
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		3,402.1	3,326.3
Payments to suppliers and employees (inclusive of GST)		(2,004.8)	(1,884.4)
Interest received		1.7	4.2
Income taxes paid		(86.0)	(175.6)
Principal elements of lease receipts		7.1	6.5
Net cash inflow from operating activities from continuing operations	24	1,320.1	1,277.0
Net cash outflow from operating activities from discontinued operations	23	-	(23.0)
Net cash inflow from operating activities		1,320.1	1,254.0
Cash flows from investing activities			
Payments for business acquisitions (net of cash acquired) and investment in joint venture	22	(16.9)	(63.5)
Payments for property, plant and equipment		(534.9)	(496.6)
Proceeds from sale of shares held in associate		-	10.0
Proceeds from sale of property, plant and equipment		39.0	38.5
Payments for intangibles		(14.2)	(18.2)
Interest paid on qualifying assets	3	(1.9)	(3.7)
Distributions received from investments		0.5	0.4
Net cash outflow from investing activities from continuing operations		(528.4)	(533.1)
Net cash inflow from investing activities from discontinued operations	23	-	168.8
Net cash outflow from investing activities		(528.4)	(364.3)
Cash flows from financing activities			
Proceeds from borrowings		60.0	1,130.6
Repayment of borrowings		(224.0)	(889.0)
Payments of transaction costs related to borrowings		(0.1)	(5.4)
Principal elements of lease payments		(17.3)	(16.4)
Interest paid		(128.1)	(155.3)
Payments for buy-back of ordinary shares		-	(300.0)
Payments of transaction costs for buy-back of ordinary shares		-	(0.3)
Payments for shares acquired for share-based payments		-	(5.7)
Dividends paid to Company's shareholders	15	(458.3)	(528.8)
Net cash outflow from financing activities from continuing operations		(767.8)	(770.3)
Net cash inflow/(outflow) from financing activities from discontinued operations	23	-	-
Net cash outflow from financing activities		(767.8)	(770.3)
Net increase/(decrease) in cash and cash equivalents from continuing operations		23.9	(26.4)
Net increase in cash and cash equivalents from discontinued operations	23	-	145.8
Cash and cash equivalents at the beginning of the financial year		148.8	29.3
Effects of exchange rate changes on cash and cash equivalents		(0.6)	0.1
Cash and cash equivalents at end of the financial year		172.1	148.8

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

Notes to the consolidated financial statements

30 June 2022

About this report

Aurizon Holdings Limited (the Company) is a for-profit entity for the purpose of preparing this financial report and is domiciled in Australia. The consolidated financial report comprises the financial statements of the Company and its subsidiaries (collectively referred to as the Group or Aurizon).

The financial report is a general purpose financial report which:

- › has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB);
- › has been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value;
- › is presented in Australian dollars, with values rounded to the nearest \$100,000 unless otherwise stated, in accordance with the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*;
- › presents reclassified comparative information where required for consistency with current year presentation;
- › 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 2021; and
- › has applied the Group accounting policies consistently to all periods presented.

The general purpose financial report for the Group for the year ended 30 June 2022 (FY2022) has been authorised for issue in accordance with a resolution of the Directors on 8 August 2022. The Directors have the power to amend and reissue the financial report.

SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of the financial statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions of assets, liabilities, income and expense.

The areas involving a higher degree of judgement or complexity are set out below and in more detail in the related notes:

	Note
Revenue	2
Useful lives of property, plant and equipment	8
Impairment of property, plant and equipment	8
Impairment of cash generating units (CGUs) and goodwill	9

Other accounting policies

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.

The notes to the financial statements

The following notes include information which is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant due to its size and nature or if the information:

- › is important for understanding the Group's current period results;
- › provides an explanation of significant changes in the Group's business — for example acquisitions or divestments; or
- › relates to an aspect of the Group's operations that are important to its future performance.

Key events and transactions for the reporting period

(a) Acquisitions

One Rail Australia LP

The Group signed a Partnership Interest Sale Agreement with Macquarie Asset Management (on behalf of its managed funds and clients) on 21 October 2021 to acquire 100% of the partnership interest in One Rail Australia Holdings LP (ORA) for consideration of \$2,350.0 million. The acquisition completed on 29 July 2022 and the financial effects of the transaction have not been recognised at 30 June 2022. Refer to note 31 for further information.

ORA comprises of two main business segments:

- › Integrated bulk rail haulage and general freight assets in South Australia (SA) and the Northern Territory (NT) and below rail operator and economic owner of 2,460km of rail infrastructure including the 2,245km Tarcoola-to-Darwin railway line (ORA Bulk); and
- › Coal haulage in New South Wales (NSW) and Queensland (QLD) (East Coast Rail or ECR), including a long-term coal haulage contract with Glencore for its mines in the Hunter Valley and Central Queensland.

ORA Bulk will be integrated into the Group's bulk segment. ORA Bulk is the sole rail freight operator along the SA/NT corridor and commodities hauled include copper, grain, magnetite, phosphate and rare earths. Below rail infrastructure is operated under two long-term government concessions including the Tarcoola-to-Darwin Railway expiring 2054 and SA regional lines expiring 2047 and are regulated by the Essential Services Commission of South Australia (ECOSA).

ECR will be classified as a discontinued operation held for sale and will be divested through either a demerger or trade sale, whichever creates greater value for shareholders, in accordance with the terms of a Court-enforceable undertaking given by the Company to the Australian Competition and Consumer Commission (ACCC).

The acquisition was funded from a combination of existing bank debt facilities and new underwritten facilities. The acquisition facilities include \$1,450.0 million bank debt facilities with terms of 2 – 5 years for Aurizon Finance Pty Ltd, the financing entity for Aurizon Operations Limited (a wholly owned subsidiary of the Group) and \$500.0 million secured amortising bank debt facilities with terms of 2 – 5 years for ECR. Borrowing costs for the acquisition facilities are estimated to be \$25.0 million and will be capitalised to balance sheet and amortised to profit or loss over the expected term of the bank debt facilities.

Notes to the consolidated financial statements

30 June 2022 (continued)

Key events and transactions for reporting period (continued)

(a) Acquisitions (continued)

One Rail Australia LP (continued)

Acquisition costs, including stamp duty and advisory related fees are estimated to be \$50.0 million. Separation and divestment related costs are estimated to be \$25.0 million and include advisory fees, IT system separation costs, recruitment and other costs.

Transaction costs of \$14.2 million included in the estimates above have been incurred in FY2022 and expensed to profit or loss. This amount has been classified as a significant item.

Kooregah Pastoral Co Pty Ltd (KPC)

The Group acquired the business of KPC for consideration of \$8.3 million on 28 October 2021. KPC is a trucking and material handling business that operates in and around Hermitdale in NSW. Refer to note 22 for further information.

South Maitland Railways Pty Ltd (SMR)

The Group acquired 100% of the issued shares in SMR, a railway storage and maintenance provider near Newcastle in NSW, for consideration of \$8.2 million and a land holding for \$0.4 million on 1 March 2022. Refer to note 22 for further information.

(b) Key events and transactions for the period

2017 Access Undertaking

The 2017 Access Undertaking (UT5) approved by the Queensland Competition Authority (QCA) on 19 December 2019 included an increase in the Weighted Average Cost of Capital (WACC) from 5.90% to 6.30% upon Aurizon Network Pty Ltd (a wholly owned subsidiary of the Group) notifying the Chair of the Rail Industry Group (RIG) of its proposed options to address any capacity deficits identified in the independent capacity assessment of the Central Queensland Coal Network (CQCN) completed by an Independent Expert.

The Independent Expert completed the Initial Capacity Assessment Report (ICAR) on 28 October 2021 and on 12 November 2021, Aurizon Network Pty Ltd provided the Chair of the RIG and the QCA its preliminary response to the ICAR. This was followed by a more detailed report, following consultation with customers, on 14 March 2022, on potential transitional arrangements to rectify the relevant coal systems' capacity deficits. On 17 June 2022, the Independent Expert made a recommendation to the QCA on which of the transitional arrangements identified in the detailed report would most effectively and efficiently resolve the capacity deficits identified in the ICAR, following which the QCA will make a decision. The QCA has not made such a determination yet and therefore the impact of any such determination has not been assessed.

Future transitional arrangements and associated capital expenditure requirements will be subject to a range of factors including (i) concept and feasibility studies, (ii) staged reviews of certain transitional arrangements pending reviews of existing capacity deficits post execution of other arrangements and (iii) QCA approval. As a result of customer consultation, both Aurizon Network Pty Ltd and customers have agreed that forecast demand in the relevant coal system will also be a relevant factor and have submitted to the QCA that this should be taken into account.

Consistent with the definition of the Report Date in UT5, notification to the Chair of the RIG on 12 November 2021 triggered an increase in the WACC from 5.90% to 6.30%. UT5 assumed the ICAR would be completed by 1 March 2020 and therefore a WACC of 6.30% was applied in determining tariffs from that date. As a result of the delay in the publication of the ICAR, there has been an over-collection of access charges (the difference between 5.90% and 6.30%) in FY2022 estimated to be \$9.3 million that will be captured in the FY2022 revenue adjustment amount. The total FY2022 revenue adjustment amount to be recovered in FY2024 tariffs, is estimated to be a net under recovery of approximately \$42.0 million (\$30.0 million excluding GAPE), driven by annual volumes being lower than regulatory forecast and other adjustments, partly offset by Take-or-Pay of \$28.2 million recognised in FY2022. The FY2022 revenue adjustment is subject to approval by the QCA.

Wiggins Island Rail Project (WIRP)

Aurizon Network Pty Ltd settled all disputes with WIRP customers under their respective WIRP Deeds in July 2022. WIRP fees of \$47.0 million have been recognised in FY2022 (2021: \$60.3 million), including additional historical fees of \$30.3 million relating to FY2016 - FY2021 and \$16.7 million in fees relating to FY2022.

(c) Australian Taxation Office (ATO) declaratory relief proceedings

Prior to the Initial Public Offering in FY2010, the Queensland Government (the State) made an equity contribution to the Company of \$4,388.3 million. This contribution was recorded separately to issued capital, in a capital distribution account (classified as capital reserve). Following on from engagement with the Australian Taxation Office (ATO) in relation to the tax technical treatment of the State's contribution, the Company commenced proceedings in the Federal Court of Australia (the Court) seeking a declaration from the Court that the capital distribution account is contributed equity for the purposes of tax law. In April 2022, the Court made a declaration that the Company's capital distribution account is share capital for tax purposes. The Court's declaration was not appealed by the ATO.

Certain share buy-backs and incremental costs attributable to share buy-backs have been deducted from the initial contribution and the carrying amount of the capital reserve at 1 July 2020 was \$3,467.1 million. FY2021 is restated to reclassify the capital reserve to contributed equity.

Results for the year

IN THIS SECTION

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

1	Segment information	Page 66
2	Revenue	Page 69
3	Expenses	Page 71
4	Income tax	Page 72
5	Earnings per share	Page 73

Notes to the consolidated financial statements

30 June 2022 (continued)

1 Segment information

The Group determines and presents operating segments on a business unit structure basis as this is how the results are reported internally and how the business is managed. The Managing Director & CEO and the Executive Committee (the chief operating decision-makers) assess the performance of the Group based on underlying earnings before net interest, tax, depreciation and amortisation (EBITDA) and underlying earnings before net interest and tax (EBIT) from continuing operations.

(a) Description of reportable segments

The following summary describes the operations of each reportable segment:

Network

This segment manages the provision of access to, and operation of, the CQCN.

Coal

This segment provides transport of metallurgical and thermal coal from mines in Queensland and New South Wales to domestic customers and coal export terminals.

Bulk

This segment provides integrated supply chain services, including rail and road transportation, port services and material handling for a range of mining, metal, industrial and agricultural customers throughout Queensland, New South Wales and Western Australia.

Other

This segment includes provision of services to internal and external customers and central costs not allocated such as Board, Managing Director & CEO, Company Secretary, strategy and investor relations.

Notes to the consolidated financial statements

30 June 2022 (continued)

1 Segment information (continued)

(b) Segment information

The results of the reportable segments are measured on the same basis as the accounting policies described in the consolidated financial statements. The results of the reportable segments are set out as below:

	Network \$m	Coal \$m	Bulk \$m	Other \$m	Total continuing operations \$m
30 June 2022					
External revenue					
Revenue from external customers					
Services revenue					
Track access	752.0	359.7	-	-	1,111.7
Freight transport	-	1,195.1	657.4	0.9	1,853.4
Other services	15.8	-	10.3	4.5	30.6
Other revenue	32.8	4.7	3.9	10.8	52.2
Total revenue from external customers	800.6	1,559.5	671.6	16.2	3,047.9
Internal revenue					
Services revenue					
Track access	381.7	-	-	-	381.7
Freight transport	-	-	15.6	-	15.6
Other services	10.6	-	1.8	3.7	16.1
Total internal revenue	392.3	-	17.4	3.7	413.4
Total external and internal revenue	1,192.9	1,559.5	689.0	19.9	3,461.3
Other income	-	-	2.2	25.2	27.4
Total revenue and other income	1,192.9	1,559.5	691.2	45.1	3,488.7
Internal revenue elimination					(413.4)
Consolidated revenue and other income					3,075.3
Continuing EBITDA (Underlying)¹	801.3	541.2	130.1	(5.0)	1,467.6
Depreciation and amortisation	(344.8)	(208.7)	(36.7)	(2.1)	(592.3)
Continuing EBIT (Underlying)¹	456.5	332.5	93.4	(7.1)	875.3
Significant adjustments (note 1(c))					(14.2)
EBIT ¹					861.1
Net finance costs					(125.0)
Profit before income tax from continuing operations					736.1

¹ Refer to page 117 for Non-IFRS Financial Information.

Notes to the consolidated financial statements

30 June 2022 (continued)

1 Segment information (continued)

(b) Segment information (continued)

	Network \$m	Coal \$m	Bulk \$m	Other \$m	Total continuing operations \$m
30 June 2021					
External revenue					
Revenue from external customers					
Services revenue					
Track access ¹	721.3	428.8	-	-	1,150.1
Freight transport ¹	-	1,179.9	594.8	-	1,774.7
Other services	9.3	-	20.3	6.0	35.6
Other revenue	31.2	3.4	1.3	9.6	45.5
Total revenue from external customers	761.8	1,612.1	616.4	15.6	3,005.9
Internal revenue					
Services revenue					
Track access	457.6	-	-	-	457.6
Freight transport	-	-	17.4	-	17.4
Other services	5.5	-	1.0	3.4	9.9
Total internal revenue	463.1	-	18.4	3.4	484.9
Total external and internal revenue	1,224.9	1,612.1	634.8	19.0	3,490.8
Other income	-	-	-	13.4	13.4
Total revenue and other income	1,224.9	1,612.1	634.8	32.4	3,504.2
Internal revenue elimination					(484.9)
Consolidated revenue and other income					3,019.3
Continuing EBITDA (Underlying) ²	848.8	533.3	139.9	(39.8)	1,482.2
Depreciation and amortisation	(339.7)	(208.7)	(27.9)	(2.8)	(579.1)
Continuing EBIT (Underlying) ²	509.1	324.6	112.0	(42.6)	903.1
Significant adjustments (note 1(c))					8.2
EBIT ²					911.3
Net finance costs					(145.3)
Profit before income tax from continuing operations					766.0

1 \$16.3 million has been reclassified from access revenue to freight transport revenue in the Coal segment for FY2021 for consistency with current year presentation.

2 Refer to page 117 for Non-IFRS Financial Information.

Notes to the consolidated financial statements

30 June 2022 (continued)

1 Segment information (continued)

(c) Significant adjustments

The Group's underlying results differ from the statutory results. The exclusion of certain items permits a more appropriate and meaningful analysis of the Group's underlying performance on a comparative basis.

	2022 \$m	2021 \$m
Transaction costs incurred for ORA	(14.2)	-
Net gain on sale of shares in Aquila	-	8.2
	(14.2)	8.2

Significant adjustments, net of tax are reconciled in the Non-IFRS Financial Information on page 117.

(d) Customer disclosure

The nature of the Group's business is that it enters into long-term contracts with key customers. Two customers each contribute more than 10% of the Group's total revenue as detailed below and relate to the Coal and Network reportable segments:

	2022 \$m	2021 \$m	2022 credit rating	2021 credit rating
Customer 1	520.8	530.5	A-	A
Customer 2	447.0	418.8	BBB+	BBB+
Total	967.8	949.3		

2 Revenue

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

The Group derives the following types of revenue from the provision of services over time:

	2022 \$m	2021 \$m
Services revenue		
Track access ¹	1,111.7	1,150.1
Freight transport ¹	1,853.4	1,774.7
Other services ²	30.6	35.6
Other revenue ²	52.2	45.5
Total revenue from continuing operations	3,047.9	3,005.9

1 \$16.3 million has been reclassified from access revenue to freight transport revenue for FY2021 for consistency with current year presentation.

2 Other services includes revenue from a Transport Services Contract for Livestock (ceased 31 December 2021). Other revenue includes revenue from customer-funded infrastructure and property leases.

(a) Disaggregation of revenue from contracts with customers

Revenue is disaggregated by the Group's reportable segments, refer to note 1(b).

(b) Contract assets and liabilities

(i) Contract assets

The Group has recognised the following revenue-related contract assets:

	2022 \$m	2021 \$m
Current		
Contract assets for freight transport	9.1	2.1
Non-current		
Contract assets for freight transport	41.5	37.1

Contract assets primarily represent incremental costs incurred to secure new, or extensions to existing customer contracts. These amounts are capitalised and amortised against revenue as the performance obligations are satisfied over time. No provision for impairment of contracts assets has been recognised, refer to the accounting policy in note 6 (2021: \$nil).

	2022 \$m	2021 \$m
Within one year	9.1	2.1
Later than one year but not later than five years	35.9	32.9
Later than five years	5.6	4.2
	50.6	39.2

(ii) Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	2022 \$m	2021 \$m
Current		
Advances for track access	-	26.3
Advances for freight transport	1.8	4.8
Advances for other services	45.7	25.4
	47.5	56.5
Non-current		
Advances for freight transport	12.5	11.8
Advances for other services	96.7	123.2
	109.2	135.0

Contract liabilities primarily represent amounts received from customers as advances for track access and the provision of services under agreements for mine-specific infrastructure. These amounts are recognised in revenue using the output method as performance obligations are satisfied over time.

Notes to the consolidated financial statements

30 June 2022 (continued)

2 Revenue (continued)

(b) Contract assets and liabilities (continued)

(ii) Contract liabilities (continued)

	2022 \$m	2021 \$m
Within one year	47.5	56.5
Later than one year but not later than five years	80.0	99.8
Later than five years	29.2	35.2
	156.7	191.5

The decrease in contract liabilities represents revenue recognised for track access and the provision of services under agreements for mine-specific infrastructure.

(iii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	2022 \$m	2021 \$m
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Advances for track access	26.3	-
Advances for other services	24.9	26.5
Advances for freight transport	5.6	4.5
	56.8	31.0

(iv) Unsatisfied performance obligations

The Group has a number of long-term contracts to provide services to customers in future periods. Revenue is recognised on an as-invoice basis because the right for consideration corresponds directly with the Group's performance obligations completed to date, except for contracts with a timing difference for which a contract asset or contract liability has been recognised.

As at 30 June 2022, future contracted revenues for contracts with a timing difference are approximately \$2,014.3 million, of which \$506.2 million is expected to be recognised in FY2023. These amounts relate to track access, freight transport and other services from contracts with customers being high credit worthy counterparties. Future contracted revenues are in nominal FY2022 dollars. Variable revenue is not included. As such, the future contracted revenues described above represent only part of the Group's forecast revenues for FY2023 and beyond.

The Group applies the practical expedient in AASB 15 *Revenue from Contracts with Customers* (AASB 15), paragraph 121 to all other contracts and does not disclose information on future contracted revenues. This is because the right to consideration from a customer corresponds directly with the Group's performance obligations completed to date.

SIGNIFICANT JUDGEMENTS AND ESTIMATES

Take-or-Pay revenue

Aurizon Network Pty Ltd is able to recover in the financial year part of an Allowable Revenue shortfall through Take-or-Pay clauses which may trigger when annual volumes railed are less than the regulatory forecast. Take-or-Pay is calculated based on management's judgement of below rail cause and above rail operator and/or mine cancellations. This judgement impacts the calculation of Take-or-Pay and the receivable recognised in the year that the contractual railings were not achieved. Take-or-Pay revenue of \$28.2 million has been recognised at 30 June 2022 (2021: \$77.5 million).

Freight Transport Contract Modifications

Modifications to existing agreements where there is also a new agreement put in place are assessed based on the facts and substance of the individual contractual arrangements, and will be accounted for as either combined or separate contracts in accordance with AASB 15. There is significant judgement exercised in determining if a modification to an existing agreement should be treated as a combined or a separate contract. Judgement, including expected volumes to be railed in individual contract years and whether the contract price represents the market price in the respective contract period, is applied in determining the calculation of contract assets or contract liabilities recorded. These judgements impact the timing of revenue recognised over the term of the individual contract.

(c) Accounting policies

The Group recognises revenue as performance obligations are satisfied. Revenue includes the provision of track access and freight transport services as described below.

(i) Track access

Track access revenue is generated from the provision of access to, and operation of, the CQCN under an approved Access Undertaking. Track access revenue is recognised over time as access to the rail network is provided and is measured on a number of operating parameters including volumes hauled applied to regulator approved tariffs. The tariffs charged are determined with reference to the total allowable revenue, applied to the regulatory approved annual volume forecast for each rail system. At each balance date, track access revenue includes an amount of revenue for which performance obligations have been met under the respective contract but have not yet settled. These amounts are recognised as trade receivables.

Where annual volumes railed are less than the regulatory forecast, Take-or-Pay may trigger. Take-or-Pay is recognised as revenue and a receivable in the year that the contractual railings were not achieved as the related performance obligations have been satisfied.

Regulated access revenue is subject to a revenue cap mechanism that serves to ensure the rail network recovers its Allowable Revenue over the regulatory period. A revenue adjustment event results in the under or over recovery of regulatory access revenue (net of Take-or-Pay revenue) for a financial year being recognised in the accounting revenues of the second financial year following the financial year in which the event occurred as per the Access Undertaking.

Access revenue for the financial year has been recognised based on the 2017 Access Undertaking applying a WACC rate of 6.30% (2021: 6.30%). Refer to key events and transactions for further information.

Notes to the consolidated financial statements

30 June 2022 (continued)

2 Revenue (continued)

(c) Accounting policies (continued)

(i) Track access (continued)

A contract liability is recorded for revenue received in advance of satisfying a performance obligation and is subsequently recognised in profit and loss as revenue, as the performance obligation is satisfied during the term of the contract.

(ii) Freight transport

Freight transport revenue is recognised as the relevant performance obligations are satisfied over time, being the provision of freight transport services.

Freight transport revenue is billed monthly in arrears and recognised at rates specified in each contractual agreement, and adjusted for the amortisation of customer contract assets or contract liabilities. At each balance date, freight transport revenue includes an amount of revenue for which performance obligations have been met under the respective contract but have not yet settled. These amounts are recognised as trade receivables.

A contract modification is a separate contract if the scope of services is increased by distinct additional services and the total price increases by the market rate for those services over the remaining contract period. Where the distinct services don't indicate market prices, weighted-average contract rates are applied, which may result in the recognition of a contract asset or a contract liability that amortise over the term of the individual contract. Modifications to existing agreements where there is also a new agreement put in place are assessed based on the facts and substance of the individual contractual arrangements, and are accounted for as either combined or separate contracts.

A contract asset is recorded for revenue when the Group does not have an unconditional right to invoice the customer for performance obligations satisfied. A contract liability is recorded for revenue received in advance of satisfying a performance obligation and is recognised over the term of the contract.

(iii) Capitalisation of customer contract costs

Where incremental costs are incurred to secure a new contract or an extension to an existing customer contract, these costs are capitalised as a contract asset and amortised against revenue as the performance obligations are satisfied over time.

Where an arrangement contains a significant financing component, the transaction price is adjusted to reflect the effects of the financing component, and a contract asset is recognised and amortised against revenue as the performance obligations are satisfied over time.

3 Expenses

Profit before income tax from continuing operations includes the following specific expenses:

	2022 \$m	2021 \$m
Employee benefits expense		
Salaries, wages and allowances including on-costs	766.7	757.7
Defined contribution superannuation expense	74.0	69.1
Redundancies	12.7	13.9
	853.4	840.7
Depreciation and amortisation		
Depreciation of property, plant and equipment	562.9	547.8
Amortisation of intangibles	29.4	31.3
	592.3	579.1
Finance expenses		
Interest and finance charges paid/payable	127.5	149.8
Discounting of land rehabilitation provision	0.7	0.2
Interest paid on lease liability	4.8	5.1
Amortisation of capitalised borrowing costs	4.5	4.2
Amortisation of AMTN 2 fair value adjustment	(2.4)	(2.4)
Hedge ineffectiveness ¹	(6.3)	(3.8)
	128.8	153.1
Capitalised interest paid on qualifying assets	(1.9)	(3.7)
	126.9	149.4

¹ Refer to the accounting policy in note 18.

Notes to the consolidated financial statements

30 June 2022 (continued)

4 Income tax

Income tax comprises current and deferred tax recognised in profit or loss or directly in equity or other comprehensive income.

(a) Income tax expense

	2022 \$m	2021 \$m
Current tax	179.7	153.4
Deferred tax	43.3	60.2
Current tax relating to prior periods	(16.3)	(31.5)
Deferred tax relating to prior periods	16.4	29.6
	223.1	211.7

Income tax expense is attributable to:

Profit from continuing operations	223.1	159.3
Profit from discontinued operations (note 23)	-	52.4
	223.1	211.7

Deferred income tax expense included in income tax expense comprises:

Decrease in deferred tax assets	24.2	43.6
Increase in deferred tax liabilities	35.5	46.2
	59.7	89.8

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

	2022 \$m	2021 \$m
Profit before income tax expense from continuing operations	736.1	766.0
Profit before income tax expense from discontinued operations	-	176.0
	736.1	942.0
Tax at the Australian tax rate of 30% (2021: 30%)	220.8	282.6
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Transaction costs	2.0	-
Unrecognised deferred tax asset arising from previous impairment ¹	-	(67.8)
Other	0.2	(1.2)
Adjustments for current tax of prior periods	0.1	(1.9)
	223.1	211.7

¹ The Group sold its shares in Aquila Resources Limited on 26 May 2021. As a result of the sale, the Group recognised a tax benefit of \$67.8 million relating to an unrecognised deferred tax asset associated with the impairment of the carrying amount of the shares held in FY2016. The FY2021 net income tax benefit (including the tax effect of the net gain on sale) was \$65.3 million.

(c) Deferred tax balances

The table below outlines the items which comprise the deferred tax balances:

	2022 \$m	2021 \$m
Deferred tax assets		
Inventories	-	0.2
Provisions and accruals	101.1	112.2
Contract liabilities and income received in advance	10.3	4.4
Financial instruments	16.3	63.6
Lease liabilities	37.2	41.8
Other items	12.0	10.6
Total deferred tax assets	176.9	232.8
Set-off against deferred tax liabilities	(176.9)	(232.8)
Net deferred tax assets	-	-
Deferred tax liabilities		
Inventories	4.8	-
Property, plant and equipment	900.4	848.4
Intangible assets	29.3	32.9
Financial instruments	24.5	37.5
Other items	15.4	19.9
Total deferred tax liabilities	974.4	938.7
Set-off of deferred tax assets	(176.9)	(232.8)
Net deferred tax liabilities	797.5	705.9

The table below outlines the items which comprise deferred income tax expense:

	2022 \$m	2021 \$m
Inventories	0.2	8.9
Provisions and accruals	12.2	(5.6)
Contract liabilities and income received in advance	(5.9)	4.6
Financial instruments	15.2	30.7
Lease liabilities	4.6	4.1
Other items	(2.1)	0.9
Decrease in deferred tax assets	24.2	43.6
Property, plant and equipment	51.8	76.7
Intangible assets	(3.6)	(0.4)
Financial instruments	(13.0)	(28.8)
Other items	(4.5)	(1.3)
Inventories	4.8	-
Increase in deferred tax liabilities	35.5	46.2
Net deferred income tax expense	59.7	89.8

Notes to the consolidated financial statements

30 June 2022 (continued)

4 Income tax (continued)

(d) Accounting policies

The tax position is calculated based on the tax rates and laws enacted or substantively enacted at the reporting date, in the relevant operating jurisdiction. The tax laws and accounting standards have different rules in respect of timing and recognition of income and expense, resulting in temporary differences (which reverse over time) and non-temporary differences (which do not reverse over time or are temporary differences that do not meet the recognition criteria under the accounting standards).

Income tax expense is calculated as the profit/(loss) before tax, multiplied by the applicable tax rate, and adjusted for non-temporary differences. Income tax expense includes a current tax and deferred tax component and is recognised in the profit or loss, except to the extent that it relates to items recognised in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable for the period, and any adjustment to tax payable in respect of prior periods. Current tax includes both temporary differences and non-temporary differences.

The positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation are periodically evaluated and provisions are provided where appropriate based on amounts expected to be paid to the tax authorities.

Current tax assets and liabilities are offset where the Group has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(ii) Deferred tax

Deferred tax represents taxes to be paid or deductions available in future income years and any adjustment to deferred tax amounts in respect of prior periods. Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities, and their carrying amounts in the consolidated financial statements, except:

- › when arising on the initial recognition of goodwill;
- › when arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting or taxable profit; or
- › where it is not probable that future amounts will be available to utilise those temporary differences or carried-forward tax losses.

(iii) Offsetting deferred tax balances

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset and when the deferred tax balances relate to taxes levied by the same tax authority.

(iv) Tax consolidation legislation

The Company and its wholly owned Australian entities elected to form a tax consolidated group, and are taxed as a single entity. The head entity of the tax consolidated group is Aurizon Holdings Limited.

The Company and the entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer.

In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from entities in the tax consolidated group.

The entities have entered into tax sharing and tax funding agreements. The tax funding agreement sets out the funding obligations of members of the tax consolidated group in respect of income tax amounts and requires payments to the Company equal to the current tax liability assumed by the Company. The Company is required to make payments equal to the current tax asset or deferred tax asset arising from unused tax losses and tax credits assumed from a subsidiary member. The tax funding arrangement results in the Company recognising a current inter-entity receivable or payable equal to the tax liability or tax asset assumed.

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

5 Earnings per share

Earnings per share (EPS) is the amount of post-tax profit attributable to each share. Basic EPS is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares outstanding. Diluted EPS is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

	2022 Cents	2021 Cents
Earnings per share for continuing operations		
Basic earnings per share	27.9	32.5
Diluted earnings per share	27.8	32.4
Earnings per share		
Basic earnings per share	27.9	39.1
Diluted earnings per share	27.8	39.0
	2022 Number '000	2021 Number '000
Weighted average number of ordinary shares for basic earnings per share	1,840,605	1,868,553
Dilution due to rights issued pursuant to performance rights plans	3,992	1,909
Weighted average number of ordinary shares for diluted earnings per share	1,844,597	1,870,462

Operating assets and liabilities

IN THIS SECTION

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

6	Trade and other receivables	Page 75
7	Inventories	Page 75
8	Property, plant and equipment	Page 76
9	Intangible assets	Page 81
10	Other assets	Page 83
11	Trade and other payables	Page 83
12	Provisions	Page 83
13	Other liabilities	Page 84

Notes to the consolidated financial statements

30 June 2022 (continued)

6 Trade and other receivables

	2022 \$m	2021 \$m
Current		
Trade receivables	313.4	329.0
Provision for impairment	(0.7)	(2.4)
Net trade receivables	312.7	326.6
Other receivables ¹	121.4	157.2
	434.1	483.8

¹ Other receivables include revenue for services performed but not yet invoiced under contracts including Take-or-Pay and annual GAPE fees.

The Group has recognised a net reduction of \$1.7 million (2021: net reduction of \$5.3 million) in the provision for impairment of trade receivables. No amounts were written off in the financial year (2021: \$3.0 million).

(a) Accounting policies

(i) Trade receivables

Trade receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method. Trade receivables are generally due for settlement within 31 days and are therefore classified as current.

(ii) Provision for impairment

The collectability of trade and other receivables is reviewed on an ongoing basis. Individual debts which are known to be uncollectable are written off when identified.

The Group recognises a provision for impairment based on expected lifetime losses of trade and other receivables. The amount of the provision for impairment is recognised in profit or loss in other expenses.

(b) Credit risks related to receivables

In assessing an appropriate provision for impairment of trade and other receivables, consideration is given to historical experience of bad debts, the aging of receivables, knowledge of debtor insolvency and individual account assessment.

The Group's trade receivables exhibit similar credit risk characteristics and exposures. Customer credit risk is managed in accordance with the procedures and controls set out in the Group's credit risk management policy. Credit limits are established for all customers based on external and internal credit rating criteria. For some trade receivables, the Group may also obtain security in the form of guarantees, deeds of undertaking or letter of credit which can be called upon if the counterparty is in default under the terms of the agreement.

7 Inventories

	2022 \$m	2021 \$m
Current		
Raw materials and stores — at cost	194.6	160.0
Provision for inventory obsolescence	(8.4)	(9.6)
	186.2	150.4
Non-current		
Raw materials and stores — at cost	68.8	59.0
Provision for inventory obsolescence	(13.2)	(13.1)
	55.6	45.9

(a) Accounting policies

Inventories include infrastructure and rollingstock items held in centralised stores, workshops and depots. Items expected to be consumed after more than 12 months are classified as non-current.

Inventories are valued at the lower of cost and net realisable value. The cost of individual items of inventory are determined using weighted average cost.

The Group recognises a provision for inventory obsolescence based on an assessment of damaged stock, slow-moving stock and stock that has become obsolete. The amount of the provision for inventory obsolescence is recognised in profit or loss in other expenses.

Notes to the consolidated financial statements

30 June 2022 (continued)

8 Property, plant and equipment

	Assets under construction \$m	Land \$m	Buildings \$m	Plant and equipment \$m	Rollingstock \$m	Infrastructure \$m	Right-of-use \$m	Total \$m
2022								
Opening net book amount	230.4	124.0	235.6	268.5	2,170.8	5,321.5	94.5	8,445.3
Additions	520.5	-	-	-	-	-	2.2	522.7
Transfers between asset classes	(481.0)	0.1	5.4	78.1	136.3	261.1	-	-
Acquisitions through business combinations	-	4.7	0.4	6.2	-	3.5	-	14.8
Disposals	-	(0.4)	(3.5)	(1.4)	(3.6)	(2.4)	-	(11.3)
Adjustments to leased assets	-	-	-	-	-	-	0.3	0.3
Depreciation	-	-	(13.1)	(44.5)	(175.4)	(316.8)	(13.1)	(562.9)
Impairment	(1.2)	-	-	-	(0.9)	-	-	(2.1)
Closing net book amount	268.7	128.4	224.8	306.9	2,127.2	5,266.9	83.9	8,406.8
At 30 June 2022								
Cost	268.7	128.4	470.0	761.7	5,548.0	8,429.4	135.7	15,741.9
Accumulated depreciation and impairment	-	-	(245.2)	(454.8)	(3,420.8)	(3,162.5)	(51.8)	(7,335.1)
Net book amount	268.7	128.4	224.8	306.9	2,127.2	5,266.9	83.9	8,406.8
2021								
Opening net book amount ¹	263.2	124.3	211.4	270.1	2,178.9	5,356.9	94.4	8,499.2
Additions	482.3	-	-	-	0.7	-	3.4	486.4
Transfers between asset classes	(514.0)	2.5	31.3	31.8	163.9	281.9	-	(2.6)
Acquisitions through business combinations	0.1	-	9.3	10.7	-	2.7	9.7	32.5
Disposals	-	(2.8)	(2.2)	(2.3)	(3.6)	(5.2)	-	(16.1)
Adjustments to leased assets	-	-	-	-	-	-	(0.3)	(0.3)
Assets classified as held for sale	(1.2)	-	-	-	-	(1.7)	-	(2.9)
Depreciation	-	-	(12.7)	(41.5)	(169.1)	(311.8)	(12.7)	(547.8)
Impairment	-	-	(1.5)	(0.3)	-	(1.3)	-	(3.1)
Closing net book amount	230.4	124.0	235.6	268.5	2,170.8	5,321.5	94.5	8,445.3
At 30 June 2021								
Cost	230.4	124.0	494.2	699.3	5,432.7	8,177.3	133.3	15,291.2
Accumulated depreciation and impairment	-	-	(258.6)	(430.8)	(3,261.9)	(2,855.8)	(38.8)	(6,845.9)
Net book amount	230.4	124.0	235.6	268.5	2,170.8	5,321.5	94.5	8,445.3

¹ Balance as at 1 July 2020 has been restated for an amount of \$37.9 million reclassified from assets under construction to software under development.

Notes to the consolidated financial statements

30 June 2022 (continued)

8 Property, plant and equipment (continued)

SIGNIFICANT JUDGEMENTS AND ESTIMATES

Useful lives

Context of judgements

Aurizon's business is primarily linked to the demand for and supply of Australian commodities, almost entirely destined for export markets in Asia. As part of Aurizon's Strategy in Uncertainty framework, scenario analysis is used to test market drivers and evaluate capital, fleet and haulage opportunities and sustainability in the context of climate change risks. A key component of this analysis is understanding the drivers of demand and supply for commodities transported. This process considers short-term impacts as well as risks that emerge over the medium to long term, where the timing and magnitude is less certain. In addition to the fundamental drivers of Australian commodities, more subjective factors are also considered including government policy and trade considerations.

Useful lives of infrastructure assets

The useful lives of infrastructure assets are determined based on the expected engineering life, capped at the remaining term of the infrastructure leases (87 years) and are reviewed annually. Infrastructure predominantly relates to CQCN assets. Aurizon Network Pty Ltd (Network) is responsible for the provision of access to, and operation of, the below rail regulated CQCN which connects 40 mines to five export terminals as well as to domestic customers.

Demand for Australian coal is dependent on seaborne-traded markets which are increasingly concentrated in Asia. Metallurgical coal is primarily used to produce steel and thermal coal is used as a heat source in energy generation. Around 70% of volumes hauled across the CQCN network is metallurgical coal (remaining 30% thermal coal), with demand linked to Asian steel production. Therefore, the useful life of infrastructure assets will be impacted primarily by the future demand for Australian metallurgical coal which is dependent on economic development in Asia including steel intensive growth, alternatives to steel and current steel production methods, competing supply of metallurgical coal, changes in government policies (for example, domestic/imported coal preferences and net-zero emission targets) and technological advancements.

Network earns a Return of Capital as part of Allowable Revenue for each coal system under the QCA approved Access Undertaking. The Return of Capital compensates Network for depreciation of the Regulatory Asset Base (RAB) over QCA endorsed regulatory lives for individual asset classes which differ to the expected engineering life used for statutory reporting purposes. The QCA has also approved an accelerated depreciation profile for additions to the RAB from FY2010 onwards. As a result, at the commencement of each regulatory period, where an asset class has a remaining regulatory useful life:

- › higher than 20 years, RAB depreciation is based on a 20-year rolling life, which resets to 20 years each regulatory period
- › lower than 20 years, depreciation is calculated on a straight-line basis.

The accelerated depreciation profile adopted by the QCA increases the rate at which Network recovers the Return of Capital and increases Allowable Revenue in the near term.

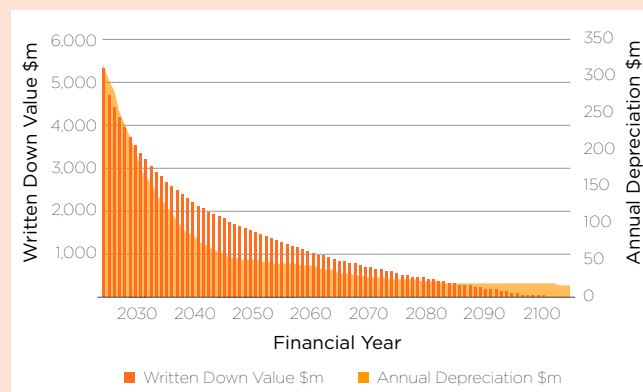
The QCA approved economic life of the CQCN can be re-assessed at the commencement of each regulatory period and therefore the QCA approved economic life of the CQCN RAB is not an indicator that useful lives adopted for statutory reporting purposes should be revised.

A range of indicators of global coal demand over the short, medium and long term are reviewed annually to assess the appropriateness of useful lives assigned to infrastructure assets for statutory reporting purposes. Indicators include the following:

- › Asian GDP growth and steel-related demand
- › crude steel production method and scrap metal availability
- › global supply competitiveness and Australian supply constraints for metallurgical coal
- › government policies, including the ability of customers to gain regulatory approvals and raise funding to support development of their resource base
- › climate policy targets and how they are intended to be met at both a country and corporate level, including net-zero emissions targets set by major import nations of Australian coal. Major import nations of Australian coal with net-zero emissions targets include India (2070), Japan (2050), South Korea (2050) and China (2060).
- › the viability of new and alternative technologies that are developed to reduce emissions targets such as carbon capture, utilisation and storage (CCUS), and hydrogen-based steel making, that may positively or negatively impact future coal demand.

The impact of the above indicators and other factors that may emerge on global coal demand and Australian coal supply are uncertain at this time and difficult to predict. Consequently, there is a risk that the useful lives assigned to infrastructure assets may require revision in the future, resulting in a change in depreciation rates on a prospective basis. Figure 1 below summarises the annual depreciation profile of the current written down value of total infrastructure assets of \$5,266.9 million over the useful life applied for each class of assets described in note 8(b)(i) and excludes future capital investments.

FIGURE 1 – INFRASTRUCTURE ASSETS DEPRECIATION PROFILE



Notes to the consolidated financial statements

30 June 2022 (continued)

8 Property, plant and equipment (continued)

SIGNIFICANT JUDGEMENTS AND ESTIMATES (CONTINUED)

All infrastructure assets have a maximum useful life of FY2109. As an indication of sensitivity, the table below summarises the increase in annual depreciation if the maximum useful life of current infrastructure assets are reduced by 10, 20, 30 or 40 years.

Reduction in maximum useful life (years):	Increase in annual depreciation (\$m p.a.):
10	2
20	6
30	10
40	18

Useful lives of rollingstock

Rollingstock assets are predominantly used by the Coal and Bulk business units to transport bulk commodities to end customers and ports. The useful lives of rollingstock assets are determined based on the expected engineering life and are reviewed annually.

In performing the annual review of the appropriateness of the useful lives of rollingstock assets, management monitors and assesses a range of indicators influencing demand and supply of rollingstock over the short, medium and long term. Indicators include the following:

- › long-term market and commodity demand under six scenarios developed under our Strategy in Uncertainty framework
- › our contract position in key markets
- › flexibility of fleet capacity, including the ability to shift standard gauge fleet between New South Wales and Western Australia

(WA), narrow gauge fleet between Queensland and WA, and between commodities within states

- › competitors, fleet mix and their associated investment profile over time
- › the risk of obsolescence as alternative technologies are developed
- › continuous improvement in fleet investment strategies such as those predicated on condition-based and preventative maintenance approaches, as well as advancements in component change-out models.

The impact of the above indicators and other factors that may emerge on demand and supply of rollingstock are uncertain. Consequently, there is a risk (both upside and downside) that the engineering useful lives assigned to rollingstock assets may require revision to an alternate benchmark in the future resulting in a change in depreciation rates on a prospective basis.

Impairment tests for property, plant and equipment

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The level of rollingstock required is determined with consideration of the Group's Enterprise Fleet Plan (EFP). Key assumptions include forecast volumes, productivity and contingent fleet requirements. There is a risk that the key assumptions applied in the EFP may be impacted by the effects of indicators described in the useful lives judgements and do not reflect actual rollingstock requirements. For further information on impairment test for cash-generating units refer to note 9.

(a) Leases

Right-of-use assets

The Group primarily leases buildings with terms mostly ranging from one to 20 years. The leases generally provide the Group with the right to renew at which time the lease terms are renegotiated. The Group applies the following practical expedients permitted by the standard:

- › payments for short-term leases of less than 12 months are recognised as an expense in profit or loss as incurred; and
- › payments for leases for which the underlying asset is of a low value are recognised as an expense in profit or loss as incurred.

Other leased assets

The following table summarises the coal infrastructure and corridor land and buildings leases:

Leases	Lessee	Lessor	Term	Expiry	Rental Amount	Extension Option ¹
CQCEN	Aurizon Network Pty Ltd	State of Queensland (land) and Queensland Treasury Holdings (infrastructure)	99 years	30 June 2109	\$1 if demanded	99 years
Part of the North Coast Line	Aurizon Network Pty Ltd	State of Queensland (land) and Queensland Rail (infrastructure)	99 years	30 June 2109	\$1 if demanded	99 years

¹ The extension option is on the same terms as the initial lease period. Notice must be provided within at least 20 years prior to the expiring of the existing term. The extension option under the corridor land leases are dependent on the infrastructure lease extension being exercised and granted.

Notes to the consolidated financial statements

30 June 2022 (continued)

8 Property, plant and equipment (continued)

(a) Leases (continued)

(i) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet includes the following amounts relating to leased assets:

	2022 \$m	2021 \$m
Right-of-use assets		
Buildings	83.3	91.5
Equipment	0.6	3.0
	83.9	94.5
Other leased assets¹		
Coal infrastructure	4,307.1	4,341.1
Corridor land	25.8	25.8
Buildings	1.6	1.8
	4,334.5	4,368.7
Total leased assets	4,418.4	4,463.2
Lease liabilities		
Current	16.0	17.0
Non-current	107.1	120.7
Total lease liabilities	123.1	137.7

¹ QGCN and part of the North Coast Line assets.

(ii) Amounts recognised in consolidated income statement

The consolidated income statement includes the following amounts relating to leased assets:

	2022 \$m	2021 \$m
Depreciation of right-of-use assets		
Buildings	10.5	10.1
Equipment	2.6	2.6
	13.1	12.7
Depreciation of other leased assets		
Coal infrastructure	264.8	257.3
Buildings	0.2	0.2
	265.0	257.5
Total leased assets depreciation	278.1	270.2
Interest expense	4.8	5.1
Expenses relating to short-term leases	0.7	1.6
Expenses relating to variable lease payments not included in lease liabilities	7.8	5.9

The total cash outflow for leases during the financial year was \$30.4 million (2021: \$29.0 million).

(b) Accounting policies

(i) Property, plant and equipment

Carrying value

Property, plant and equipment (including leased coal infrastructure, corridor land and buildings) is stated at historical cost, less any accumulated depreciation and impairment. Costs include expenditure that is directly attributable to the acquisition of the items and borrowing costs that are related to the acquisition or construction of an asset.

Costs 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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Group. All repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation

Depreciation is calculated on a straight-line basis, except for motor vehicles included in plant and equipment for which depreciation is calculated on a diminishing value method. Straight-line allocates the cost of an item of property, plant and equipment net of residual values over the expected useful life of each asset. Estimates of remaining useful life and residual values are reviewed and adjusted, if appropriate, on an annual basis.

The useful lives applied for each class of assets are:

Infrastructure, including:	
- Tracks	7 – 50 years
- Track turnouts	20 – 25 years
- Ballast	8 – 20 years
- Civil works	20 – 99 years
- Bridges	30 – 99 years
- Electrification	20 – 50 years
- Field signals	15 – 40 years
Buildings	10 – 40 years
Rollingstock, including:	
- Locomotives	25 – 35 years
- Locomotives componentisation	8 – 12 years
- Wagons	25 – 35 years
- Wagon componentisation	10 – 17 years
Plant and equipment	3 – 20 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Notes to the consolidated financial statements

30 June 2022 (continued)

8 Property, plant and equipment (continued)

(a) Accounting policies (continued)

(ii) Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Where the Group is a sub-lessor and the sub-lease is for the duration of the head lease, the right-of-use asset recognised from the head lease is derecognised and a lease receivable equal to the present value of future lease payments receivable is recognised.

Assets and liabilities arising from a lease are initially measured on a present-value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the Group's incremental borrowing rate, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Depreciation is calculated using the straight-line method over the estimated useful life which varies from two to 20 years.

(iii) Impairment tests for property, plant and equipment

Property, plant and equipment subject to depreciation is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

In testing for impairment, the recoverable amount is estimated for an individual asset or, if it is not possible to estimate the recoverable amount for the individual asset, the recoverable amount for the cash generating unit (CGU) to which the asset belongs. CGUs are the smallest identifiable group of assets that generate cash flows that are largely independent from the cash flows of other assets or group of assets. Each CGU is no larger than a reportable segment.

Assets are impaired if their carrying value exceeds their recoverable amount. The recoverable amount of an asset or CGU is determined as the higher of its fair value less cost of disposal or value-in-use.

An impairment loss is recognised in profit or loss if the carrying amount of the asset or a CGU exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then to reduce the carrying amount of other assets in the CGU (group of CGUs).

Where there is an indicator that previously recognised impairment losses may no longer exist or may have decreased, the asset is tested for impairment. The impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount of the asset and is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised.

Notes to the consolidated financial statements

30 June 2022 (continued)

9 Intangible assets

	Goodwill \$m	Software \$m	Software under development \$m	Total \$m
2022				
Opening net book amount	24.9	162.6	44.3	231.8
Additions	-	-	15.0	15.0
Transfers between asset classes	-	11.6	(11.6)	-
Acquisitions through business combinations	1.8	-	-	1.8
Disposals	-	(1.5)	-	(1.5)
Amortisation	-	(29.4)	-	(29.4)
Closing net book amount	26.7	143.3	47.7	217.7
At 30 June 2022				
Cost	26.7	413.2	47.7	487.6
Accumulated amortisation and impairment	-	(269.9)	-	(269.9)
Net book amount	26.7	143.3	47.7	217.7
2021				
Opening net book amount ¹	5.2	160.1	60.1	225.4
Additions	-	-	15.4	15.4
Transfers between asset classes	-	33.8	(31.2)	2.6
Acquisitions through business combinations	19.7	-	-	19.7
Amortisation	-	(31.3)	-	(31.3)
Closing net book amount	24.9	162.6	44.3	231.8
At 30 June 2021				
Cost	24.9	404.4	44.3	473.6
Accumulated amortisation and impairment	-	(241.8)	-	(241.8)
Net book amount	24.9	162.6	44.3	231.8

¹ Balance as at 1 July 2020 has been restated for an amount of \$37.9 million reclassified to software under development from assets under construction.

(a) Impairment tests for goodwill

For the purpose of impairment testing, goodwill is allocated to CGUs according to the level at which management monitors goodwill. Goodwill is tested annually or more regularly if there are indicators of impairment.

The recoverable amount of a CGU is determined based on the higher of the value-in-use (VIU) method or the fair value less cost of disposal (FVLCD) method, both of which require the use of assumptions. These calculations use cash flow projections extrapolated using estimated growth rates.

The following table presents a summary of the goodwill allocation and the key assumptions used in determining the recoverable amount:

	Bulk NSW	Bulk QLD
2022		
Goodwill allocation (\$m)	21.5	5.2
Valuation approach	FVLCD	VIU
Discount rate basis	Post-tax	Pre-tax
Discount rate (%)	8.0	11.5
Cash flow projection (years)	20	4
Long-term growth rate (%)	2.5	2.5
2021		
Goodwill allocation (\$m)	19.7	5.2
Valuation approach	FVLCD	VIU
Discount rate basis	Post-tax	Pre-tax
Discount rate (%)	8.5	10.8
Cash flow projection (years)	20	4
Long-term growth rate (%)	2.0	2.0

Notes to the consolidated financial statements

30 June 2022 (continued)

SIGNIFICANT JUDGEMENTS AND ESTIMATES

Impairment tests for cash generating units (CGUs) and goodwill

CGUs are tested for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. CGUs containing goodwill are tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. CGUs that have previously recognised an impairment to the carrying amount are reviewed for impairment reversal whenever events or changes in circumstances indicate that the recoverable amount may exceed the carrying amount.

Indicators of impairment reversal were identified for the Western Australia CGU. The carrying amount of the Bulk QLD and Bulk NSW CGUs contain goodwill and have therefore also been tested for impairment.

There is a risk that the assumptions applied in calculating the recoverable amount of the CGUs may be impacted by the effects of indicators described in the useful lives judgements and as a result change the estimated recoverable amount.

Western Australia CGU

The recoverable amount of the Western Australia CGU has been determined based on VIU methodology. The calculation uses a four-year cash flow projection, a pre-tax discount rate of 11.5% (2021: 10.8%) and a long-term growth rate of 2.5% (2021: 2.0%). The Western Australia CGU was tested for sensitivity of the pre-tax discount rate as well as other factors noted below.

The Western Australia CGU has a small number of customers and the recoverable amount is sensitive to changes in iron ore customer contractual arrangements. The recoverable amount of the CGU was determined taking into consideration expected expiry of iron ore customer contracts. Should contracts with iron ore customers not be renewed or the iron ore customers either cease to operate before the expected end-of-mine life or be unable to comply with current contractual arrangements, it may result in a change to the impairment recorded for the CGU. The recoverable amount of the CGU supports the carrying amount, therefore no further impairment has been recognised. Due to the carrying value being highly sensitive to the iron ore customer assumptions, no reversal of previous impairments has been recognised.

Bulk QLD CGU

The recoverable amount of the Bulk QLD CGU has been determined based on VIU methodology and the cash flow projection, pre-tax discount rate and long-term growth rate as described in note 9(a). The Bulk QLD CGU was tested for sensitivity of the pre-tax discount rate and changes in customer contractual arrangements.

The recoverable amount is sensitive to changes in customer contractual arrangements and should any major contracts not be renewed it may result in a reduction to the recoverable amount of the CGU. The recoverable amount of the CGU supports the carrying amount, including goodwill, therefore no further impairment has been recognised. Due to the sensitivity of the recoverable amount to the renewal of major customer contracts, no reversal of previous impairments has been recognised.

Bulk NSW CGU

The recoverable amount of the Bulk NSW CGU has been determined based on FVLCS methodology and the cash flow projection, post-tax discount rate and long-term growth rate as described in note 9(a). The recoverable amount is sensitive to changes in customer contractual arrangements and, should forecast growth in revenue not be achieved, it may result in a reduction to the recoverable amount of the CGU. The recoverable amount of the CGU supports the carrying amount, including goodwill, therefore no impairment has been recognised.

(b) Accounting policies

(i) Goodwill

The goodwill recognised by the Group is a result of business combinations and represents the future economic benefits that arise from assets that are not capable of being individually identified and separately recognised. Goodwill is initially measured as the amount the Group paid to acquire a business over and above the fair value of net assets acquired.

(ii) Software

Costs incurred in developing products or systems, and costs incurred in acquiring software and licences 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 services, employee costs and an appropriate portion of relevant overheads. Software 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-as-a-Service (SaaS) arrangements are service contracts which provide the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing licence fees, are recognised as an expense in profit or loss. Some of these costs incurred are for the development of software code that enhances or creates additional capability to existing systems and are recognised as an intangible asset when the recognition criteria are met.

Software is stated at historical cost, less any accumulated amortisation or impairment. Amortisation is calculated using the straight-line method over the estimated useful life which varies from three to 11 years.

Notes to the consolidated financial statements

30 June 2022 (continued)

10 Other assets

	2022 \$m	2021 \$m
Current		
Contract assets (a)	9.1	2.1
Lease receivable (b)	7.7	7.2
Other current assets	7.1	6.0
	23.9	15.3
Non-current		
Contract assets (a)	41.5	37.1
Lease receivable (b)	33.8	41.5
	75.3	78.6

(a) Contract assets

Refer to note 2(b) for further information relating to contract assets.

(b) Lease receivable

Lease receivables represent the present value of future lease payments receivable on sub-lease arrangements where the expiry of the term of the sub-lease is the same as the head lease. The collectability of lease receivables is reviewed on an ongoing basis. No provision for impairment of lease receivables has been recognised, refer to the accounting policy in note 6 (2021: \$nil).

Minimum lease payments receivable on sub-leases are as follows:

	2022 \$m	2021 \$m
Within one year	9.0	8.7
Later than one year but not later than five years	24.2	28.6
Later than five years	13.6	18.2
	46.8	55.5
Less: Unearned interest income	(5.3)	(6.8)
Total lease receivables	41.5	48.7
Interest income relating to sub-lease arrangements	1.6	1.8
Income relating to variable lease payments received	5.4	7.1

The total cash inflow for sub-leases in the financial year was \$14.1 million (2021: \$15.4 million).

11 Trade and other payables

	2022 \$m	2021 \$m
Current		
Trade payables	253.5	234.0
Other payables	40.4	35.1
	293.9	269.1

(a) Accounting policies

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

12 Provisions

	2022 \$m	2021 \$m
Current		
Employee benefits (a)	235.6	255.1
Provision for insurance claims	11.5	13.7
Litigation and workers compensation provision	31.4	25.0
Other provisions	2.1	3.1
	280.6	296.9
Non-current		
Employee benefits (a)	12.8	13.9
Litigation and workers compensation provision	13.3	12.3
Land rehabilitation	20.0	35.3
Make good and other provisions	3.0	2.7
	49.1	64.2
Total provisions	329.7	361.1

(a) Employee benefits

	2022 \$m	2021 \$m
Annual leave	72.8	68.0
Long service leave	105.3	117.8
Other	70.3	83.2
	248.4	269.0

Long service leave includes all unconditional entitlements where employees have completed the required period of service and a provision for the probability that employees will reach the required period of service. The Group does not expect all employees to take the full amount of employee benefits or require payment within the next 12 months based on past experience. The current provision for employee benefits includes \$100.3 million (2021: \$109.5 million) that is not expected to be taken or paid within the next 12 months.

(b) Accounting policies

A provision is 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 measured at the present value of the best estimate of the expenditure required to settle the present obligation at the reporting date.

Notes to the consolidated financial statements

30 June 2022 (continued)

12 Provisions (continued)

(b) Accounting policies (continued)

(i) Employee benefits

The provision for employee benefits includes accrued annual leave, leave loading, retirement allowances, long service leave, short-term incentive plans and termination benefits.

Liabilities for wages, salaries and accumulating non-monetary benefits expected to be settled within 12 months of the reporting date, are recognised in respect of employees' services up to the end of the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for annual leave and long service leave 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 date. Expected future payments that are not expected to be settled within 12 months are discounted using market yield at the reporting date of Australian corporate bond rates and reflects the terms to maturity. Remeasurements as a result of adjustments and changes in actuarial assumptions are recognised in profit or loss.

A liability for short-term incentive plans is recognised 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.

A termination benefit is payable when the Group decides to terminate the employment, or when an employee accepts redundancy in exchange for these benefits. A provision is recognised at the earlier of when the Group can no longer withdraw the offer of those benefits or when the Group recognises costs for restructuring and is measured using the present value of the expected amounts to be paid to settle the obligation.

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

(ii) Superannuation

Aurizon Holdings Limited and the following subsidiaries are members of the State Public Sector Superannuation Scheme (QSuper) multi-employer defined benefit superannuation plan and are required to contribute a specific percentage of employee benefits expense to fund the retirement benefits of 546 employees (2021: 593):

- Aurizon Operations Limited
- Aurizon Network Pty Ltd
- Australia Eastern Railroad Pty Ltd
- Australia Western Railroad Pty Ltd
- Aurizon Intermodal Pty Ltd
- Interail Australia Pty Ltd.

In accordance with the requirements of AASB 119 *Employee Benefits*, given the lack of sufficient information available, the plan is accounted for as if it were a defined contribution plan. Defined contribution superannuation expense in note 3 includes \$8.4 million (2021: \$9.7 million) relating to the QSuper defined benefit plan.

(iii) Provision for insurance claims

A provision is raised for insurance claims external to the Group for claims in relation to loss or damage to property, plant and equipment.

(iv) Litigation and workers compensation provision

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

(v) Land rehabilitation

A provision is recognised for the present value of estimated costs of land rehabilitation where the Group has a legal or constructive obligation to restore a site.

An inflation rate of 2.6% (2021: 2.4%) is applied to estimate future land rehabilitation costs. This estimate is discounted at a weighted average discount rate of 3.8% (2021: 2.0%) to determine the present value of the provision. The unwinding of the discount is recognised in profit or loss in finance costs and the movement in the provision is recognised in profit or loss in other expenses.

13 Other liabilities

	2022 \$m	2021 \$m
Current		
Contract liabilities (a)	47.5	56.5
Income received in advance	-	1.3
Lease liabilities (b)	16.0	17.0
Other current liabilities	5.2	16.8
	68.7	91.6
Non-current		
Contract liabilities (a)	109.2	135.0
Lease liabilities (b)	107.1	120.7
Other non-current liabilities	1.4	1.4
	217.7	257.1

(a) Contract liabilities

Refer to note 2(b) for further information relating to contract liabilities.

(b) Lease liabilities

Lease liabilities represent the present value of future lease payments.

Minimum lease payments are as follows:

	2022 \$m	2021 \$m
Within one year	20.4	21.8
Later than one year but not later than five years	67.9	70.4
Later than five years	56.6	71.7
	144.9	163.9
Less: Discounted using the Group's incremental borrowing rate	(21.8)	(26.2)
Total lease liabilities	123.1	137.7

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.

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Notes to the consolidated financial statements

30 June 2022 (continued)

14 Capital risk management

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 monitors its capital structure by reference to gearing ratio, ability to generate free cash flow and credit rating.

Net debt consists of borrowings (both current and non-current) less cash and cash equivalents. Net debt excludes lease liabilities. Net gearing ratio is defined as Net debt divided by Net debt plus Equity. Net debt and Net gearing ratio are measures of the Group's indebtedness and provides an indicator of the balance sheet strength. An alternative net gearing ratio is also disclosed and includes derivative financial instruments used to hedge market risk on borrowings and is reconciled in the Non-IFRS Financial Information on page 117.

	Notes	2022 \$m	2021 \$m
Total borrowings	17	3,220.8	3,738.0
Less: cash and cash equivalents		(172.1)	(148.8)
Net debt		3,048.7	3,589.2
Total equity		4,412.3	4,274.6
Total capital		7,461.0	7,863.8
Net gearing ratio		40.9%	45.6%
Alternative net gearing ratio		42.5%	44.6%

15 Dividends

	Cents per share	\$m
Declared and paid during the period		
For the year ended 30 June 2022		
Final dividend for 2021 (70% franked)	14.4	265.0
Interim dividend for 2022 (95% franked)	10.5	193.3
		458.3
For the year ended 30 June 2021		
Final dividend for 2020 (70% franked)	13.7	262.3
Interim dividend for 2021 (70% franked)	14.4	266.5
		528.8
Proposed and unrecognised at period end		
For the year ended 30 June 2022		
Final dividend for 2022 (100% franked)	10.9	200.6
For the year ended 30 June 2021		
Final dividend for 2021 (70% franked)	14.4	266.2

Franked dividends

Franking credits are available to shareholders of the Company at the 30% (2021: 30%) corporate tax rate. The balance of franking credits available as at 30 June 2022 is \$62.6 million (2021: \$57.2 million). The amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits that will arise from the payment or refund of the amount of the provision for income tax.

16 Equity

(a) Contributed equity

(i) Issued capital

	Number of shares '000	\$m
At 1 July 2020	1,914,643	506.6
On-market share buy-back	(73,939)	(300.0)
At 30 June 2021	1,840,704	206.6
At 30 June 2022	1,840,704	206.6

Ordinary shares are classified as equity. The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. Ordinary shares entitle the holder to participate in dividends, as declared from time to time, and are entitled to one vote per share at meetings of the Company. Where the Company purchases ordinary shares as a result of a share buy-back, the consideration paid, net of any related income tax benefits, is deducted from share capital and the ordinary shares are cancelled.

At 30 June the Company did not hold any treasury shares (2021: 407,694).

(ii) Other contributed equity

	2022 \$m	2021 \$m
Balance at 1 July	3,467.1	3,467.1
Buy-back of ordinary shares	-	(0.3)
Aggregate deferred tax debited/(credited) to equity	-	0.3
Balance 30 June	3,467.1	3,467.1

Prior to the Initial Public Offering in FY2010, the Queensland Government (the State) made an equity contribution to the Company of \$4,388.3 million. This contribution was recorded separately to issued capital, in a capital distribution account (classified as capital reserve). Certain share buy-backs and incremental costs attributable to share buy-backs have been deducted from the initial contribution and the carrying amount of the capital reserve at 1 July 2020 was 3,467.1 million. The capital reserve has been reclassified to contributed equity, refer to key events and transactions for further information.

Notes to the consolidated financial statements

30 June 2022 (continued)

16 Equity (continued)

(b) Reserves

	Notes	Share of an associate's OCI \$m	Cash flow hedges \$m	Share-based payments \$m	Foreign currency translation \$m	Total \$m
Balance at 1 July 2021		-	(56.5)	(0.4)	0.3	(56.6)
Fair value gains/(losses) taken to equity		-	106.8	-	-	106.8
Fair value (gains)/losses transferred to property, plant and equipment		-	0.3	-	-	0.3
Tax expense/(benefit) relating to items of other comprehensive income		-	(32.1)	-	-	(32.1)
Other currency translation differences		-	-	-	(1.0)	(1.0)
Reclassification to profit or loss on cessation of joint venture		-	-	-	(0.2)	(0.2)
Other comprehensive income		-	75.0	-	(1.2)	73.8
Transactions with owners in their capacity as owners:						
Share-based payments expense	27	-	-	9.0	-	9.0
Aggregate deferred tax debited/(credited) to equity		-	-	0.2	-	0.2
Balance at 30 June 2022		-	18.5	8.8	(0.9)	26.4
Balance at 1 July 2020		(1.8)	(72.0)	1.4	0.4	(72.0)
Fair value gains/(losses) taken to equity		-	25.7	-	-	25.7
Fair value (gains)/losses transferred to property, plant and equipment		-	(3.6)	-	-	(3.6)
Tax expense/(benefit) relating to items of other comprehensive income		-	(6.6)	-	-	(6.6)
Other currency translation differences		-	-	-	(0.1)	(0.1)
Reclassification to profit or loss on disposal of shares in associate		1.8	-	-	-	1.8
Other comprehensive income		1.8	15.5	-	(0.1)	17.2
Transactions with owners in their capacity as owners:						
Share-based payments expense	27	-	-	4.9	-	4.9
Purchase of share for performance rights plans		-	-	(5.7)	-	(5.7)
Aggregate deferred tax debited/(credited) to equity		-	-	(1.0)	-	(1.0)
Balance at 30 June 2021		-	(56.5)	(0.4)	0.3	(56.6)

Notes to the consolidated financial statements

30 June 2022 (continued)

16 Equity (continued)

(b) Reserves (continued)

(i) Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedge transactions that have not yet occurred.

(ii) Share-based payment reserve

The share-based payment reserve is used to recognise the fair value of rights recognised as an expense. Refer to note 27 for further details of the Group's performance rights plans.

The fair value of rights granted are recognised as an employee benefits expense in profit or loss with a corresponding increase in the share-based payment reserve in equity and is spread over the vesting period during which the employees become unconditionally entitled to the right.

Where the Company purchases ordinary shares to satisfy performance rights plans, the consideration paid is deducted from the share-based payment reserve.

(iii) Foreign currency translation reserve

On consolidation all exchange differences arising from translation of controlled entities with a financial currency that is not Australian dollars are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is disposed of, or ceases, the cumulative amount recognised within the reserve relating to that foreign operation is transferred to profit or loss.

17 Borrowings

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

The carrying amount of the Group's borrowings are as follows:

	2022 \$m	2021 \$m
Current — Unsecured		
Bank debt facilities	255.0	59.0
	255.0	59.0
Non-current — Unsecured		
Medium-Term Notes	2,852.8	3,210.4
Bank debt facilities	120.0	480.0
Capitalised borrowing costs	(7.0)	(11.4)
	2,965.8	3,679.0
Total borrowings	3,220.8	3,738.0

The Group's bank debt facilities contain financial covenants. The bank debt facilities and Medium-Term Notes contain general undertakings including negative pledge clauses which restrict the amount of security that the Group can provide over assets in certain circumstances. The Group has complied with all required covenants and undertakings throughout the reporting period.

The Group manages its exposure to interest rate risk as set out in note 18(a). Details of the Group's financing arrangements and exposure to risks arising from borrowings are set out in note 18(b).

(a) Accounting policies

Borrowings are initially recognised at fair value of the consideration received, less directly attributable borrowing costs. Borrowings are subsequently measured at amortised cost using the effective interest rate method.

Directly attributable borrowing costs are capitalised and amortised over the expected term of the bank debt facilities and Medium-Term Notes.

Borrowings are classified as current liabilities, except for those liabilities where the Group has an unconditional right to defer settlement for at least 12 months after the reporting period which are classified as non-current liabilities.

Notes to the consolidated financial statements

30 June 2022 (continued)

18 Financial risk management

Financial risk management is carried out by Aurizon Group Treasury under policies that have been approved by the Board for managing each of the below risks, including principles and procedures with respect to risk tolerance, delegated levels of authority on the type and use of derivative financial instruments and the reporting of these exposures. The policies are subject to periodic reviews.

In accordance with Board approved policies, the Group typically uses derivative financial instruments to hedge underlying exposures arising from the Group's operational activities relating to changes in foreign exchange rates and changes in interest rates.

The Group's overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance as set out in the table below:

Risk	Exposure	Mitigation
Market risks		
- Interest rate risk	The Group is exposed to interest rate risk in respect to short and long-term borrowings where interest is charged at variable rates.	The Group mitigates interest rate risk primarily by maintaining an appropriate mix of fixed and floating rate borrowings. Where necessary, the Group hedges interest rates using derivative financial instruments - interest rate swaps to manage cash flows and interest rate exposure.
- Interest rate and foreign exchange risk	The Group is exposed to interest rate and foreign currency exchange risk in respect of the Euro (€) denominated Medium-Term Notes (EMTNs).	To mitigate the risk of adverse movements in interest rates and foreign exchange in respect of Euro denominated borrowings, the Group enters into cross-currency interest rate swaps (CCIRS) to replace Euro principal and interest payments with Australian dollar repayments.
- Foreign exchange risk	The Group is exposed to foreign exchange risk in respect of purchases of inventory and property, plant and equipment denominated in a foreign currency.	The Group manages foreign currency risk on contractual commitments by entering into forward exchange contracts.
Liquidity and funding risk	The Group is exposed to liquidity and funding risk from operations and borrowings, where the risk is that the Group may not be able to refinance debt obligations or meet other cash outflow obligations when required.	The Group mitigates liquidity and funding risk by ensuring a sufficient range of funds are available to meet its cash flow obligations when due under both normal and stressed conditions without incurring unacceptable losses or damage to the Group's reputation.
Credit risk	The Group is exposed to credit risk from financial instrument contracts, trade and other receivables, contract assets and lease receivables. The maximum exposure to credit risk at reporting date is the carrying amount, net of any provisions for impairment.	The Group enters into financial instrument contracts with high credit quality financial institutions with a minimum long-term credit rating of A- or better by Standard & Poor's. The Board approved policies limit the amount of credit exposure to any one financial institution by credit rating band. The Group manages counterparty risk through approval, granting and renewal of credit limits, regularly monitoring exposures against credit limits, and assessing overall financial stability and strength of counterparties on an ongoing basis. Refer to note 6 for credit risk exposures relating to trade and other receivables, contract asset and lease receivables.

Notes to the consolidated financial statements

30 June 2022 (continued)

18 Financial risk management (continued)

(a) Market risk

(i) Interest rate risk

Exposure

The Group had the following variable rate borrowings and interest rate swap contracts outstanding at 30 June:

	Weighted average interest rate %	Balance \$m
2022		
Variable rate exposure	1.7	3,020.8
Interest rate swaps (Including debt credit margins)	1.0	(2,300.0)
Net exposure to interest rate risk		720.8

2021

Variable rate exposure	2.4	3,109.8
Interest rate swaps (Including debt credit margins)	1.8	(2,775.0)
Net exposure to interest rate risk		334.8

Interest rate derivatives used for hedging

The Group currently has interest rate swaps in place to cover 76% (2021: 89%) of the variable rate borrowings, including fixed rate borrowings converted to variable rate borrowings as a result of fair value hedge relationships outlined in note 18(a)(ii). The weighted average maturity of interest rate swaps is less than one year (2021: 1.8 years).

Sensitivity

The following table summarises the gain/(loss) impact of a 100 basis points (bps) increase or decrease in interest rates on net profit and equity before tax.

	Increase \$m	Decrease \$m
2022		
Effect on profit	(7.2)	7.2
Effect on equity	18.2	(18.5)
2021		
Effect on profit	(3.3)	3.3
Effect on equity	44.6	(45.6)

Amounts recognised in profit or loss

The Group recognised a net loss on interest rate swaps of \$13.7 million (2021: \$40.1 million) as a result of market interest rates (i.e. floating rates) closing lower than the fixed interest rates hedged resulting in a loss on the floating-to-fixed interest rate swaps, partly offset by a gain on the fixed-to-floating interest rate swaps. The net loss represents the effective portion of hedges which have been recognised in finance expense.

(ii) Effects of hedge accounting

The table below summarises the hedging instruments used to manage market risk:

	2022 \$m	2021 \$m
Current assets		
Interest rate swaps	42.3	-
Foreign exchange contracts	1.5	0.1
	43.8	0.1
Non-current assets		
Interest rate swaps — Finance AMTN 1	-	1.9
CCIRS — Network EMTN 1	37.9	109.2
CCIRS — Network EMTN 2	-	13.9
	37.9	125.0
Total derivative financial instrument assets	81.7	125.1
Current liabilities		
Foreign exchange contracts	-	0.5
Interest rate swaps	-	0.1
	-	0.6
Non-current liabilities		
Interest rate swaps	-	40.2
Interest rate swaps — Finance AMTN 1	66.1	-
Interest rate swaps — Network AMTN 3	10.8	0.4
Interest rate swaps — Network AMTN 4	105.1	26.0
Interest rate swaps — Network AMTN 5	13.0	-
CCIRS — Network EMTN 2	71.3	-
	266.3	66.6
Total derivative financial instrument liabilities	266.3	67.2

The Group has issued Australian dollar Medium-Term Notes (AMTNs) and EMTNs under its wholly owned subsidiaries Aurizon Network Pty Ltd and Aurizon Finance Pty Ltd which have separate designations in hedging relationships.

Notes to the consolidated financial statements

30 June 2022 (continued)

18 Financial risk management (continued)

(a) Market risk (continued)

(ii) Effects of hedge accounting (continued)

The following table summarises the impact of hedging instruments designated in hedging relationships, recognised as derivative financial instruments in the consolidated balance sheet:

	Notional amount		Carrying amount assets/(liabilities)		Favourable/(unfavourable) change in fair value used for measuring ineffectiveness for the year	
	2022	2021	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Cash flow hedges						
Foreign exchange risk						
Forward contracts ¹	US\$18.5m	US\$4.5m	1.5	(0.1)	1.6	0.6
Forward contracts ¹	€2.3m	€2.5m	-	(0.3)	0.3	0.5
Interest rate risk						
Interest rate swaps ²	A\$2,300.0m	A\$2,775.0m	42.3	(40.3)	82.6	38.8
Foreign exchange and interest rate risks						
CCIRS — Network EMTN 1 ³	€500.0m	€500.0m	(1.3)	(1.0)	(0.3)	(1.2)
CCIRS — Network EMTN 2 ³	€500.0m	€500.0m	(10.7)	(10.8)	0.1	(4.0)
Fair value hedges						
Interest rate risk						
Interest rate swaps — Finance AMTN 1 ⁴	A\$500.0m	A\$500.0m	(66.1)	1.9	(69.1)	1.6
Interest rate swaps — Network AMTN 3 ⁴	A\$82.0m	A\$82.0m	(10.8)	(0.4)	(10.7)	(3.9)
Interest rate swaps — Network AMTN 4 ⁴	A\$500.0m	A\$500.0m	(105.1)	(26.0)	(82.3)	(27.3)
Interest rate swaps — Network AMTN 5 ⁴	A\$75.0m	-	(13.0)	-	(13.7)	-
Foreign exchange and interest rate risks						
CCIRS — Network EMTN 1 ³	€500.0m	€500.0m	39.2	110.2	(80.0)	(41.2)
CCIRS — Network EMTN 2 ³	€500.0m	€500.0m	(60.6)	24.7	(101.5)	(38.9)

1 Forward contracts have an average AUD:USD exchange rate of 0.7299 (2021: 0.7429) and AUD:EUR exchange rate of 0.6566 (2021: 0.5720) related to capital commitments.

2 Floating-to-fixed interest rate swaps have an average fixed interest rate of 0.96% (2021: 1.09%) and receive floating BBSW.

3 CCIRS have an average fixed EUR interest rate of 2.56%, an average floating AUD interest rate of BBSW + 2.93% spread, and an average AUD:EUR exchange rate of 0.6730, over the same term as the EMTNs.

4 Fixed-to-floating interest rate swaps have an average floating BBSW + 1.86% spread (2021: BBSW + 1.88% spread) and an average fixed interest rate of 2.97% (2021: 2.95%), over the same term as the AMTNs.

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

	Cash flow hedge reserve ¹		(Favourable)/unfavourable change in fair value used for measuring ineffectiveness for the year		Hedging gain/(loss) recognised in comprehensive income ¹	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Cash flow hedges (before tax)						
Foreign exchange risk						
Capital commitments	(1.5)	0.4	(1.9)	(1.1)	1.9	1.1
Interest rate risk						
Forecast floating interest payments	(42.3)	40.3	(82.6)	(38.8)	82.6	39.1
Foreign exchange and interest rate risks						
Network EMTN 1	3.3	11.8	0.3	1.2	8.6	(6.6)
Network EMTN 2	14.1	28.0	(0.1)	4.0	13.9	(11.5)

1 Cash flow hedge reserve includes the cumulative impact of cross-currency basis relating to EMTN 1 and EMTN 2 of \$33.2 million (2021: \$19.4 million). The hedging gain recognised in other comprehensive income includes the cross-currency basis relating to EMTN 1 and EMTN 2 of \$22.3 million (2021: hedging loss of \$13.1 million).

Notes to the consolidated financial statements

30 June 2022 (continued)

18 Financial risk management (continued)

(a) Market risk (continued)

(ii) Effects of hedge accounting (continued)

The following table summarises the impact of hedged items designated in fair value hedging relationships, recognised as borrowings in the consolidated balance sheet:

	Carrying amount ¹		Accumulated fair value adjustment		(Favourable)/unfavourable change in fair value used for measuring ineffectiveness for the year	
	2022 \$m	2021 \$m	2022 \$m	2021 \$m	2022 \$m	2021 \$m
Fair value hedges (before tax)						
Interest rate risk						
Finance AMTN 1	(432.5)	(501.6)	67.5	(1.6)	69.1	(1.6)
Network AMTN 2 ²	-	-	(4.7)	(7.1)	-	-
Network AMTN 3	(70.8)	(81.5)	11.2	0.5	10.7	3.9
Network AMTN 4	(390.4)	(472.7)	109.6	27.3	82.3	27.3
Network AMTN 5	(61.3)	-	13.7	-	13.7	-
	(955.0)	(1,055.8)	197.3	19.1	175.8	29.6
Foreign exchange and interest rate risks						
Network EMTN 1	(752.9)	(832.6)	(42.3)	(122.0)	79.7	41.2
Network EMTN 2	(722.4)	(824.3)	55.8	(46.1)	101.9	38.9
	(1,475.3)	(1,656.9)	13.5	(168.1)	181.6	80.1
Total borrowings subject to fair value hedges	(2,430.3)	(2,712.7)	210.8	(149.0)	357.4	109.7

¹ Carrying amount excludes the effect of discounts on the face value of AMTNs and EMTNs issued.

² Hedge accounting for Network AMTN 2 was discontinued in FY2019. During FY2022, an amount of \$2.4 million (2021: \$2.4 million) has been recognised in profit or loss in finance costs.

Notes to the consolidated financial statements

30 June 2022 (continued)

18 Financial risk management (continued)

(b) Liquidity and funding risk

(i) Financing arrangements

The table below summarises the financing arrangements the Group had access to at the end of the period. The facilities are unsecured.

	Maturity	Utilised ¹		Facility limit	
		2022 \$m	2021 \$m	2022 \$m	2021 \$m
Aurizon Finance Pty Ltd					
Working capital facility	Jun-23	19.0	15.1	125.0	125.0
Bilateral facility	Jun-23	-	-	50.0	50.0
Bilateral facility	Nov-23	-	-	500.0	500.0
Bilateral facility	Nov-25	-	-	75.0	75.0
Finance AMTN 1 ²	Mar-28	500.0	500.0	500.0	500.0
		519.0	515.1	1,250.0	1,250.0
Aurizon Network Pty Ltd					
Working capital facility	Jun-23	2.5	60.5	75.0	75.0
Bilateral facility	Jun-23	255.0	370.0	750.0	750.0
Bilateral facility	Jun-24	60.0	110.0	300.0	300.0
Bilateral facility	Jun-25	60.0	-	150.0	150.0
Network AMTN 2 ²	Jun-24	425.0	425.0	425.0	425.0
Network AMTN 3 ²	Mar-30	82.0	82.0	82.0	82.0
Network AMTN 4 ²	Sept-30	500.0	500.0	500.0	500.0
Network AMTN 5 ²	Dec-31	75.0	75.0	75.0	75.0
Network EMTN 1 ²	Sept-24	710.6	710.6	710.6	710.6
Network EMTN 2 ²	Jun-26	778.2	778.2	778.2	778.2
		2,948.3	3,111.3	3,845.8	3,845.8
Total Group financing arrangements		3,467.3	3,626.4	5,095.8	5,095.8

1 Amount utilised includes bank guarantees of \$21.5 million (2021: \$16.6 million) and excludes capitalised borrowing costs of \$7.0 million (2021: \$11.4 million) and discounts on Medium-Term Notes of \$7.2 million (2021: \$9.5 million).

2 Amounts utilised on EMTNs and AMTNs excludes accumulated fair value adjustments of \$210.8 million (2021: \$149.0 million). EMTN 1 and EMTN 2 have a notional amount of €500.0 million, converted to AUD at an exchange of 0.7036 and 0.6425 respectively.

The Group has access to working capital facilities totalling \$200.0 million (2021: \$200.0 million) which can be utilised for short-term working capital and financial bank guarantees. At 30 June, the Group utilised \$21.5 million (2021: \$16.6 million) for financial bank guarantees.

Notes to the consolidated financial statements

30 June 2022 (continued)

18 Financial risk management (continued)

(b) Liquidity and funding risk (continued)

(ii) Maturities of financial liabilities

The table below analyses the Group's financial liabilities, including derivatives, into relevant maturity groupings based on the period remaining until the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest) and will not reconcile with the amounts disclosed in the consolidated balance sheet:

	1 year or less \$m	1 – 5 years \$m	More than 5 years \$m	Total contractual cash flows \$m	Carrying amount (assets)/ liabilities \$m
2022					
Non-derivative financial instruments					
Trade payables	293.9	-	-	293.9	293.9
Borrowings (excluding the effect of CCIRS)	361.4	2,328.0	1,239.8	3,929.2	3,220.8
Financial guarantees	21.5	-	-	21.5	-
Lease liabilities	20.4	67.9	56.6	144.9	123.1
Total non-derivative financial instruments	697.2	2,395.9	1,296.4	4,389.5	3,637.8
Derivatives					
Interest rate swaps	(43.0)	-	-	(43.0)	(42.3)
Interest rate swaps — Finance AMTN 1	(5.7)	1.4	2.2	(2.1)	66.1
Interest rate swaps — Network AMTN 3	-	1.8	4.9	6.7	10.8
Interest rate swaps — Network AMTN 4	9.7	15.0	49.8	74.5	105.1
Interest rate swaps — Network AMTN 5	0.9	1.6	8.3	10.8	13.0
CCIRS — Network EMTN 1	19.8	(27.8)	-	(8.0)	(37.9)
CCIRS — Network EMTN 2	29.1	132.0	-	161.1	71.3
Gross settled forward exchange contracts (inflow)	1.5	-	-	1.5	(1.5)
Total derivatives	12.3	124.0	65.2	201.5	184.6
2021					
Non-derivative financial instruments					
Trade payables	269.1	-	-	269.1	269.1
Borrowings (excluding the effect of CCIRS)	159.0	2,817.9	1,273.8	4,250.7	3,738.0
Financial guarantees	16.6	-	-	16.6	-
Lease liabilities	21.8	70.4	71.7	163.9	137.7
Total non-derivative financial instruments	466.5	2,888.3	1,345.5	4,700.3	4,144.8
Derivatives					
Interest rate swaps	24.7	16.8	-	41.5	40.3
Interest rate swaps — Finance AMTN 1	(5.7)	(4.5)	2.2	(8.0)	(1.9)
Interest rate swaps — Network AMTN 3	-	(0.5)	0.4	(0.1)	0.4
Interest rate swaps — Network AMTN 4	(3.8)	2.9	21.9	21.0	26.0
CCIRS — Network EMTN 1	(2.2)	(88.3)	-	(90.5)	(109.2)
CCIRS — Network EMTN 2	6.5	42.5	-	49.0	(13.9)
Gross settled forward exchange contracts (inflow)	(0.5)	-	-	(0.5)	0.4
Total derivatives	19.0	(31.1)	24.5	12.4	(57.9)

Notes to the consolidated financial statements

30 June 2022 (continued)

18 Financial risk management (continued)

(c) Hedging instruments

(i) Accounting policies

Derivative financial instruments are recognised initially at fair value on the date the instrument is entered into and are subsequently remeasured at fair value or 'market to market' at each reporting date. The gain or loss on remeasurement is recognised immediately in profit or loss unless the derivative is designated as a hedging instrument, in which case the remeasurement is recognised in equity.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

At inception of the hedge relationship, the Group formally designated the relationship between hedging instruments and hedged items, as well as its risk management objective for undertaking various hedge transactions. The Group also documents its assessment at hedge inception date and on an ongoing basis as to whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item and a qualitative assessment is performed to assess effectiveness. If changes in circumstances affect the terms of the hedged item, such as the terms no longer match exactly with the critical terms of the hedged instrument, a hypothetical derivative method is used to assess effectiveness.

The main source of hedge ineffectiveness is the effect of the credit risk differential between the Group and its respective counterparties (i.e. credit curves) on the fair value of interest rate swaps and CCIRS, which is not reflected in the fair value of the hedged item. Ineffectiveness may be due to differences in the critical terms between the interest rate swaps and loans or in the timing of forecast transactions. Hedge ineffectiveness is recognised against the mark-to-market position of the derivative financial instrument and in profit or loss in finance costs.

Rebalancing

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.

For the purpose of hedge accounting, hedges are classified as fair value hedges or cash flow hedges and are accounted for as set out in the table below.

Hedges that meet the criteria for hedge accounting are accounted for as follows:

	Fair value hedge	Cash flow hedge
What is it?	A derivative or financial instrument designated as hedging the change in fair value of a recognised asset or liability or firm commitment. A fair value hedge is used to swap fixed interest payments to variable interest payments in order to manage the Group's exposure to interest rate risk.	A derivative or financial instrument hedging the exposure to variability in cash flow attributable to a particular risk associated with an asset, liability or forecasted transaction. A cash flow hedge is used to swap variable interest rate payments to fixed interest rate payments, or to lock in foreign currency rates in order to manage the Group's exposure to interest rate risk and foreign exchange risk.
Movement in fair value	Changes in the fair value of the derivative are recognised in profit or loss, together with the changes in fair value of the hedged asset or liability attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings are recognised in profit or loss within finance expenses, together with the changes in fair value of the hedged fixed rate borrowing attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised separately to the effective portion in profit or loss within finance expenses.	The effective part of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated in equity in the cash flow hedge reserve. The change in the fair value that is identified as ineffective is recognised immediately in profit or loss within other income or other expense. Amounts accumulated in equity are transferred to profit or loss when the hedged item affects profit or loss. When the forecast transaction results in the recognition of a non-financial asset (property, plant and equipment), the gains or losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset.
Discontinuation of hedge accounting	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 profit or loss in finance income over the period to maturity using a recalculated effective interest rate.	When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria or 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 transferred to profit or loss.

Notes to the consolidated financial statements

30 June 2022 (continued)

18 Financial risk management (continued)

(c) Hedging instruments (continued)

(i) Accounting policies (continued)

Netting of payments

Derivative transactions are administered under International Swaps and Derivatives Association (ISDA) Master Agreements. Where certain credit events occur, such as default, the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. The Group does not currently have legally enforceable right of set-off between transaction types and therefore these amounts are presented separately in the consolidated balance sheet.

ISDA's held with counterparties allow for the netting of payments and receipts for the settlement of interest rate swap transactions.

The following table presents the recognised financial instruments that are offset, or subject to enforceable master netting arrangements. The net amount shows the impact on the Group's balance sheet if all set-off rights were exercised.

	Effects of offsetting on the balance sheet		Related amounts not offset		
	Gross amounts \$m	Gross amounts set-off in the balance sheet \$m	Net amounts presented in the balance sheet \$m	Amounts subject to master netting arrangements \$m	Net amount ¹ \$m
2022					
Financial assets					
Derivative financial instruments	81.7	-	81.7	(143.1)	(61.4)
Financial liabilities					
Derivative financial instruments	(266.3)	-	(266.3)	143.1	(123.2)
2021					
Financial assets					
Derivative financial instruments	125.1	-	125.1	(0.4)	124.7
Financial liabilities					
Derivative financial instruments	(67.2)	-	(67.2)	0.4	(66.8)

¹ No financial instrument collateral.

(d) Fair value measurement

The carrying value of cash and cash equivalents, and non-interest bearing financial assets and liabilities approximates fair value due to their short-term maturity.

The fair value of borrowings is estimated by discounting future contractual cash flows at the current market interest rates that are available to the Group for similar financial instruments. The market interest rates were determined to be between 1.0% and 6.6% (2021: 1.0% and 3.2%) depending on the type of facility.

The Group measures the fair value of financial instruments using market observable data where possible. Fair values are categorised into three levels with each of these levels indicating the reliability of the inputs used in determining fair value. The levels of the fair value hierarchy are:

Level 1: Quoted prices for an identical asset or liability in an active market

Level 2: Directly or indirectly observable market data

Level 3: Unobservable market data

The fair value of forward exchange contracts are determined as the unrealised gain/(loss) with reference to market rates. The fair value of interest rate swaps is determined as the net present value of contracted cash flows. The existing exposure method, which estimates future cash flows to present value using credit adjusted discount factors after counterparty netting arrangements, has been adopted for both forward foreign exchange contracts and interest rate swaps.

The fair value of CCIRS is determined as the net present value of contract 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 Group's derivative financial instruments are classified as Level 2 (2021: Level 2). During the period, there were no transfers between Level 1, Level 2 or Level 3 in the fair value hierarchy (2021: nil).

Notes to the consolidated financial statements

30 June 2022 (continued)

18 Financial risk management (continued)

(d) Fair value measurement (continued)

The table below summarises the carrying amount and fair value of the Group's financial assets and liabilities:

	Notes	Carrying amount		Fair value	
		2022 \$m	2021 \$m	2022 \$m	2021 \$m
Financial assets carried at fair value					
Foreign exchange contracts		1.5	0.1	1.5	0.1
Interest rate swaps		42.3	-	42.3	-
Interest rate swaps — Finance AMTN 1		-	1.9	-	1.9
CCIRS — Network EMTN 1		37.9	109.2	37.9	109.2
CCIRS — Network EMTN 2		-	13.9	-	13.9
		81.7	125.1	81.7	125.1
Financial assets carried at amortised cost					
Cash and cash equivalents		172.1	148.8	172.1	148.8
Trade and other receivables	6	434.1	483.8	434.1	483.8
		606.2	632.6	606.2	632.6
Financial liabilities carried at fair value					
Foreign exchange contracts		-	(0.5)	-	(0.5)
Interest rate swaps		-	(40.3)	-	(40.3)
CCIRS — Network EMTN 2		(71.3)	-	(71.3)	-
Interest rate swaps — Finance AMTN 1		(66.1)	-	(66.1)	-
Interest rate swaps — Network AMTN 3		(10.8)	(0.4)	(10.8)	(0.4)
Interest rate swaps — Network AMTN 4		(105.1)	(26.0)	(105.1)	(26.0)
Interest rate swaps — Network AMTN 5		(13.0)	-	(13.0)	-
		(266.3)	(67.2)	(266.3)	(67.2)
Financial liabilities carried at amortised cost					
Trade and other payables	11	(293.9)	(269.1)	(293.9)	(269.1)
Borrowings ¹	17	(3,220.8)	(3,738.0)	(3,242.8)	(3,912.6)
		(3,514.7)	(4,007.1)	(3,536.7)	(4,181.7)
Off-balance sheet					
Unrecognised financial assets					
Third party guarantees		-	-	19.1	19.1
Bank guarantees		-	-	308.6	299.0
Insurance company guarantees		-	-	0.6	0.8
Unrecognised financial liabilities					
Bank guarantees		-	-	(21.5)	(16.6)
		-	-	306.8	302.3

¹ Borrowings includes \$2,430.3 million (2021: \$2,712.7 million) subject to fair value hedges.

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.

19	Joint ventures	Page 99
20	Material subsidiaries	Page 99
21	Parent entity disclosures	Page 100
22	Acquisition of businesses and interests in joint ventures	Page 100
23	Discontinued operations	Page 101

Notes to the consolidated financial statements

30 June 2022 (continued)

19 Joint ventures

The Group has an interest in the following joint ventures:

Name	Ownership interest			Principal activity
	Country of operation	2022 %	2021 %	
Joint ventures				
Coal Network Capacity Co Pty Ltd	Australia	8	8	Independent Expert
Ox Mountain Limited	United Kingdom	42	42	Software
Chun Wo/CRGL ¹	China — Hong Kong	—	17	Construction
ARG Risk Management Limited	Bermuda	50	50	Insurance
Integrated Logistics Company Pty Ltd	Australia	14	14	Consulting
ACN 169 052 288	Australia	15	15	Dormant

¹ The Chun Wo/CRGL joint venture ceased operations in March 2022.

The Group's share of net profit from investments in joint ventures in the period is \$0.4 million (2021: \$0.3 million). The Group's share of net assets from investment in joint ventures at reporting date are \$22.0 million (2021: \$26.1 million) and are not considered material.

(a) Accounting policies

Investments in joint ventures are accounted for using the equity method of accounting. Investments are initially recognised at cost and subsequently adjusted for the Group's share of net profit or loss. The carrying value of an investment is reduced by the value of dividends received from the joint venture.

The carrying amount of investments are tested for impairment in accordance with the policy described in note 8.

20 Material subsidiaries

The ultimate parent of the Group is Aurizon Holdings Limited. The companies listed below are those whose results, in addition to the parent entity, principally affect the amounts shown in the financial report:

Controlled entities	Country of incorporation	Ownership interest	
		2022 %	2021 %
Aurizon Operations Limited	Australia	100	100
Australia Eastern Railroad Pty Ltd	Australia	100	100
Australia Western Railroad Pty Ltd	Australia	100	100
Aurizon Network Pty Ltd	Australia	100	100
Aurizon Property Pty Ltd	Australia	100	100
Aurizon Finance Pty Ltd	Australia	100	100
Aurizon Port Services Pty Ltd	Australia	100	100
Aurizon Port Services NSW Pty Ltd	Australia	100	100
Iron Horse Insurance Company Pte Ltd	Singapore	100	100

(a) 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 financial year.

Subsidiaries are all 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. Where arrangements between the continuing and discontinued operations will continue subsequent to disposal, transactions including revenue and expenses are included in continuing operations profit or loss with elimination entries recognised in profit or loss of the discontinued operation.

Inter-company transactions and balances are eliminated on consolidation.

(b) Changes in ownership interest

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The re-measured fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest of an associate, joint venture or financial asset. Any amounts previously recognised in other comprehensive income are accounted for as if the Group had directly disposed of the related assets or liabilities and may result in amounts previously recognised in other comprehensive income being reclassified to profit or loss.

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

Notes to the consolidated financial statements

30 June 2022 (continued)

21 Parent entity disclosures

The financial information for the parent entity Aurizon Holdings Limited has been prepared on the same basis as the consolidated financial statements, except for investments in subsidiaries which are carried at cost less accumulated impairment losses.

(a) Summary financial information

	2022 \$m	2021 \$m
Current assets	70.0	8.4
Non-current assets	3,712.2	3,703.2
Total assets	3,782.2	3,711.6
Current liabilities	68.9	7.6
Non-current liabilities	0.5	0.4
Total liabilities	69.4	8.0
Net assets	3,712.8	3,703.6
Equity		
Contributed equity ¹	3,673.7	3,673.7
Reserves ¹	(5.4)	(14.3)
Retained earnings	44.5	44.2
Total equity	3,712.8	3,703.6
Profit for the year	458.6	571.0
Total comprehensive income	458.6	571.0

¹ FY2021 is restated to reclassify the capital reserve of \$3,467.1 million to contributed equity, refer to key events and transactions.

All costs associated with employees of the parent entity are borne by a subsidiary and recharged to the parent entity as they are incurred. The parent entity disclosure includes employee benefit provisions and other labour accruals for these employees.

(b) Guarantees entered into by the parent entity

The Company has provided a Parent Company Guarantee (PCG) in favour of Moorebank Intermodal Company (MIC) as a residual obligation in relation to 50% of the cost to complete construction of Terminal Works, and 25% of the contract sum for design and construction of Rail Access. The estimated maximum exposure under the guarantee is \$95.3 million (2021: \$93.3 million), however the Company has obtained a 100% cross indemnity guarantee from Qube Holdings Ltd in respect of any call under the PCG.

The parent entity did not have any material contingent liabilities or contractual commitments for the acquisition of property, plant and equipment as at 30 June 2022 (2021: \$nil).

22 Acquisition of businesses and interests in joint ventures

(a) Summary of acquisitions in 2022

(i) South Maitland Railways Pty Ltd (SMR)

The Group acquired 100% of the issued shares in SMR, a railway storage and maintenance provider near Newcastle in NSW, for consideration of \$8.2 million and a land holding for \$0.4 million on 1 March 2022. Acquisition costs were expensed to profit or loss. The net cash outflow from investing activities for the acquisition in the period was \$8.2 million and acquisition of property, plant and equipment was \$0.4 million.

(ii) Kooregah Pastoral Co Pty Ltd (KPC)

The Group acquired the business of KPC for consideration of \$8.3 million on 28 October 2021. KPC is a trucking and material handling business that operates in and around Hermitdale in NSW. The acquisition includes the assets and workforce associated with the business which are expected to be complementary to Bulk's NSW operations. Goodwill of \$1.8 million has been recognised which has been allocated to the Bulk NSW CGU. Acquisition costs were expensed to profit or loss. The net cash outflow from investing activities for the acquisition in the period was \$7.7 million.

(b) Summary of acquisitions in 2021

(i) Ox Mountain Limited

The Group acquired a 41.67% investment in Ox Mountain Limited (UK registered), a maintenance software developer and distributor, for consideration of \$22.4 million on 28 August 2020. The investment is accounted for using the equity method of accounting and is classified as a joint venture.

(ii) ConPorts Pty Ltd

The Group acquired 100% of the issued shares in ConPorts Pty Ltd, a shiploading services provider in Newcastle, for consideration of \$42.7 million on 31 December 2020. The company was renamed Aurizon Port Services NSW Pty Ltd. The acquisition included long-term leases at the Port of Newcastle with shiploading facilities adjacent to rail lines. The Group paid the contingent consideration of \$1.0 million on 21 October 2021.

Notes to the consolidated financial statements

30 June 2022 (continued)

23 Discontinued operation

(a) Closure and sale of Intermodal

On 26 March 2021, the Group completed the sale of the Acacia Ridge Intermodal Terminal to Pacific National.

(i) Financial performance and cash flow information

The financial information relating to the discontinued operation is set out below for the period to 26 March 2021.

	2021 \$m
Revenue	21.5
Other income	161.2
Employee benefits expense	(2.4)
Energy and fuel	(0.1)
Consumables	(3.9)
Other expenses	(0.3)
Profit before income tax	176.0
Income tax expense	(52.4)
Profit from discontinued operation after tax	123.6
Net cash outflow from operating activities	(23.0)
Net cash inflow from investing activities	168.8
Net cash inflow/(outflow) from financing activities	-
Net increase in cash generated by the discontinued operation	145.8

(ii) Significant items

The Group's underlying results differ from the statutory results. The exclusion of certain items permits a more appropriate and meaningful analysis of the Group's underlying performance on a comparative basis.

	2021 \$m
Significant items	
Net gain on sale of Acacia Ridge Intermodal Terminal	161.1

Net gain on sale includes proceeds received of \$209.0 million less net assets at the date of disposal of \$45.4 million and disposal costs of \$2.5 million.

Other notes

IN THIS SECTION

Other notes 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.

24	Notes to the consolidated statement of cash flows	Page 103
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Notes to the consolidated financial statements

30 June 2022 (continued)

24 Notes to the consolidated statement of cash flows

(a) Reconciliation of net cash inflow from operating activities to profit from continuing operations

	2022 \$m	2021 \$m
Profit from continuing operations	513.0	606.7
Depreciation and amortisation	592.3	579.1
Impairment of non-current assets	2.1	3.1
Finance expenses	126.9	149.4
Share-based payment expense	9.0	4.9
Net gain on disposal of assets	(22.4)	(16.5)
Share of net profit of investments accounted for using equity method	(0.4)	(0.3)
Net exchange differences	0.6	(0.1)
Change in operating assets and liabilities:		
(Increase)/Decrease in trade and other receivables	51.1	(20.2)
(Increase)/Decrease in inventories	(45.4)	(12.2)
(Increase)/Decrease in other operating assets	(5.0)	(8.5)
Increase/(Decrease) in trade and other payables	37.0	(25.5)
Increase/(Decrease) in other liabilities	(43.7)	8.8
Increase/(Decrease) in current tax liabilities	77.1	(91.8)
Increase/(Decrease) in deferred tax liabilities	59.9	75.7
Increase/(Decrease) in provisions	(32.0)	24.4
Net cash inflow from operating activities from continuing operations	1,320.1	1,277.0

(b) Reconciliation of liabilities arising from financing activities to financing cash flows

	Current borrowings \$m	Non-current borrowings \$m	Liabilities held to hedge borrowings ¹ \$m	Assets held to hedge borrowings ¹ \$m	Total \$m
Balance as at 1 July 2021	(59.0)	(3,679.0)	(66.7)	125.0	(3,679.7)
Reclassification	(255.0)	255.0	-	-	-
Financing cash flows ²	59.0	105.1	-	-	164.1
Changes in fair value (including foreign exchange rates)	-	357.4	(199.6)	(44.8)	113.0
Other non-cash movements ³	-	(4.3)	-	-	(4.3)
Balance as at 30 June 2022	(255.0)	(2,965.8)	(266.3)	80.2	(3,406.9)
Balance as at 1 July 2020	(657.6)	(2,949.6)	(79.1)	220.8	(3,465.5)
Financing cash flows ²	599.0	(835.2)	-	-	(236.2)
Changes in fair value (including foreign exchange rates)	(0.4)	109.7	12.4	(95.8)	25.9
Other non-cash movements ³	-	(3.9)	-	-	(3.9)
Balance as at 30 June 2021	(59.0)	(3,679.0)	(66.7)	125.0	(3,679.7)

¹ Assets and liabilities held to hedge borrowings exclude foreign exchange contracts included in note 18(a).

² Financing cash flows includes the net amount of proceeds from borrowings, repayment of borrowings and payments of transaction costs related to borrowings.

³ Other non-cash movements includes the amortisation of AMTN 2 fair value adjustment, amortisation of capitalised borrowing costs and amortisation of discounts on the face value of the AMTNs and EMTNs issued.

Notes to the consolidated financial statements

30 June 2022 (continued)

25 Related party transactions

Related parties include investments and Key Management Personnel (KMP). There were no transactions with related parties during the financial year (2021: \$nil).

26 Key Management Personnel

KMP include the Non-Executive Directors and those Executives who have the authority and responsibility for planning, directing and controlling the activities of the Group.

	2022 \$'000	2021 \$'000
Short-term employee benefits	9,082	9,064
Long-term employee benefits	27	154
Post-employment benefits	261	218
Other benefits	-	1,041
Share-based payments expense	4,958	2,995
	14,328	13,472

Detailed remuneration disclosures are provided in the Remuneration Report section of the Directors' Report. Apart from the information disclosed in this note, no Director has entered into a material contract with the Group in the financial year and there were no material contracts involving Directors' interests existing at year end (2021: nil).

27 Share-based payments

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payment incentives. The performance rights plans were established by the Board to motivate and incentivise employees to develop and successfully execute against short and long-term strategies that grow the business and generate shareholder returns. The schemes under the plan include a Short Term Incentive Award (STIA), a Long Term Incentive Award (LTIA) and a Retention award. The schemes have various terms and performance measures.

This note should be read in conjunction with the Remuneration Report, as set out in the Directors' Report, which contains detailed information regarding the setting of remuneration for KMP.

The table below summarises the total movements in the performance rights issued by the Group:

	Balance at start of the year Number '000	Granted during the year Number '000	Exercised during the year Number '000	Forfeited during the year Number '000	Balance at end of the year ¹ Number '000
2022					
STIA	391	541	(391)	-	541
LTIA	8,512	3,364	-	(1,960)	9,916
Retention	84	79	(17)	-	146
Total	8,987	3,984	(408)	(1,960)	10,603
2021					
STIA	428	391	(428)	-	391
LTIA	7,990	2,958	(267)	(2,169)	8,512
Retention	281	67	(264)	-	84
Total	8,699	3,416	(959)	(2,169)	8,987

¹ Balance of rights at the end of the year remains unvested.

During the period, the Group recognised a share-based payment expense of \$9.0 million (2021: \$4.9 million).

The weighted average share price at the date performance rights were exercised during the period was \$3.71 (2021: \$4.40). The weighted average remaining contractual life of unvested rights at 30 June 2022 was 1.9 years (2021: 1.9 years).

Market valuation techniques were used to determine the fair value of performance rights granted and are summarised below:

Scheme	Fair value	2022 \$	2021 \$
STIA	Share price at grant date	3.73	4.30
Retention	Share price at grant date	3.80	4.32
LTIA			
- ROIC	Share price at grant date less estimated dividend yield	2.97	3.15
- TSR	Monte-Carlo simulation technique	1.97	1.86
- GRG	Share price at grant date less estimated dividend yield	2.97	-

The table below summarises the inputs to the fair value calculation under the Monte-Carlo simulation technique:

Inputs	2022	2021
Expected dividend yield (%)	6.90	6.40
Expected price volatility of the Company's shares (%)	22.00	39.20
Share price at grant date (\$)	3.92	4.07
Risk-free interest rate (%)	0.80	0.20
Expected life of rights (years)	4.00	4.00

The expected price volatility of the Company's shares reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

Notes to the consolidated financial statements

30 June 2022 (continued)

28 Auditor's remuneration

During the year, the following fees were paid or payable for services provided by the auditor of the parent entity and its related practices:

	2022 \$'000	2021 \$'000
Deloitte Touche Tohmatsu		
Audit and review of financial statements		
Group	203	-
Controlled subsidiaries	767	-
	970	-
Tax advisory services	130	-
Other advisory services	480	-
Total remuneration of Deloitte Touche Tohmatsu	1,580	-
PwC Australia		
Audit and review of financial statements		
Group	-	423
Controlled subsidiaries	-	767
	-	1,190
Other assurance services	-	60
Other advisory services	-	80
Total remuneration of PwC Australia	-	1,330

Notes to the consolidated financial statements

30 June 2022 (continued)

29 Summary of other significant accounting policies

Other significant accounting policies adopted in the preparation of the consolidated financial statements are set out below.

(a) Basis of preparation

(i) New and amended standards adopted by the Group

The Group has applied the following amendment for the first time for the reporting period commencing 1 July 2021:

➤ AASB 2020-8 *Amendments to Australia Accounting Standards — Interest Rate Benchmark Reform Phase 2*.

The interest rate benchmark reform aims to discontinue Interbank Offered Rates (IBORs) and replace these interest rate benchmarks with alternative Risk Free Rates (RFRs).

In the prior year, the Group had early adopted AASB 2019-3 *Amendments to Australian Accounting Standards — Interest Rate Benchmark Reform* and AASB 2020-8 *Amendments to Australian Accounting Standards — Interest Rate Benchmark Reform — Phase 2*. These amendments modify specific hedge accounting requirements related to the Group's EMTNs and allow the Group to apply certain exemptions in respect of hedge relationships that are impacted by market-wide interest rate benchmark reform. The Group has applied these reliefs resulting in no impact on the Group's hedge accounting. Upon transition to alternative benchmarks the Group will seek to apply further reliefs in AASB 9 and continue to apply hedge accounting to its hedging arrangements.

The Group has no contractual cash flows linked to IBOR, as all foreign currency borrowings are fixed rate which are swapped back to domestic floating using CCIRS, however, IBOR reform impacts the components of hedge designation in different hedge relations.

As at 30 June 2022, the Group had Euro dominated fixed rate borrowings that were swapped back to AUD floating BBSW through CCIRS hedges. These hedging instruments have both fair value and cash flow hedge components:

Hedge relationship	Prior to transition instrument type	Latest maturity	Nominal in foreign currency	Nominal in local currency	Hedged item	Transition progress
Fair value hedge	Benchmark portion of the receive fixed EUR coupon relate to EUR swap rates	Sept-2024	€1,000.0m	\$1,488.8m	Benchmark portion of the EUR fixed coupons related to EUR swap interest rates over the term of the bond	Working with provider to transition across to the new benchmark
Cash flow hedge	Receive benchmark EUR cash flow, pay benchmark AUD cash flow combined with EUR and AUD notional principal exchanges at effective and maturity date	Sept-2024			EUR principal repayment of the bond from first repayment date until maturity of the bond	
Cash flow hedge	Receive cash margin above the portion of the fixed EUR interest coupon of the CCIRS equivalent to credit margin component of the bond over the benchmark swap interest rate and pay cash margin above the benchmark	Sept-2024			Margin above swap benchmark rate portion of the EUR fixed coupon payable on the bond (equivalent to credit margin on debt) over the term of the bond	

Management is expecting to have no significant impact of IBOR reform, except for the operational risk. The current treasury management system is undergoing upgrades to fully manage the transition to alternative benchmark rates and there is a risk that such upgrades are not fully functional in time, resulting in additional manual procedures which give rise to operational risks.

Notes to the consolidated financial statements

30 June 2022 (continued)

29 Summary of other significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) New standards and interpretations not yet adopted

Certain new accounting standards and amendments to standards have been published that are not mandatory for reporting periods commencing 1 July 2021 and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(b) Cash and cash equivalents

Cash and cash equivalents include cash at-bank and on-hand, and short-term money market investments with an original maturity of three months or less and are classified as financial assets held at amortised cost.

Cash at-bank earns interest at floating rates based on daily bank deposits. Short-term deposits are made for varying periods, depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

(c) Foreign currency transactions

Items included in the financial statements of each of the entities included within the Group are measured using the currency of the economic environment in which the entity primarily generates and expends cash. These financial statements are presented in Australian dollars, which is the functional and presentation currency of the Company.

Transactions in foreign currencies are initially recorded in the functional currency of the entity using the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Foreign exchange gains and losses arising from the translation of the monetary assets and liabilities, or from the settlement of foreign currency translations, are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges. The amounts deferred in equity in respect of cash flow hedges are recognised in profit or loss when the hedged item affects profit or loss.

As at the reporting date, the assets and liabilities of entities within the Group that have a functional currency different from the presentation currency are translated into Australian dollars at the rate of exchange at the balance sheet date and profit or loss are translated at the average exchange for the year. The exchange differences arising on the balance sheet translation are taken directly to a separate component in equity in the foreign currency translation reserve.

(d) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. In accordance with the acquisition method, the Group measures goodwill, at acquisition date, as the fair value of the consideration transferred less the fair value of the identifiable assets and liabilities acquired. The fair value of the consideration transferred comprises the initial cash paid and an estimate for any future contingent or deferred payments the Group may be liable to pay.

The application of the acquisition method requires certain estimates and assumptions to be made particularly around the determination of fair value of any contingent or deferred consideration, the acquired intangible assets, property, plant and equipment, and liabilities assumed. Such estimates are based on information available at acquisition date.

Acquisition-related costs are expensed as incurred.

Predecessor value method of accounting is used to account for all business combinations that involve entities under common control. Acquired assets and liabilities are recorded at their existing carrying values and no goodwill is recorded. Retrospective presentation of the acquired entity's results and balance sheet are incorporated as if both entities had always been combined.

(e) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less cost of disposal, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less cost of disposal. A gain is recognised for any subsequent increases in fair value less cost of disposal of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated income statement.

Notes to the consolidated financial statements

30 June 2022 (continued)

29 Summary of other significant accounting policies (continued)

(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 is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Group classifies its financial assets as subsequently measured at either amortised cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

(ii) Financial assets measured at amortised cost

A financial asset is subsequently measured at amortised cost, using the 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.

(iii) Non-derivative liabilities

The Group initially recognises loans and debt securities issued on the date when they originate. Other financial liabilities are initially recognised on the trade date. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

(g) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of associated GST, unless the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the balance sheet.

Cash flows are presented in the cash flow statement on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the ATO, are presented as operating cash flows.

The Company and its subsidiaries are grouped for GST purposes. Therefore, any inter-company transactions within the Group do not attract GST.

Unrecognised items and events after reporting date

IN THIS SECTION

Unrecognised items provides 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. This section also includes events occurring after the reporting date.

30	Commitments and contingencies	Page 110
31	Events occurring after the reporting period	Page 110

Notes to the consolidated financial statements

30 June 2022 (continued)

30 Commitments and contingencies

(a) Contingent liabilities

Issues relating to common law claims, product warranties and regulatory breaches are dealt with as they arise. There were no material contingent liabilities requiring disclosure 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 18(d). For information about the MIC Parent Company Guarantee, refer to note 21(b).

Transfer duty exemption

The transfer of ownership of Aurizon Network Pty Ltd from Aurizon Operations Limited to Aurizon Holdings Limited in August 2019 qualified for an exemption from transfer duty under the *Queensland Duties Act 2001*. Should duty become payable in respect of the restructure (for example, due to a change in ownership of Aurizon Network Pty Ltd within three years of the transfer of the shares in August 2019), Aurizon estimates the duty liability may be approximately \$295 million.

(b) Contingent assets

Guarantees and letters of credit

For information about guarantees given to the Group, refer to note 18(d).

(c) Capital commitments

At 30 June 2022, the Group has capital commitments contracted but not provided for in respect of the acquisition of property, plant and equipment of \$140.1 million (2021: \$77.3 million) which are due within one year.

31 Events occurring after the reporting period

(i) Acquisition of One Rail Australia LP (ORA)

The acquisition of ORA completed on 29 July 2022 and the transaction has not been recognised at 30 June 2022. Details of the provisional purchase price consideration, net assets acquired and goodwill have not been disclosed as the Group had not yet completed the provisional accounting for the acquisition at the time the financial statements were authorised for issue as access to key information was restricted until completion. Refer to key events and transactions for other information in relation to the acquisition.

(ii) Debt financing

On 29 July 2022, the Group satisfied customary closing conditions on new bank debt facilities summarised in the table below. The bank debt facilities contain financial covenants and general undertakings, including negative pledge clauses which restrict the amount of security the Group can provide over assets in certain circumstances.

	Maturity	Facility Limit \$m
Aurizon Finance Pty Ltd — Unsecured		
Bridge facility	Jul-24	650.0
Revolving facility	Jul-25	400.0
Term loan facility	Jul-27	400.0
		1,450.0
NHK Pty Ltd (East Coast Rail) — Secured		
Working capital facility	Jul-23	15.0
Bridge facility	Jul-24	250.0
Amortising loan facility	Jul-27	250.0
		515.0

Directors' Declaration

30 June 2022

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 58 - 110 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards and other mandatory professional reporting requirements as detailed above, and the *Corporations Regulations 2001*,
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Page 63 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Managing Director & Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.



Tim Poole
Chairman

Brisbane
8 August 2022

Independent Auditor's Report to the Members of Aurizon Holdings Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Aurizon Holdings Limited (the Company) and its subsidiaries (the Group) which comprises the consolidated balance sheet as at 30 June 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<i>Useful life of infrastructure assets</i> At 30 June 2022, the carrying value of infrastructure assets was \$5,267m including the Central Queensland Coal Network infrastructure assets (CQCNI infrastructure assets) of \$4,902m. As disclosed in note 8, the Group determines the useful lives of the CQCNI infrastructure assets based on the expected engineering life of these assets, capped at the remaining term of the applicable leases. These assets are primarily used to transport coal from mines to port, for subsequent export. As such, any change in the export market demand for Queensland coal or restrictions on the supply of that coal may indicate that the useful lives of the CQCNI infrastructure assets should be changed. There is uncertainty as to the future demand for coal with climate change widely considered to be one of the key issues facing the global community and increasing pressure on governments and industry to seek lower carbon solutions. Given the significant carrying value of the CQCNI infrastructure assets, the estimate of the useful life of the CQCNI infrastructure assets is considered to be a key audit matter.	To assess the useful lives adopted by the Group for the CQCNI infrastructure assets, we performed the following procedures amongst others: • Obtained and evaluated information which estimates the period over which there will be demand for, and supply of, coal from Queensland. This included: ◦ Publicly available global and regional energy and coal forecasts and outlooks from industry specialists and ◦ Management's Strategy in Uncertainty scenarios • As metallurgical coal is expected to be in demand longer than thermal coal, evaluated the period over which metallurgical coal demand could be supplied by Queensland mines, with reference to publicly available metallurgical coal reserve and production estimates • Obtained publicly available information on the current regulatory environment of the coal industry in Queensland including mine approvals and government policy statements • As most publicly available information does not forecast coal demand beyond 2050, management undertook scenario analysis to assess the economic viability of the CQCNI infrastructure assets beyond 2050. Together with our internal specialist we evaluated this analysis including the adopted methodology and the scenarios considered • Evaluated the Group's useful life disclosures in the financial statements including the sensitivity analysis outlining the impact on depreciation expense of changes in the useful lives of assets that are currently capped at the remaining term of the applicable leases.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<i>Recoverability of the Western Australia, Bulk Queensland (Bulk QLD) and Bulk New South Wales (Bulk NSW) cash-generating units (CGUs)</i> At 30 June 2022, as disclosed in note 9, management has undertaken an estimate of the recoverable value of the following CGUs: - The Western Australia CGU, which has a carrying value of \$272m. The carrying value of depreciable assets within this CGU has previously been impaired due to the loss of, and changes to, key customer contracts, challenging market conditions and a review of the freight business. Management has identified potential impairment reversal indicators during the year following the commencement of a new grain haulage contract in the 2022 financial year and the performance of contracts with existing customers - The Bulk QLD CGU, which has a carrying value of \$140m including goodwill of \$5m. The carrying value of depreciable assets within this CGU has previously been impaired due to the loss of key customer contracts, challenging market conditions and a review of the freight business - The Bulk NSW CGU, which has a carrying value of \$158m including \$22m of goodwill. Recoverable values have been estimated using a value in use discounted cash flow model for the Western Australia CGU and the Bulk QLD CGU and a fair value less costs of disposal (FVLCD) discounted cash flow model for the Bulk NSW CGU. The key assumptions included in these models relate to cash flows from customers, discount rates and forecast capital expenditure. As these assumptions require management to exercise significant judgement, the recoverable value of the Western Australia CGU, Bulk QLD CGU and Bulk NSW CGU is a key audit matter.	To evaluate the estimated recoverable value of the Western Australia, Bulk QLD and Bulk NSW CGUs, we performed the following procedures amongst others: - Assessed the design and implementation of key controls over management's process for determining the recoverable value of the CGUs - Tested whether the carrying value of the CGUs included all assets and liabilities that are directly attributable to the respective CGUs - Agreed the cash flows included in management's models to the latest board approved budgets - Assessed whether the cash flows include an appropriate charge for any corporate assets that were not allocated directly to CGUs - Evaluated the basis for determining the forecast cash flows attributable to customer contracts in management's model, including an assessment of key assumptions relating to volumes, contract renewals and new customers - Agreed forecast capital expenditure with capital budgets - Evaluated the Group's ability to forecast future cash flows by comparing the current year and historical results to budgets - Together with our valuation specialists, assessed the discount rates and terminal growth rates used to determine the recoverable value, the valuation methodology and the mathematical accuracy of the cash flow models - Performed analysis to understand the sensitivity of the recoverable value to changes in key assumptions - Assessed the relevant disclosures included in the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

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



In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

Deloitte.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 33 to 48 of the Directors' Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Aurizon Holdings Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.


DELOITTE TOUCHE TOHMATSU



Matthew Donaldson
Partner
Chartered Accountants
Brisbane, 8 August 2022

Non-IFRS Financial Information in the FY2022 Annual Report

In addition to using profit as a measure of the Group and its segments' financial performance, Aurizon uses EBITDA (Statutory and Underlying), EBITDA margin (Statutory and Underlying), EBIT (Statutory and Underlying), NPAT Underlying, Return On Invested Capital (ROIC), Net debt and Net gearing ratio. These measurements are not defined under IFRS and are, therefore, termed 'Non-IFRS' measures.

EBITDA — Statutory is Group profit before net finance costs, tax, depreciation and amortisation, while EBIT — Statutory is defined as Group profit before net finance costs and tax. Underlying can differ from Statutory due to exclusion of significant items that permits a more appropriate and meaningful analysis of the underlying performance on a comparative basis. EBITDA margin is calculated by dividing underlying EBITDA by total revenue. These measures are considered to be useful measures of the Group's operating performance because they approximate the underlying operating cash flow by eliminating depreciation and amortisation.

NPAT- Underlying represents the underlying EBIT less finance costs, tax expense and the tax impact of significant adjustments.

ROIC is defined as underlying rolling 12-month EBIT divided by average invested capital. Average invested capital is calculated as the rolling 12-month average of net assets (excluding cash, borrowings, tax, derivative financial assets and liabilities). This measure is intended to ensure there is alignment between investment in infrastructure and superior returns for shareholders.

Net debt consists of borrowings (both current and non-current) less cash and cash equivalents. Net debt excludes lease liabilities. Net gearing ratio is defined as Net debt divided by Net debt plus Equity. Net debt and Net gearing ratio are measures of the Group's indebtedness and provides an indicator of the balance sheet strength. An alternative Net debt and Net gearing ratio are also disclosed to include derivative financial instruments used to hedge market risk on borrowings.

These above mentioned measures are commonly used by management, investors and financial analysts to evaluate companies' performance.

A reconciliation of the Non-IFRS measures and specific items to the nearest measure prepared in accordance with IFRS is included in the table. The Non-IFRS financial information contained within this Directors' report and Notes to the Financial Statements have not been audited in accordance with Australian Auditing Standards.

	2022		2021	
	Continuing operations \$m	Discontinued operations \$m	Continuing operations \$m	Discontinued operations \$m
NPAT — Underlying	524.9	-	533.2	10.8
Significant adjustments, net of tax ¹	(11.9)	-	5.7	112.8
Significant adjustment — Aquila income tax benefit	-	-	67.8	-
NPAT — Statutory	513.0	-	606.7	123.6
Income tax expense	223.1	-	159.3	52.4
Profit before income tax	736.1	-	766.0	176.0
Net finance costs	125.0	-	145.3	-
EBIT — Statutory	861.1	-	911.3	176.0
Add back significant adjustments:				
- Transaction costs incurred for ORA	14.2	-	-	-
- Net gain on sale of shares in Aquila	-	-	(8.2)	-
- Net gain on sale of Acacia Ridge Intermodal Terminal	-	-	-	(161.1)
EBIT — Underlying	875.3	-	903.1	14.9
Depreciation and amortisation	592.3	-	579.1	-
EBITDA — Underlying	1,467.6	-	1,482.2	14.9
Average invested capital	8,464		8,418	
ROIC	10.3%		10.7%	

1 Transaction costs incurred for ORA includes amounts which are not deductible in calculating taxable income.

	2022 \$m	2021 \$m
Net Gearing Ratio		
Total borrowings	3,220.8	3,738.0
Less: cash and cash equivalents	(172.1)	(148.8)
Net debt	3,048.7	3,589.2
Total equity	4,412.3	4,274.6
Total capital	7,461.0	7,863.8
Net Gearing Ratio	40.9%	45.6%
Alternative Net Gearing Ratio		
Net debt	3,048.7	3,589.2
Accumulated fair value adjustments ¹	210.8	(149.0)
Alternative Net Debt	3,259.5	3,440.2
Total equity	4,412.3	4,274.6
Total capital	7,671.8	7,714.8
Alternative Net Gearing Ratio	42.5%	44.6%

1 Refer to note 18(a)(ii).

Shareholder Information

RANGE OF FULLY PAID ORDINARY SHARES AS AT 1 AUGUST 2022

RANGE	TOTAL HOLDERS	UNITS	% OF ISSUED CAPITAL
1 - 1,000	22,667	13,455,629	0.73
1,001 - 5,000	31,172	74,519,433	4.05
5,001 - 10,000	7,384	54,119,028	2.94
10,001 - 100,000	5,708	123,711,914	6.72
100,001 Over	182	1,574,897,978	85.56
Total	67,113	1,840,703,982	100.00

UNMARKETABLE PARCELS AS AT 1 AUGUST 2022

MINIMUM PARCEL SIZE	HOLDERS	UNITS
Minimum \$500.00 parcel at \$4.10 per unit	122	1,094

The number of shareholders holding less than the marketable parcel of shares is 1,094 (shares: 56,622).

SUBSTANTIAL HOLDERS OF 5% OR MORE OF FULLY PAID ORDINARY SHARES AS AT 1 AUGUST 2022*

NAME	NOTICE DATE	SHARES
BlackRock Group	06/01/2020	141,036,686
State Street Corporation	18/01/2022	112,656,938
The Vanguard Group Inc	23/06/2022	92,070,702

* As disclosed in substantial shareholder notices received by the Company.

INVESTOR CALENDAR

2023 DATES	DETAILS
13 February 2023	Half Year results and interim dividend announcement
29 March 2023	Interim dividend payment date
14 August 2023	Full Year results and final dividend announcement
27 September 2023	Final dividend payment date
12 October 2023	Annual General Meeting

The payment of a dividend is subject to the *Corporations Act* and Board discretion.
The timing of any event listed above may change. Please refer to the Company website, aurizon.com.au, for an up-to-date list of upcoming events.

ASX code: AZJ

Contact details

Aurizon
GPO Box 456
Brisbane QLD 4001

For general enquiries, please call 13 23 32 within Australia. If you are calling from outside Australia, please dial +61 7 3019 9000.

aurizon.com.au

Investor Relations

For all information about your shareholding, including employee shareholdings, dividend statements and change of address, contact the share registry Computershare on 1800 776 476 or visit investorcentre.com/azj.

To request information relating to investor relations please contact our investor relations team on 13 23 32 or email: investor.relations@aurizon.com.au.

TOP 20 HOLDERS OF FULLY PAID ORDINARY SHARES AS AT 1 AUGUST 2022

NAME	UNITS	% OF UNITS
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	743,824,883	40.41
JP MORGAN NOMINEES AUSTRALIA PTY LIMITED	310,607,763	16.87
CITICORP NOMINEES PTY LIMITED	269,650,891	14.65
BNP PARIBAS NOMINEES PTY LTD <DRP>	64,152,692	3.49
NATIONAL NOMINEES LIMITED	50,755,619	2.76
ARGO INVESTMENTS LTD	19,223,772	1.04
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	16,941,413	0.92
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	8,224,929	0.45
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO EDA	5,949,862	0.32
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	5,409,857	0.29
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	5,278,247	0.29
BKI INVESTMENT COMPANY LIMITED	4,650,000	0.25
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	4,624,395	0.25
BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	4,313,935	0.23
BNP PARIBAS NOMS (NZ) LTD <DRP>	4,033,057	0.22
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	3,869,293	0.21
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <GSCO CUSTOMERS A/C>	2,680,055	0.15
NAVIGATOR AUSTRALIA LTD <SMA ANTARES INV DV BUILD A/C>	1,838,291	0.10
ZACHARY INVESTMENTS PTY LTD	1,800,000	0.10
SANDHURST TRUSTEES LTD <SISF A/C>	1,649,400	0.09
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)	1,529,478,344	83.09
Total Remaining Holders Balance	311,225,638	16.91

Glossary

Some terms and abbreviations used in this document, together with industry specific terms, have defined meanings.

These terms and abbreviations are set out in this glossary and are used throughout this document.

A reference to dollars, \$ or cents in this document is a reference to Australian currency unless otherwise stated. Any reference to a statute, ordinance, code or other law includes regulations and any other instruments under it and consolidations, amendments, re-enactments or replacements of any of them. Any reference to Annual Report is a reference to this document.

AASB

Australian Accounting Standards Board

ABN

Australian Business Number

Above Rail

Includes the business unit segments of Coal, Bulk and Other of Aurizon Holdings Limited

ACN

Australian Company Number

AGPMC

The Board Audit, Governance and Risk Management Committee

AMTN

Australian Medium-Term Note

ASIC

Australian Securities and Investments Commission

ASX

Australian Securities Exchange operated by ASX Limited (ABN 98 008 624 691)

ASX Listing Rules

The official listing rules of ASX

ATO

Australian Taxation Office

Aurizon or Company

Aurizon Holdings Limited (ABN 14 146 335 622) and where the context requires, includes any of its subsidiaries and controlled entities

Below Rail

The business unit segment of Network — Aurizon Network Pty Ltd (ACN 132 181116) a wholly owned subsidiary of Aurizon Holdings Limited

Board

The Board of Directors of Aurizon Holdings Limited

Bulk

The Above Rail freight haulage operating division of Aurizon Holdings Limited

CAGR

Compound Annual Growth Rate, expressed as a percentage per year

CAPEX

Capital Expenditure

CCIRS

Cross-currency interest rate swap, an agreement between two parties to exchange interest payments and principal denominated in two different currencies

CGT

Capital Gains Tax

CGU

Cash-generating unit, the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets

CH

Cultural Heritage

CHGF

Cultural Heritage Governance Framework

Company Secretary

Each Company Secretary of Aurizon Holdings Limited

Constitution

The constitution of Aurizon Holdings Limited

Corporations Act

Corporations Act 2001 (Cth)

CPI

Consumer Price Index

CPS

Cents Per Share

CQCN

Central Queensland Coal Network

CSAP

Climate Strategy and Action Plan

EBIT

Earnings Before Interest and Tax

EBITDA

Earnings Before Interest, Tax, Depreciation and Amortisation

EBIT Margin

Underlying Earnings Before Interest and Tax divided by total revenue and other income

EFPP

Enterprise Fleet Plan

EMTN

Euro Medium-Term Note

EPA

Environment Protection Agency

EPL

Environment Protection Licence

EPS

Earnings Per Share

FSB

Financial Stability Board

FVLCS

Fair value less costs to sell, the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal

FY

Financial Year ended 30 June, as the context requires

GAAP

Generally Accepted Accounting Principles

GAPE

Goonyella to Abbot Point Expansion

GRG

Gross Revenue Growth

Group Executives

Direct report to the MD & CEO and are either responsible for a Business Unit (Bulk, Coal, Network) or are the functional lead for the Finance and Corporate support units

GST

Goods and Services Tax

IASB

International Accounting Standards Board

IFRS

International Financial Reporting Standards

ISDA

International Swaps and Derivatives Association

km

Kilometre

KMP

Key Management Personnel

LTIA

Long Term Incentive Awards

M

Million

MAR

Maximum Allowable Revenue that Aurizon Network Pty Ltd is entitled to earn from the provision of coal carrying train services in the CQCN across the term of an access undertaking

mt

Millions of tonnes

mtpa

Millions of tonnes per annum

Network

Aurizon Network Pty Ltd (ACN 132 181 116) a wholly-owned subsidiary of Aurizon Holdings Limited

NGER Act

National Greenhouse Energy Reporting Act 2007 (Cth)

ntk

Net tonne kilometre, unit of measure representing the movement over a distance of one kilometre of one tonne of contents excluding the weight of the locomotive and wagons

OPEX

Operating Expense including depreciation and amortisation

OTHER

A business unit segment of Aurizon Holdings Limited

PPT

Percentage Point

QCA

Queensland Competition Authority

RAB

Regulatory Asset Base, the value of the asset base on which pricing is determined by the price regulator

Rail Process Safety

The cumulative number of SPAD, derailment and rollingstock to rollingstock collision incidents, per million train kilometres, over a given recording period

ROIC

Return on Invested Capital

RSO

Rolling Stock Operator

SaaS

Software-as-a-Service

Share

A fully paid ordinary share in Aurizon Holdings Limited

SPAD

Signal Passed At Danger

STIA

Short Term Incentive Award

TCFD

Taskforce on Climate-related Financial Disclosures

tonne

One metric tonne, being 1,000 kilograms

tonne kilometres

The product of tonnes and distance

TRIFR

The cumulative number of Lost Time Injuries, Medical Treatment Injuries and Restricted Work Injuries sustained by employees and contractors, per million hours worked, over a given recording period

TSR

Total Shareholder Return

VIU

Value in use, the present value of the future cash flows expected to be derived from an asset or cash-generating unit

WACC

Weighted Average Cost of Capital, expressed as a percentage

WICET

Wiggins Island Coal Export Terminal

WIRP

Wiggins Island Rail Project

Corporate Information

Aurizon Holdings Limited

ABN 14 146 335 622

Directors

Tim Poole
Andrew Harding
Marcelo Bastos
Russell Caplan
Samantha Lewis
Sarah Ryan
Lyell Strambi
Kate Vidgen

Company Secretaries

David Wenck
Naomi Wecker

Registered Office

Level 8, 900 Ann Street
Fortitude Valley QLD 4006

Auditors

Deloitte Touche Tohmatsu (Deloitte)

Share Registry

Computershare Investor Services Pty
Limited

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