Aurizon Holdings Limited
ABN 14 146 335 622

ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

BY ELECTRONIC LODGEMENT

14 August 2023

2023 Annual Report and AGM

Attached is a copy of Aurizon Holdings Limited's (**Aurizon**) 2023 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 2023 to shareholders who have elected to receive a hard copy of the Annual Report.

Aurizon's 2023 Annual General Meeting will be held at 2.00pm (Brisbane time) on Thursday 12 October 2023 online or in person at Karstens Brisbane, Level 24/215 Adelaide Street, Brisbane, Queensland. A Notice of Annual General Meeting is expected to be released to the market and provided to shareholders in early September 2023.

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 23 August 2023.

Yours faithfully

David Wenck
Company Secretary

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

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2022 – 2023

Annual Report

Contents

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.

FY2023 in Review

Result highlights (Underlying and statutory continuing operations)

($M)	FY2023	FY2022	VARIANCE	VARIANCE %
Total revenue	3,511	3,075	436	14%
EBITDA	1,428	1,467	(39)	(3%)
EBIT	762	875	(113)	(13%)
Significant items — acquisition costs	(49)	(14)	(35)	(250%)
EBIT Statutory	713	861	(148)	(17%)
NPAT	367	525	(158)	(30%)
NPAT Statutory	324	513	(189)	(37%)
Free cash flow (FCF)[1]	297	765	(468)	(61%)
Final dividend (cps)	8.0	10.9	(2.9)	(27%)
Total dividend (cps)	15.0	21.4	(6.4)	(30%)
Earnings per share (cps)	19.9	28.5	(8.6)	(30%)
Return on invested capital (ROIC)	7.5%	10.3%	(2.8ppt)	–
EBITDA margin	40.7%	47.7%	(7.0ppt)	–
Operating ratio (OR)	78.3%	71.5%	(6.8ppt)	–
Above Rail Tonnes (m)	253.2	244.8	8.4	3%
Gearing (net debt / (net debt + equity))	53.7%	40.9%	(12.8ppt)	–

Performance Overview

- EBITDA down $39m (3%) to $1,428m with:
  - Coal down $86m (16%) primarily due to lower volumes (from the impact of prolonged wet weather), in addition to higher Network Take-or-Pay (non-pass through) expense and costs due to wage and materials escalation
  - Bulk up $79m (59%) with the inclusion of the One Rail Australia bulk business (Bulk Central) following completion of the transaction in July 2022, higher grain and iron ore volumes in Western Australia, partly offset by wet weather, a number of derailments and customer specific production issues in Queensland, New South Wales and the Northern Territory
  - Network up $12m (1%) due to Take-or-Pay triggering in two major systems plus GAPE ($76m of Take-or-Pay revenue excluding GAPE) as volumes were 19mt below regulatory forecast
  - Other down $44m (440%) due to prior period divestment of Rockhampton workshops and the recognition of a $15m long service leave provision adjustment.
- Commencement of services in April 2023 under the new Team Global Express contract for Containerised Freight.
- The divestment of East Coast Rail was announced in December 2022 and completed in February 2023.
- Final dividend declared of 8.0cps (60% franked) represents a payout ratio of 75% of underlying NPAT for continuing operations.

Outlook

Group underlying EBITDA for FY2024 is expected to increase and be in the range of $1,590m – $1,680m. Sustaining capex expected to be $600-$660m (including ~$40m of transformational project capital) and growth capex expected to be $250 – $300m. Key assumptions:

- Network: revenue and EBITDA growth driven by a $125m increase in the (regulated) Maximum Allowable Revenue. Volumes are assumed at the approved regulatory forecast of 207.8mt
- Coal: revenue and EBITDA growth with volumes expected to be higher than FY2023 (and revenue yield improvement)
- Bulk: revenue and EBITDA growth with volumes expected to be higher than FY2023 and the full year inclusion of Bulk Central (and full realisation of targeted synergies)
- Other: Containerised Freight expected to be broadly EBITDA neutral as national interstate services ramp up to full schedule by April 2024
- No significant disruptions to supply chains (such as major derailments or extreme/prolonged wet weather).

1 Free Cash Flow defined as net cash flow from operating activities (less non-growth capex) and includes interest paid. It excludes growth capex of $203m, the acquisition of One Rail Australia ($1,404m), cash costs associated with the acquisition ($49m pre-tax) and the purchase of an additional investment in Ox Mountain ($30m).

Chairman's Report

Dear fellow shareholders

I am pleased to present our FY2023 Annual Report.

The year presented a tough operating environment for Aurizon, with prolonged wet weather in eastern Australia significantly impacting volumes carried by the business. This was compounded by mine production issues, a major third-party derailment and labour shortages emerging for critical roles such as train drivers.

As a result, Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of $1,428 million in FY2023 was at the lower end of our revised guidance range of $1,420 million – $1,470 million. The Board has declared a final dividend of 8.0 cents per share, 60% franked. This will take total dividends for FY2023 to 15 cents. The dividend payout ratio is consistent with our commitment to maintain strong investment grade credit ratings during the current investment cycle for our Bulk and Containerised Freight businesses. Since FY2016, Aurizon has returned approximately $5 billion to shareholders through dividends and share buybacks.

We were delighted to progress major strategic initiatives during FY2023, which are underpinning the transformation, diversification and growth of our business. We now have a truly national footprint with track infrastructure, rollingstock, terminal and port assets, together with a highly-capable team to deliver on the next phase of growth for Aurizon. Key initiatives put in place during FY2023 included:

- Completion of the $1.4 billion acquisition of One Rail Australia in Central Australia (now called Bulk Central), successful divestment of East Coast Rail and the subsequent and seamless integration of Bulk Central into our national Bulk business;
- Securing a key strategic position in Australia's growing containerised freight market, with the announcement of a new 11-year national linehaul contract with Team Global Express (TGE); and
- Investing approximately $210 million in new rollingstock, track infrastructure, terminals, and port equipment to support growth in Bulk and Containerised Freight. We expect to invest a further $250 – $300 million in growth capital in these businesses during FY2024.

These initiatives are the building blocks for the continued commercial success of Aurizon, as we move to capitalise on growth in emerging markets for the Australian economy. This was the core message delivered by our Managing Director & CEO Andrew Harding and our senior leadership team at our 2023 Investor Day which was held in Darwin in July 2023. At this event, Andrew detailed our updated strategic aims:

- Continue to optimise the highly resilient and cash-generative businesses of Network and Coal;
- Aspire to achieve a larger share of the available Bulk products supply chain market; and
- Establish a nationally significant containerised freight supply chain for customers.

The Board is committed to creating a more diversified and valuable business aligned to changes in the Australian and global economies, while maintaining the strong and stable cash flows that are core to Aurizon. We recognise the global energy transition comes with challenges and opportunities. We will continue to grow non-coal revenue streams, re-balancing our portfolio towards rapidly-growing markets. The expected growth in those businesses recognises our leading position in key commodity-rich regions of Australia, with strong exposure to new-economy commodities such as bauxite, copper, nickel, phosphate, rare earths, and grain. Australia is well placed to provide these commodities to the world for decades to come, and likewise Aurizon, as the nation's largest integrated rail provider, is in a strong position to capitalise on this opportunity.

In closing, I would like to acknowledge the ongoing commitment of our employees across Aurizon in delivering safe and reliable services to our customers. What has been abundantly clear over recent years — during COVID-19 and more recently during the extreme weather events — is that we have a highly-capable and resilient team of employees. The Board is also pleased to note the continuing improvements across key safety metrics during FY2023. Andrew Harding shares more detail in his report on the following page.

During the year, we announced changes to the Aurizon Board as we continue to renew and add diversity to our Board composition. Tim Longstaff, a chartered accountant with a 25-year career in investment banking, joined as a non-executive director on 1 June 2023. Samantha Tough, a lawyer with extensive experience in executive and director roles, will join as a non-executive director on 1 September 2023. I would also like to acknowledge Kate Vidgen who retired as a non-executive director of Aurizon on 31 May 2023. I would like to thank Kate for her dedication and hard work over the past seven years. Kate is an outstanding director who has made a significant contribution to Aurizon and we wish her the very best for the future.

Finally, thank you to our shareholders for your continued support through a significant period of transformation for Aurizon. The Board is excited with the changes happening in the business and the growth we have in front of us, as we build on our core strengths and leverage the national and broader range of services that Aurizon is now able to offer our customers. As we embed this strategy and execute the various initiatives outlined above, we look forward to continuing to deliver value and returns for shareholders.

Tim Poole

Tim Poole

Chairman
14 August 2023

Managing Director & CEO's Report

Dear fellow shareholders

I am pleased to report strong progress during FY2023 in implementing a range of key initiatives and investments that are supporting national expansion and diversification, and underpinning future revenue and volume growth for Aurizon. This activity is focussed on Bulk and Containerised Freight — two businesses for which we have significant aspirations over the next decade and beyond. I will cover this work and the performance of Aurizon's business units later in my report.

First, I will address operational safety performance. While overall safety metrics improved in FY2023, unfortunately a number of injuries were sustained by our Train Crew in level crossing collisions. Level crossing risk remains one of the areas of most concern for the rail industry, and we are stepping up education and awareness activity in the communities where we operate, as well as advocacy and engagement with key stakeholders.

Aurizon uses two primary safety metrics to measure safety performance: Total Recordable Injury Frequency Rate (TRIFR) and potential and actual Serious Injury and Fatality Frequency Rate (SIFR(a+p)). In FY2023, TRIFR improved by 2% and SIFR(a+p) improved 56%. These numbers do not include the newly acquired Bulk Central business, which will be integrated into enterprise-wide safety metrics from FY2024. Further details are available in the Operating and Financial Review.

As the Chairman outlined in his report, the Company had a challenging year from an operational perspective, including prolonged wet weather. This impacted our volumes and our financial results for FY2023. Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) was $1,428 million, at the lower end of our revised guidance range. Below is an overview of the performance and some key initiatives in each of the business units.

Bulk

There was a significant increase in earnings for Bulk in FY2023, primarily driven by Bulk Central which contributed its first year of revenue (following the completion of the One Rail acquisition on 29 July 2022). Tonnes increased 34% to 68 million, with EBITDA increasing $79 million to $214 million, a 59% increase compared to FY2022. We were pleased to secure a number of new contracts including:

- Northparkes, NSW for the port services of copper concentrate
- IPL, Queensland for road, rail and stevedoring of sulphur
- Aeris Resources, NSW for road, rail and stevedoring for base metals.

We have continued to invest in additional locomotives and wagons, port assets and terminals, as well as upgrading track infrastructure to support the growth of new and existing Bulk customers. A good example is the installation of improved rail infrastructure and the introduction of higher capacity locomotives for Gypsum Australia in South Australia.

Coal

Coal haulage volumes decreased 5% to 185 million tonnes in FY2023 and was the primary reason for a 16% decrease in EBITDA to $455 million, compared to the previous year. During FY2023, the Coal business secured a number of contracts including:

- 10-year contract with Malabar for the Maxwell Underground Mine, NSW
- 5-year contract with New Wilkie Energy, Queensland
- BMA Rail maintenance
- 5-year contract with SIMEC Mining for the Tahmoor Underground Mine, NSW (signed in August 2023).

Our Coal haulage business remains a highly-efficient, cash-generative business for Aurizon, serving metallurgical and thermal coal producers in Queensland and New South Wales. We are continuing to implement key technology and transformation initiatives for Coal, including the TrainGuard project which is supporting safer and more efficient train operations.

Containerised Freight

In February 2023, we secured the largest ever non-coal contract for Aurizon with the new national linehaul services for Team Global Express (TGE). We are currently ramping up to a full service profile for TGE, with all east-west (Melbourne-Perth) and north-south services (Melbourne-Sydney-Brisbane) to be in place by the first half of calendar year 2024. With TGE as the cornerstone, we will build volumes with other customers along these corridors.

The Containerised Freight business leverages assets and track infrastructure across a national footprint which are already part of our existing Bulk business. This includes, for example, Bulk's investment in harbour cranes at the Port of Darwin. Not only will this support the growth of export volumes, but it will also allow us to develop opportunities for land-bridging imports through Darwin to southern capitals.

We see land-bridging as a natural extension of the national container services we are providing to customers, with a relatively modest investment profile to support the initial stage of land-bridging.

Network

The Network business achieved EBITDA of $813 million, an increase of 1% compared to FY2022. Tonnages across the Central Queensland Coal Network increased by 1% to 207.6 million tonnes, though this was lower than expected due to prolonged wet weather during the second and third quarters of FY2023. Aurizon Network operates Australia's largest rail supply chain for export coal, with 2,670 kilometres of track connecting customers from more than 40 mines to five export terminals located across three ports. The business remains core to Aurizon's commercial strength and is responsible for more than 50% of total Company earnings, which in turn, supports important investment in other parts of Aurizon's business.

Sustainability

Aurizon continues to develop the resilience and sustainability of our business, with a target of achieving net-zero operational emissions by 2050. We have a range of initiatives underway to reduce emissions which are detailed in our Climate Strategy and Action Plan and our Sustainability Report, available on our website. In May 2023, at Redbank in Queensland, we launched work on a prototype for a zero-emissions capable freight locomotive, a first for Australia. Our diesel locomotive fleet is responsible for the majority of our greenhouse gas emissions, so this is an exciting project as we aim to develop the next generation of low-carbon freight solutions for our customers and to contribute to lower emissions in Australia's transport sector.

In closing, I extend my gratitude to our 5,700 employees across Australia for their dedication and commitment in delivering safe and reliable services for our customers. We are transforming and growing this business for the benefit of customers, communities, shareholders and the Australian economy.

Andrew Harding

Managing Director & CEO
14 August 2023

Directors' Report

Aurizon Holdings Limited
For the year ended 30 June 2023

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 2023 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:

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

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

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

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

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

Tim Longstaff
(Appointed 1 June 2023)
(Independent Non-Executive Director)

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

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

Kate Vidgen
(Appointed 25 July 2016 – 31 May 2023)
(Independent Non-Executive Director)
Ms Vidgen retired from the Board effective 31 May 2023.

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.

Tim 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. Acting Chairman of Remuneration and People Committee. Member of Audit, Governance & Risk Management Committee. Member of Safety, Health & Environment Committee.

Australian Listed Company Directorships held in the past three years: McMillan Shakespeare Limited — Non-Executive Director (17 December 2013 – 31 August 2022); and Reece Limited — Non-Executive Director (28 July 2016 – ongoing); (Chairman from 22 May 2023).

Andrew 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.

Marcelo 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).

Russell 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)

Samantha 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 and Non-Executive Director and Chairman of the Audit & Risk Committee of Nine Entertainment Co. Holdings Limited. Ms Lewis is also a Non-Executive Director of Australia Pacific Airports Corporation (APAC). 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).

Tim Longstaff

Experience: Mr Longstaff's over 35 year professional career brings a depth of experience in finance, accounting, strategy, acquisitions & divestments, debt & equity capital markets, risk management, and investor engagement amongst asset-intensive industrial companies.

Mr Longstaff qualified as a Chartered Accountant with Price Waterhouse before a 25 year career in investment banking at first-tier global firms including JPMorgan and Deutsche Bank in Australia and internationally. In this time Mr Longstaff was a strategic partner and advised the Boards and CEOs of leading Australian and global companies on transformational M&A and capital markets transactions.

More recently, Mr Longstaff served as Senior Advisor to a Federal Cabinet Minister in the Trade & Investment and Finance portfolios. Through this experience he brings global geo-political perspectives and insights into transport and infrastructure policies, the workings of Government, and regulated assets.

Mr Longstaff is a non-executive director of the ASX-listed Ingham's Group Limited and Perenti Limited, and also of Snowy Hydro Limited and The George Institute for Global Health. He is a member of the Takeovers Panel.

Qualifications: BEc, FCA, GAICD, SF Fin.

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

Australian Listed Company Directorships held in the past three years: Ingham's Group Limited (20 January 2022 – present); and Perenti Limited (16 August 2021 – present).

Sarah Ryan

Experience: Dr 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 Viva Energy Group Limited and a Non-Executive Director of Future Battery Industry Cooperative Research Centre. Dr Ryan is a former Non-Executive Director of ASX-listed Woodside Energy Group Ltd, Oz Minerals Limited and 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: Viva Energy Group — Non-Executive Director (18 June 2018 – ongoing); Woodside Energy — Non-Executive Director (24 October 2012 – 28 April 2023); and OZ Minerals Limited — Non-Executive Director (17 May 2021 – 2 May 2023).

Lyell 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.

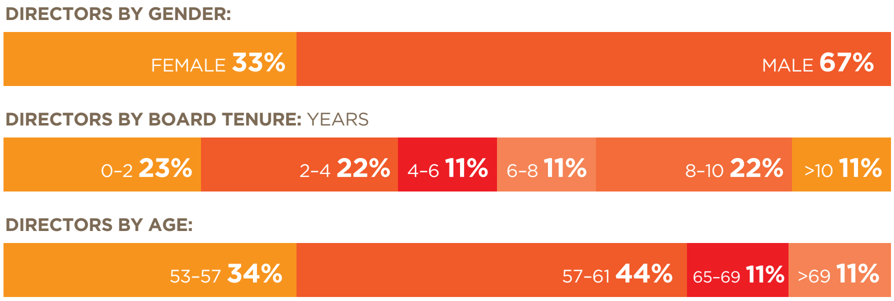
As a Director, Mr Strambi has held positions with APAC, StarTrack Express, Traveland and Southern Cross Distribution Systems and was President of the Royal Flying Doctors SE.

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.

FIGURE 1 — BOARD DIVERSITY



Note: This reflects the position as at 1 September 2023

Company Secretary

David Wenck

Mr Wenck was appointed Company Secretary in April 2021. He joined Aurizon in 2010 as Group General Counsel and has over 30 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.

Nicole Allder

Ms Allder was appointed Company Secretary in February 2023, having joined Aurizon as a Legal Counsel in 2018. She has over 20 years' experience in providing in-house legal and company secretariat services. Prior to joining Aurizon, Nicole held positions at ASX-listed companies including General Counsel & Company Secretary at CSG Limited, and Deputy Company Secretary and Legal Counsel at the Virgin Australia Group.

Nicole holds a Bachelor of Laws and a Graduate Diploma in Applied Corporate Governance.

Qualifications: LLB, GradDipLP, GradDipACG

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 Figure 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.

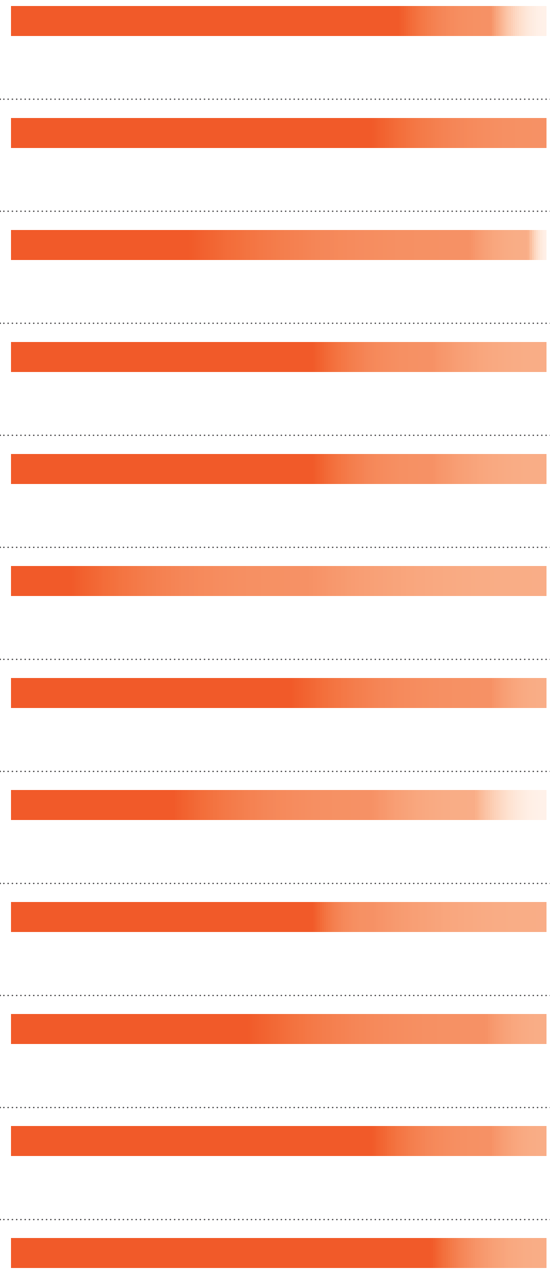
In identifying and selecting potential new Directors, the Skills Matrix assists in identifying the experience and skills that will best equip the Board to fulfil its role.

Directors' Report
(continued)

FIGURE 2 — BOARD SKILLS & EXPERIENCE

Significant skills and experience — Limited skills and experience

CATEGORY	DESCRIPTION	SKILLS AND EXPERIENCE MIX
1. Leadership	Both senior executive and non-executive director experience with a significant listed or private company.	
2. Strategy	Experience developing, assessing and executing strategic plans to drive long-term growth and transformation.	
3. Industry experience	Experience as a senior executive or advisor to a transport business, a regulated infrastructure business, or a business involved in bulk supply chains.	
4. Transactions and capital markets	Experience in completing significant corporate transactions, equity/debt capital markets and capital management.	
5. Customer and business development	Experience in business development and developing customer-focused strategies with detailed knowledge of Aurizon's customer base.	
6. Technology	Experience in managing and protecting information, identifying emerging or disruptive technologies, and in critically assessing technology projects.	
7. People and culture	Experience in employee relations strategies, governing executive remuneration frameworks for listed companies, and overseeing workplace culture and safety.	
8. Sustainability	Experience in climate-exposed industries, transition strategies, and emerging technologies or sources of energy.	
9. Government, industry and community	Experience working with government, government departments, relevant industry associations and community stakeholders.	
10. Financial expertise	Qualifications or experience in accounting or financial reporting, and in assessing related reporting and internal controls.	
11. Risk management	Experience in overseeing risk frameworks and controls, and in identifying and monitoring key risks and controls and the effectiveness of risk and compliance functions.	
12. Governance	Knowledge and experience of high standards of corporate governance for listed companies.	



Note: This reflects the position as at 1 September 2023.

TABLE 1 — DIRECTORS' MEETINGS AS AT 30 JUNE 2023

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]	17	17	7	7	1	1	4	4	1	1
A Harding[1]	17	17					4	4		
M Bastos	17	16					4	4		
R Caplan	17	17	7	7	4	4				
S Lewis	17	17	7	7	4	4			1	1
T Longstaff[2]	2	2	1	1						
S Ryan	17	14	7	6			4	3		
L Strambi	17	17					4	4		
K Vidgen[3]	15	15			3	3			1	1

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 T Longstaff joined the Board on 1 June 2023.
3 K Vidgen retired from the Board on 31 May 2023.

TABLE 2 — DIRECTORS' INTERESTS AS AT 30 JUNE 2023

DIRECTOR	NUMBER OF ORDINARY SHARES
T Poole	250,500
A Harding	2,162,262
M Bastos	65,947
R Caplan	82,132
S Lewis	63,025
T Longstaff	–
S Ryan	63,000
L Strambi	62,362

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 nine occasions.

Directors' interests

Directors' interests set out in Table 2 are as at 30 June 2023.

Directors' Report
(continued)

Principal activities

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

Network

This segment manages the provision of access to the CQCN below rail infrastructure and operation and maintenance of the network.

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 Australia. This segment also manages the Tarcoola-to-Darwin rail infrastructure, the intrastate rail freight network in South Australia, and containerised freight services between Adelaide and Darwin.

Other

This segment includes other containerised freight, which is not considered a separate reportable segment, as well as other revenue and central costs not allocated such as Board, Managing Director & CEO, Company Secretary, strategy and investor relations.

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 – 30 of this report.

Dividends

A final dividend of 10.9 cents per fully paid ordinary share (100% franked) was paid on 21 September 2022 and an interim dividend of 7.0 cents per fully paid ordinary share (100% franked) was paid on 29 March 2023.

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 8.0 cents per fully paid ordinary share. The dividend will be 60% franked and is payable on 27 September 2023.

State of affairs

The acquisition of One Rail Australia completed on 29 July 2022. Refer to note 22 for further information.

In the opinion of the Directors, there were no other 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.

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.

Sustainability performance

Aurizon is committed to managing its operational activities and services in a sustainable manner and has continued to monitor performance against key sustainability targets and objectives, which include:

- a net-zero operational emissions (Scope 1 and 2) by 2050 target
- an additional emissions intensity reduction target of 10% by 2030[1] to maintain an emphasis on improving 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 Serious Injury and Fatality Frequency Rate (SIFRa+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.

Details on our progress against the targets and objectives, together with the steps that are taken by the Board to ensure there is effective governance and oversight, are published in Aurizon's Sustainability Report.

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 a planning, environmental or cultural heritage focus.

Integration of Bulk Central (formerly One Rail Australia) presented opportunities to streamline statutory licences (e.g. Environment Protection Licences in South Australia for rollingstock operation) held by both organisations, and to commence work aligning Cultural Heritage governance processes.

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

In FY2023, statutory approvals obtained and land use planning enabling Bulk growth and expansion included:

- the Stuart Industrial Subdivision (Far North Queensland) through the *Environment Protection and Biodiversity Conservation Act 1999* (Cth)
- rail infrastructure expansion at the Port of Townsville, optimising rail-ship freight transfer
- Kwinana yard optimisation approvals (Western Australia (WA)) pursuant to the *Planning and Development Act 2005* (WA).

Aurizon maintained compliance with stringent noise requirements related to locomotive engines and wheel/rail interface outlined in both New South Wales (NSW) and South Australia EPA rollingstock licencing. This performance contributed to the NSW EPA removing noise pollution studies directed at idling, horn use, braking, bunching, and stretching from Aurizon's licence.

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 sixth Emissions Reduction Fund Safeguard Mechanism (Safeguard) compliance period (ended on 30 June 2022), 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. In March 2023, Aurizon successfully transitioned its three NGER facilities to a single National Transport Facility with a production-adjusted baseline.

Aurizon had extensive engagement with the Federal Government regarding the Safeguard Mechanism Scheme reforms, which commenced on 1 July 2023, and is undertaking appropriate steps to prepare for and effectively manage obligations associated with this regulatory change.

Further details of the Company's climate and environmental performance, including climate-related risks and assumptions, will be published in Aurizon's 2023 Sustainability Report, which will be published in October 2023.

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 FY2023.

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 Audit, Governance & Risk Management Committee monitors management's performance against Aurizon's risk management framework, including whether it is operating within the risk appetite set by the Board (See Principle 7 on page 52 of this 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 23-30 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 Directors and 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.

Directors' Report
(continued)

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 31 – 46 and forms part of the Directors' Report for the financial year ended 30 June 2023.

Rounding of amounts

The amounts contained in this report and in the financial statements have been rounded to the nearest $1,000,000 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 ended 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 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 2001*.

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. She has no ongoing financial arrangements with Deloitte. No other officer of the Company was a former Partner or Director of Deloitte.

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:

	2023 $'000
OTHER ASSURANCE SERVICES	
Total remuneration for other assurance services	142
OTHER SERVICES	
Total remuneration for other services	187

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 47.

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

Tim Poole

Tim Poole

Chairman
14 August 2023

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 Statements 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 119. Unless otherwise noted, the Operating and Financial Review information excludes discontinued operations being One Rail Australia Holdings.

1. Annual comparison

FINANCIAL SUMMARY

($M)	FY2023	FY2022	VARIANCE
Total revenue and other income	**3,511**	**3,075**	**14%**
Operating costs			
Employee benefits	(977)	(853)	(15%)
Energy and fuel	(438)	(255)	(72%)
Track access	(110)	(78)	(41%)
Consumables	(539)	(419)	(29%)
Other	(19)	(3)	(533%)
EBITDA	**1,428**	**1,467**	**(3%)**
Statutory EBITDA	1,379	1,453	(5%)
Depreciation and amortisation	(666)	(592)	(13%)
EBIT	**762**	**875**	**(13%)**
Statutory EBIT	713	861	(17%)
Net finance costs	(230)	(125)	(84%)
Income tax expense	**(165)**	**(225)**	**27%**
Statutory Income tax expense	(159)	(223)	29%
NPAT	**367**	**525**	**(30%)**
Statutory NPAT	324	513	(37%)
Statutory NPAT from discontinued operations	(48)	–	–
NPAT (group) Statutory	**276**	**513**	**(46%)**
Earnings per share[1]	**19.9**	**28.5**	**(30%)**
Statutory	17.6	27.9	(37%)
Earnings per share[1] (continuing and discontinued operations)	**21.8**	**28.5**	**(24%)**
Statutory	15.0	27.9	(46%)
Return on invested capital (ROIC)[2]	7.5%	10.3%	(2.8ppt)
Net cash flow from operating activities	1,015	1,320	(23%)
Total dividend per share (cps)	15.0	21.4	(30%)
Gearing (net debt / (net debt + equity)) (group)	53.7%	40.9%	(12.8ppt)
Net tangible assets per share ($) (group)	2.2	2.3	(4%)
People (FTE)	5,618	4,917	(14%)
Labour costs[3] / Revenue	27.7%	27.3%	(0.4ppt)

EBITDA BY SEGMENT

($M)	FY2023	FY2022[4]	VARIANCE
Coal	455	541	(16%)
Bulk	214	135	59%
Network	813	801	1%
Other	(54)	(10)	(440%)
Group (Continuing operations)	**1,428**	**1,467**	**(3%)**

1 Calculated on weighted average number of shares on issue – 1,841m for both FY2022 and FY2023.

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

3 FY2023 excludes $5m in redundancy costs (FY2022 excludes $13m in redundancy costs).

4 The Bulk and Other segments for FY2022 have been restated for consistency with current year presentation.

Directors' Report (continued)
OPERATING AND FINANCIAL REVIEW

Group performance overview

Group EBITDA decreased $39m or 3% with the uplift in Bulk and Network offset by reductions in Coal and Other. The inclusion of Bulk Central was the largest contributor to the increase in Bulk EBITDA with the acquisition completed in July 2022. Network volumes were below the regulatory forecast by 19mt resulting in an under-recovery of allowable revenue, triggering regulatory revenue protection mechanisms including $76m of Take-or-Pay revenue. When combined with a WIRP termination fee, Network EBITDA was 1% higher. For Coal, lower volumes (5%) from the prolonged wet weather, along with higher Network Take-or-Pay (non-pass through) expense was the driver of lower EBITDA. Other EBITDA was lower due to the prior period divestment of the Rockhampton workshops and the recognition of a $15m long service leave provision adjustment.

Revenue increased by 14%, driven by Bulk and Network, more than offsetting lower revenue in Coal and Other.

Operating costs increased by $475m (30%), primarily due to the inclusion of Bulk Central. Costs also increased due to higher fuel and energy (largely pass-through), more than offsetting transformation benefits.

EBIT declined by $113m (13%) primarily due to increased depreciation ($74m or 13%) with the inclusion of Bulk Central, higher capital expenditure in Bulk and Containerised Freight to support growth and increased ballast and rail renewals in Network, and lower EBITDA.

ROIC was 2.8ppts lower at 7.5% due to lower EBIT and 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)	FY2023	FY2022
Continuing operations		
Underlying EBITDA	**1,428**	**1,467**
Depreciation and amortisation	(666)	(592)
Underlying EBIT	**762**	**875**
Continuing operations significant items — acquisition costs	(49)	(14)
Statutory EBIT	**713**	**861**
Net finance costs	(230)	(125)
Statutory Profit before tax	**483**	**736**
Income tax expense	(159)	(223)
Statutory NPAT — Continuing operations	**324**	**513**
Continuing operations significant items, net of tax	43	12
Underlying NPAT — Continuing operations	**367**	**525**
Statutory NPAT — Discontinued operations	**(48)**	**–**
Discontinued operations significant items, net of tax	82	–
Underlying NPAT — Discontinued operations	**34**	**–**
Statutory NPAT — Continuing and discontinued operations	**276**	**513**
Underlying NPAT — Continuing and discontinued operations	**401**	**525**

Acquisition costs for One Rail Australia of $49m ($43m post tax) includes landholder duty, advisory fees and other costs. This amount has been expensed to profit or loss during the year and classified in other expenses. The loss from discontinued operations after tax of $48m for the year includes underlying net profit after tax of $34m, adjusted for significant items including impairment expense of $57m ($75m pre-tax), sale and divestment costs $23m ($26m pre-tax) and loss on disposal $2m ($2m pre-tax).

2. Other financial information

BALANCE SHEET SUMMARY

($M)	30 JUNE 2023	30 JUNE 2022
Current assets	1,193	860
Property, plant and equipment (PP&E)	9,945	8,416
Other non-current assets	541	400
Total assets	**11,679**	**9,676**
Total borrowings	5,142	3,221
Other current liabilities	744	713
Other non-current liabilities	1,440	1,330
Total liabilities	**7,326**	**5,264**
Net assets	**4,353**	**4,412**
Gearing (net debt / (net debt + equity))	**53.7%**	**40.9%**
Gearing (net debt / (net debt + accumulated fair value adjustments + equity))	**54.4%**	**42.5%**

Balance sheet movements

Current assets increased by $333m largely due to:

- increase in trade and other receivables predominantly due to Network Take-or-Pay, the Bulk Central acquisition and the deferred consideration from the sale of One Rail Australia Holdings Limited (ORAH) (receivable in February 2024)
- increase in inventories of $49m predominately due to the Bulk Central acquisition and above rail maintenance and renewal programs
- a current tax receivable position of $104m due to the FY2023 instalments exceeding expected tax payable, to be received in 2HFY2024 following lodgement of the Group Income Tax Return
- partly offset by a reduction of $80m in cash and cash equivalents and a reduction in derivative financial instruments due to the maturity of the interest rate swaps in June 2023 in line with the UT5 WACC reset.

Property, plant and equipment increased by $1,529m predominately due to the Bulk Central acquisition. Other non-current assets increased by $141m, including a $81m favourable movement on derivative financial instruments predominately due to floating interest on borrowings being swapped for fixed interest payments.

Total borrowings increased by $1,921m due to the acquisition of One Rail Australia and funding for capital purchases to support Bulk and Containerised Freight growth.

Other current liabilities, excluding borrowings increased by $31m largely due to an increase in trade and other payables of $68m due to an increase in capital accruals as a result of the Bulk Central acquisition and capital purchases and an increase in other current liabilities of $26m including contract and lease liabilities. This was partly offset by a decrease in current tax liabilities of $69m due to the recognition of a current tax receivable in FY2023.

Other non-current liabilities increased by $110m largely due to a $143m increase in net deferred tax liabilities due to accelerated fixed asset adjustments for the Bulk Central acquisition, offset by a $14m favourable movement on derivative financial instruments and a reduction of $29m for the amortisation of contract liabilities.

Gearing (net debt / (net debt + equity)) was 53.7% as at 30 June 2023 reflecting higher borrowings.

CASH FLOW SUMMARY

($M)	FY2023	FY2022
Statutory EBITDA (Continuing operations)	**1,379**	**1,453**
Working capital and other movements	(183)	(58)
Non-cash adjustments — asset impairments	13	2
Net cash inflow from Continuing operations	**1,209**	**1,397**
Interest received	3	2
Income taxes paid	(204)	(86)
Principal elements of lease receipts	7	7
Net cash inflow from operating activities from Continuing operations	**1,015**	**1,320**
Net operating cash flows from Discontinued operations	48	–
Net operating cash flows	**1,063**	**1,320**
Cash flows from investing activities		
Payments for PP&E and intangibles, net of interest paid on qualifying assets	(762)	(551)
Payments for business acquisitions and investment in joint venture	(1,434)	(17)
Distributions from joint ventures and proceeds from sale of PP&E	7	40
Net cash outflow from investing activities from Continuing operations	**(2,189)**	**(528)**
Net investing cash flows from Discontinued operations	(662)	–
Net investing cash flows	**(2,851)**	**(528)**
Cash flows from financing activities		
Net proceeds/(repayment) from borrowings	1,850	(164)
Payment of transaction costs related to borrowings	(15)	–
Payment for share buy-back, share-based payments and transaction costs	(7)	–
Interest paid	(210)	(128)
Dividends paid to Company shareholders	(329)	(459)
Principal elements of lease payments	(20)	(17)
Net cash inflow/(outflow) from financing activities from Continuing operations	**1,269**	**(768)**
Net financing cash flows from Discontinued operations	439	–
Net financing cash flows	**1,708**	**(768)**
Net increase in cash from Continuing operations	**95**	**24**
Net decrease in cash from Discontinued operations	**(175)**	**–**
Free Cash Flow (FCF)[5] from Continuing operations	**297**	**765**

Cash flow movements

Net cash inflow from operating activities from continuing operations decreased by $305m (23%) to $1,015m largely due to:

- reduction in statutory EBITDA and unfavourable working capital. This predominately relates to an increase in trade and other receivables due to higher revenue and Take-or-Pay accruals for FY2023
- increase in income taxes paid in comparison to the prior year which included a tax benefit recognised on the disposal of shares held in Aquila.

Net cash outflow from investing activities from continuing operations increased by $1,661m (315%) to $2,189m, predominately due to the acquisition of One Rail Australia, an increase in shareholding for the Ox Mountain joint venture and an increase in capital expenditure.

Net cash inflow from financing activities from continuing operations increased by $2,037m to $1,269m due to the net drawdown of borrowings to fund the acquisition of One Rail Australia and greater capital expenditure in comparison to the prior year which included a net repayment of borrowings and a reduction in dividends paid. This was partly offset by interest paid due to the increased borrowings.

5 Free Cash Flow defined as net cash flow from operating activities (less non-growth capex) and interest paid. It excludes growth capex of $203m, the acquisition of One Rail Australia ($1,404m), cash costs associated with the acquisition ($49m pre-tax) and the purchase of an additional investment in Ox Mountain ($30m).

Funding

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

Aurizon Network funding activity during FY2023:

- A$100m (in total) of 10 and 12 year private placements issued in December 2022 and February 2023
- A$1,090m re-financing of existing bilateral bank debt facilities completed in January 2023 with maturities lengthened across FY2026 to FY2028
- A$306m of United States Private Placement (USPP) Notes issued in June 2023 across tenors of 10 and 12 years (debut issuance).

Aurizon Operations funding activity during FY2023:

- A$1,450m of new bank debt facilities were established as part of the One Rail Australia acquisition in July 2022, of which, $1,050m was drawn
- A$465m re-financing of existing bilateral bank debt facilities completed in June 2023, including $50m which became effective July 2023 with maturities lengthened to FY2027
- A$300m of bank debt repaid, sourced as part of the One Rail Australia acquisition
- A$503m of USPP Notes issued in July 2023 across tenors of 7, 10, 11 and 12 years, with funds used to repay debt sourced as part of the One Rail Australia acquisition (debut issuance).

In respect of FY2023:

- weighted average debt maturity tenor was 3.6 years as at 30 June 2023 which compares to 3.4 years in FY2022
- Group interest cost on drawn debt was 4.1% (FY2022: 3.4%)
- Available liquidity (undrawn facilities + cash) as at 30 June 2023 was $1,244m (FY2022: $1,622m)
- Group gearing (net debt / (net debt + equity)) as at 30 June 2023 was 53.7% (FY2022: 40.9%)
- Aurizon Network's gearing (net debt / Regulatory Asset Base (excluding Access Facilitation Deeds)) as at 30 June 2023 was 63.8% (FY2022: 53.7%)
- Aurizon Operations' gearing (net debt / (net debt + equity)) as at 30 June 2023 was 29.8% (FY2022: 5.6%)
- Aurizon Operations' and Aurizon Network's credit ratings have each been maintained at BBB+/Baa1.

Dividend

The Board has declared a final dividend for FY2023 of 8.0cps (60% franked) based on a payout ratio of 75% in respect of underlying NPAT from continuing operations.

The relevant final dividend dates are:

- 28 August 2023 — ex-dividend date
- 29 August 2023 — record date
- 27 September 2023 — payment date.

Tax

Underlying income tax expense from continuing operations for FY2023 was $165m. Statutory income tax expense for continuing operations was $159m with an income tax benefit of $6m from the payment of acquisition costs which are expected to be tax deductible and have been treated as a significant item.

The Group statutory effective tax rate was 35.6%, which is more than 30% due to non-deductible landholder duty arising in respect of the acquisition of Bulk Central, non-deductible transaction costs in respect of the disposal of ORAH and a non-deductible impairment in discontinued operations.
The Group statutory cash tax rate was 11.1%, which is less than 30% due to accelerated tax depreciation deductions from Bulk Central, immediate tax deduction of eligible capital expenditure under the temporary full expensing measure, and the treatment of Take-or-Pay income as not derived for tax purposes at 30 June 2023. Take-or-Pay will be assessable in FY2024 once invoiced to customers. The underlying effective tax rate[6] for FY2024 is expected to be in the range of 29-31% and the underlying cash tax rate[7] is expected to remain approximately 25% 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 acquisition of One Rail Australia on 29 July 2022 comprised two business segments, including East Coast Rail, a coal haulage business in New South Wales (NSW) and Queensland (QLD).

The investments held in the East Coast Rail entities were transferred to ORAH (formerly NHK Pty Ltd), a subsidiary of the Company, on 29 July 2022 and classified as a discontinued operation held for sale. The Company signed a binding agreement with Magnetic Rail Group Pty Ltd (Magnetic) on 16 December 2022 to sell 100% of the shares of ORAH and the sale completed on 17 February 2023 for consideration of $438m including completion adjustments. The total consideration includes $313m cash proceeds received on completion of the sale and $125m cash proceeds receivable in February 2024. On completion of the sale, Magnetic assumed ORAH's existing borrowings of $474m.

6 Underlying effective tax rate = income tax expense excluding the impact of significant items / underlying consolidated profit before tax
7 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 export coal industry, the nation's largest source of export revenue in FY2023. 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 QLD and the Hunter Valley and Illawarra coal systems in NSW, to domestic customers and coal export terminals.

FINANCIAL SUMMARY

($M)	FY2023	FY2022	VARIANCE
Revenue			
Above Rail	1,175	1,195	(2%)
Track Access	350	360	(3%)
Other	6	4	50%
Total revenue	**1,531**	**1,559**	**(2%)**
Track Access costs	(400)	(376)	(6%)
Operating costs	(676)	(642)	(5%)
EBITDA	**455**	**541**	**(16%)**
Depreciation and amortisation	(204)	(208)	2%
EBIT	**251**	**333**	**(25%)**

METRICS

	FY2023	FY2022	VARIANCE
Total tonnes hauled (m)	185.0	194.0	(5%)
CQCN	133.6	141.1	(5%)
NSW & SEQ	51.4	52.9	(3%)
Contract utilisation	80%	84%	(4ppt)
Total NTK (b)	42.2	45.2	(7%)
CQCN	33.0	35.3	(7%)
NSW & SEQ	9.2	9.9	(7%)
Average haul length (km)	228	233	(2%)
Total revenue / NTK ($/'000 NTK)	36.3	34.5	5%
Above Rail Revenue / NTK ($/'000 NTK)	27.8	26.4	5%
Operating Ratio	83.6%	78.6%	(5.0ppt)
Opex / NTK ($/'000 NTK)	30.3	27.1	(12%)
Opex / NTK (excluding access costs) ($/'000 NTK)	20.9	18.8	(11%)
Locomotive productivity ('000 NTK / Active locomotive day)	373.2	389.1	(4%)
Active locomotives (as at 30 June)	311	314	(1%)
Wagon productivity ('000 NTK / Active wagon day)	14.2	14.7	(3%)
Active wagons (as at 30 June)	8,201	8,285	(1%)
Payload (tonnes)	7,859	7,938	(1%)

Coal performance overview

Coal EBITDA decreased $86m (16%) to $455m primarily due to a decrease in volumes, higher Network Take-or-Pay (non-pass through) expense and costs due to wage and materials escalation.

Volumes decreased 9.0mt (5%) to 185.0mt with reductions in the Central Queensland Coal Network (CQCN), NSW and South-East Queensland (SEQ).

- Across the CQCN, volumes decreased by 7.5mt (5%) to 133.6mt with performance impacted by a range of factors including prolonged wet weather, numerous incidents including a major third-party derailment, mine production issues and labour availability. This was partly offset by increased railings from the Anglo contract.
- In NSW and SEQ, volumes decreased by 1.5mt (3%) to 51.4mt due to end of contracts for Yancoal Moolarben and New Acland in addition to significant wet weather in 1HFY2023, partly offset by improved operational performance in 2HFY2023.

Coal revenue decreased by $28m (2%) to $1,531m largely due to the reduction in volumes. Revenue yield improved due to CPI-linked price escalation and higher fuel revenue from higher prices. Above Rail revenue per NTK increased by 5% driven by CPI-linked price escalation, partly offset by the contract cessations detailed above and the impact of a contract rollover.

Total operating costs increased by $58m (6%) to $1,076m largely due to Network Take-or-Pay (non-pass through), higher fuel costs and higher wage and materials escalation. The major drivers of these movements are:

- track access costs increased by $24m (6%) due to Network Take-or-Pay (non-pass through) and higher CQCN electric access costs partly offset by lower volumes
- other operating costs increased $34m (5%) primarily due to higher fuel relating to higher prices in addition to higher traincrew and maintenance costs impacted by higher inflation on labour and materials.

Depreciation decreased $4m (2%), resulting in an EBIT decrease of 25% against the prior year.

Operationally, key productivity metrics were lower compared to the prior year due to lower volumes. Active locomotives decreased with the transfer of units to support Bulk growth.

Contract update

- 10-year contract with Malabar for the haulage of coal from the Maxwell Underground Mine in the Upper Hunter Valley with the first service in June 2023.
- 5-year contract with New Wilkie Energy for the haulage of coal from the New Wilkie Mine in SEQ commencing in FY2024.
- BMA Rail Maintenance agreement commenced on 1 July 2023.
- 5-year contract (signed in August 2023) with SIMEC Mining for the haulage of coal from the Tahmoor Mine in the Illawarra coal region, commencing in Q1FY2024.

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 throughout Australia. Aurizon's Bulk business also manages the Tarcoola-to-Darwin rail infrastructure, the intrastate rail freight network in South Australia and containerised freight services between Adelaide and Darwin.

FINANCIAL SUMMARY

($M)	FY2023	FY2022[8]	VARIANCE
Revenue			
Freight Transport	1,035	672	54%
Other	28	28	–
Total revenue	**1,063**	**700**	**52%**
Operating costs	(849)	(565)	(50%)
EBITDA	**214**	**135**	**59%**
Depreciation and amortisation	(108)	(39)	(177%)
EBIT	**106**	**96**	**10%**
Total tonnes hauled (m)	68.2	50.8	34%
Operating Ratio	90.0%	86.3%	(3.7ppt)

Bulk performance overview

Bulk EBITDA increased by $79m (59%) to $214m due to the acquisition of Bulk Central on 29 July 2022, higher grain and iron ore volumes and growth from new contracts. Revenue increased $363m (52%) to $1,063m with:

- the acquisition of Bulk Central on 29 July 2022
- stronger grain volumes nationally, including in WA with the CBH contract which commenced during 1HFY2022
- the commencement of the Centrex contract in QLD in 1HFY2023
- the commencement of a long-term haulage contract with Tronox in 2HFY2022
- improved volumes from existing and new customers on the Kalgoorlie Freighter.

This was partly offset by the loss of the QLD livestock contract in the prior year and significant weather and derailment events in QLD and NSW.

Operating costs increased $284m (50%) with:

- the acquisition of Bulk Central on 29 July 2022
- increased costs to support contract wins in grain (including ramp up costs for traincrew, rollingstock and facilities)
- increased costs to support the new Tronox contract from 2HFY2022
- increased costs from four significant derailment events
- partly offset by ongoing cost benefits from the Bulk transformation program and lower costs from the loss of the QLD livestock contract.

Depreciation increased $69m (177%) due to the acquisition of Bulk Central and increased capital expenditure supporting growth.

8 The Bulk and Other segments for FY2022 have been restated for consistency with current year presentation.

Directors' Report (continued)
OPERATING AND FINANCIAL REVIEW

Contract update

The contract wins detailed below have terms with a range of one to six years in length:

- Northparkes — contract for the port services of copper concentrate in NSW
- Aurelia Peak — contract for road, rail and stevedoring of base metals in NSW
- IPL — contract for road, rail and stevedoring of sulphur in QLD
- Chinova — contract for road, rail and stevedoring of copper concentrate in QLD
- Seaway — contract for rail of grain and cotton in QLD
- Centrex — contract for road, rail and stevedoring of phosphate rock in north QLD
- Aeris Resources — contract for road, rail and stevedoring for base metals in NSW
- ANL — contract for stevedoring in Port of Gladstone

Contract extensions: GrainCorp (grain, QLD), Thallon (grain, QLD), Cargill (grain, QLD), BHP: Copper South Australia (copper, SA), SIMEC (iron ore, SA), AOL (iron ore, SA), Woolworths (containerised freight, SA/NT), BP (fuel, WA).

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, 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)	FY2023	FY2022	VARIANCE
Revenue			
Track Access	1,255	1,134	11%
Services and other	82	59	39%
Total revenue	**1,337**	**1,193**	**12%**
Energy and fuel	(215)	(108)	(99%)
Operating costs	(309)	(284)	(9%)
EBITDA	**813**	**801**	**1%**
Depreciation and amortisation	(351)	(345)	(2%)
EBIT	**462**	**456**	**1%**

METRICS

	FY2023	FY2022	VARIANCE
Tonnes (m)	207.6	206.5	1%
NTK (b)	50.4	51.9	(3%)
Operating Ratio	65.4%	61.8%	(3.6ppt)
Maintenance / NTK ($/'000 NTK)	2.8	2.6	(8%)
Opex / NTK ($/'000 NTK)	17.4	14.2	(23%)
Cycle Velocity (km/hr)	21.5	22.8	(6%)
System Availability	83.4%	82.6%	0.8ppt
Average haul length (km)	243	251	(3%)

Network performance overview

Network EBITDA increased $12m (1%) to $813m in FY2023, with increased revenue of $144m (12%) and increased operating, energy and fuel costs of $132m (34%).

Regulatory access revenue has been accounted for based on actual railed tonnes using tariffs approved by the Queensland Competition Authority (QCA) on 26 May 2022 and the subsequent Electric Energy Charge Draft Amending Access Undertaking (DAAU) approved on 16 November 2022 and Minerva DAAU approved on 16 February 2023.

Total Access Revenue increased by $121m (11%) with the main drivers being:

- Electric Energy Charge (EC) was $102m higher in FY2023 due to the EC tariff increasing from $1.11 to $2.82 per EGTK'000
- Allowable Revenue increased by $34m primarily due to the capital underspends in FY2019 and FY2020 that reduced Allowable Revenue in FY2022
- reduced volumes compared to the regulatory forecast resulted in an under-recovery after Take-or-Pay (excluding GAPE) of $21m in FY2023 (Access Revenue in FY2023 included the recognition of $76m Take-or-Pay revenue). This compares to an under-recovery of $39m (including $33m of Take-or-Pay) in FY2022
- net unfavourable Revenue Cap movements of $6m relating to FY2020 and FY2021

- GAPE revenue was $9m lower primarily due to the depreciating asset value and the Transfer Fee collected in FY2021 that is being returned via FY2023 Access Charges
- WIRP Fees were $10m lower due to FY2022 including $30m of historical fees relating to FY2016 – FY2021, partially offset by a $19m termination fee included in FY2023
- other Access Revenue was $8m lower.

Services and other revenue was $23m (39%) higher in FY2023 primarily due to higher external construction revenue.

Total operating costs increased by $132m (34%) with the main drivers being:

- electric traction charges increased $107m (100%) (offset in Access Revenue) due to higher wholesale energy prices and higher connection costs
- higher external construction costs associated with the higher revenue and higher maintenance costs partly offset by operational cost savings.

Depreciation increased $6m (2%) primarily due to historical rail renewal and ballast undercutting investment.

Network's 2022-2023 Regulatory Asset Base (RAB) roll-forward is estimated to be $6.2bn[9] (including Access Facilitation Deeds of $0.3bn) as at 1 July 2023.

Regulation update

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

Capacity Assessments

- The QCA published the Independent Expert's (IE) Initial Capacity Assessment Report (ICAR) on 1 November 2021 which identified Existing Capacity Deficits (ECD) within each Coal System.
- 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 ECD identified in each Coal System. Network provided a Detailed Report in response to the ICAR on 14 March 2022.
- On 16 November 2022, the QCA made an initial determination on Transitional Arrangements proposed by Network to be implemented, the most notable being the installation of remote-control signalling in the Newlands System which the IE subsequently assessed as being prudent and efficient.
- On 23 March 2023, the QCA approved amendments to UT5 to allow for further studies on Transitional Arrangements, recovery of reasonable costs incurred by Network in undertaking those studies and the staged implementation of any initiatives.
- The QCA published the IE's Annual Capacity Assessment Report 2023 (ACAR) on 29 June 2023. 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 ~5% to ~98%
  - Blackwater System has improved by ~8% to ~104%
  - GAPE System is slightly lower by 1% to 63%;
  - Moura System has improved by ~6% to ~99%
  - Newlands System has improved by 4% to 70%.

Report Date and Weighted Average Cost of Capital (WACC)

- The QCA-approved reference tariffs assumed an uplift in the WACC to 6.3% would be effected from 1 March 2020. As a result of the delay in the ICAR being published, there was an over-collection of access charges (the difference between 5.9% and 6.3%) in FY2022, which will be returned to Access Holders as part of the FY2022 Revenue Adjustment Amount, reflected in FY2024 Access Tariffs.
- On 15 December 2022, the QCA rejected the FY2022 Revenue Adjustment Amount submission, taking the view that the WACC uplift did not apply from 12 November 2021 but instead from 14 March 2022 (the date upon which Network submitted its Detailed Report in response to the ICAR).
- Network considers it met the requirements of the Report Date when it notified the Chair of the RIG of its Preliminary Response to the ICAR on 12 November 2021, resulting in an increase in Network's WACC from 5.9% to 6.3%. The WACC adjustment associated with a 14 March 2022 Report Date would see an additional return to Access holders of $9m in FY2024 tariffs.
- To allow any dependent regulatory processes to continue to progress, on 20 January 2023, Network submitted an amended FY2022 Revenue Adjustment Amounts submission in compliance with the QCA's decision and reserved its rights in relation to the proper interpretation of the Report Date. On the same day, Network lodged an application with the Supreme Court of Queensland to appeal the QCA decision, seeking a declaration from the court about the proper interpretation of the definition of the Report Date. The Supreme Court hearing took place on 14 June 2023.
- On 28 July 2023, the Supreme Court dismissed Network's application and decided that the Report Date is 14 March 2022. Network is considering the judgement and its next steps. At this time, there is no requirement for any further adjustment to FY2024 tariffs.

Performance Rebate

- The Performance Rebate mechanism in UT5 came into effect on the 'Report Date'. The Performance Rebate is payable if an End User does not receive its contracted Train Service Entitlement due to a performance breach by Network as determined by the IE under UT5.
- In accordance with the terms of UT5, stakeholders requested the QCA undertake a review of the Performance Rebate mechanism and more specifically whether the Rebate Objectives set out in UT5 had been met in a material way.
- On 23 March 2023, the QCA issued a Draft Decision recommending that no changes be made to the UT5 Rebate mechanism. This Draft Decision resulted in Network engaging with stakeholders, which concluded with Network responding to the Draft Decision with voluntary UT5 amendments agreed with stakeholders relating to further information gathering processes to support the IE's annual rebate calculation.
- Due to Network's response to the Draft Decision, on 29 June 2023 the QCA provided its Final Decision determining that the Performance Rebate mechanism had not met the defined Rebate Objectives in a material way and that drafting changes were required to UT5 in the form provided to the QCA by Network.
- Network responded to the Final Decision on 30 June 2023 with a DAAU with the stakeholder agreed amendments.

9 Includes deferred capital

UT5 Reset Values

- UT5 provides for certain components of allowable revenue and WACC (predominately risk-free rate, debt risk premium, inflation and the tax allowance) (together the Reset Values) to be reset on 1 July 2023 to take account of prevailing market conditions at that time. The reset process involves the establishment of:
  - Preliminary Reset Values in FY2023 to form the basis of tariffs that will apply in FY2024. On 25 May 2023, the QCA approved Network's preliminary Reset Values.
  - Final Reset Values will be determined in FY2024. On 31 July 2023, Network submitted final Reset Values to the QCA for approval.
- Preliminary Allowable Revenues and Reference Tariffs for FY2024 will be based on the QCA's approved preliminary WACC of 8.18% and opening FY2024 RAB Value of $6.2bn[10] (including Access Facilitation Deeds in respect of mine specific infrastructure of $0.3bn).
- Network's final Reset Values submission proposed a final reset WACC of 8.51% based on a risk-free rate of 3.87% and a debt risk premium of 2.48%. Network is providing additional information to the QCA in support of its submission prior to it being published. Network's proposed final Reset Values remain subject to approval by the QCA, following a period of stakeholder consultation.
- While the final Reset Values will take effect from 1 July 2023, FY2024 Allowable Revenues and Tariffs will not be amended during that year to reflect the QCA's decision on the final Reset Values. The difference between the preliminary and final Reset Allowable Revenues for FY2024 (1 July 2023 to 30 June 2024) will be reconciled through the usual Revenue Adjustment Amounts (Revenue Cap) process in two years' time and will be incorporated into FY2026 Reference Tariffs.

Operational update

During FY2023:

- CQCN volumes increased by 1% to 207.6mt. Volumes were impacted by prolonged periods of wet weather, mine specific maintenance and production issues, and a derailment at Marmor in the Blackwater system
- wet weather, access to skilled labour and rising sub-contractor costs impacted maintenance and asset renewal expenditure
- employees covered by the Aurizon Infrastructure Enterprise Agreement (QLD) voted in favour of the proposed terms which were subsequently approved by Fair Work Australia on 28 July 2023
- total System Availability was 83.4% compared to 82.6% in the prior year
- cancellations due to the Network rail infrastructure increased from 2.1% to 2.3%
- cycle velocity declined marginally from 22.8km/h to 21.5km/h.

OTHER

Other includes other containerised freight, which is not considered a separate reportable segment, as well as other revenue and central costs not allocated such as the Board, Managing Director & CEO, Company Secretary, strategy and investor relations.

($M)	FY2023	FY2022[11]	VARIANCE
Total revenue	**19**	**36**	**(47%)**
Operating costs	(73)	(46)	(59%)
EBITDA	**(54)**	**(10)**	**(440%)**
Depreciation and amortisation	(3)	-	-
EBIT	**(57)**	**(10)**	**(470%)**

Other performance overview

EBITDA reduced by $44m due to the divestment of Rockhampton workshops in the prior year and the recognition of a $15m long service leave provision adjustment, the latter as a result of a legislative change relating to a period prior to the Initial Public Offering. Other also includes the Containerised Freight business which was established in 2HFY2023 and commenced railing under the Team Global Express contract in April 2023.

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.

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

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. The technology was deployed on all electric trainsets (and associated track infrastructure) in Blackwater (Callemondah to Bluff) and the first TrainGuard operational service commenced in December 2022. Goonyella system to follow. The first TrainGuard driver-only operational service successfully commenced on 3 July 2023 and the ramp up of driver-only services are still underway.

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. CQCN Siemens electric locomotive fleet and the EMD CQCN diesel fleet have been completed. TrainHealth has expanded to the NSW Coal system and is leveraging the technology solutions delivered in CQCN with all installation completed. In addition to the expansion of TrainHealth across the Coal business unit, WA Bulk have invested in TrainHealth with the 6000 class equivalent fleet installation completed.

10 Includes deferred capital.

11 The Bulk and Other segments for FY2022 have been restated for consistency with current year presentation.

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

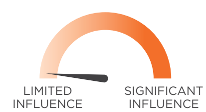
RISK IMPACT ICONS

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

RISK INFLUENCE METER

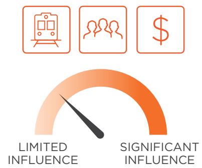
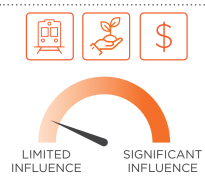
The risk influence meter is provided to acknowledge that there are internal and external contributions to all of the risks that the business is exposed to. The meter is subjective and reflects only one way to consider further the risks presented.

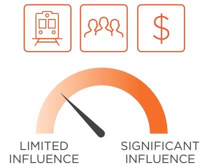
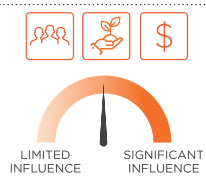
A risk influence rating here means that Aurizon can significantly influence this risk; for instance, it is largely driven by internal factors or is readily managed.



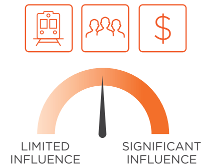
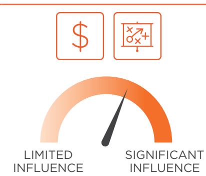
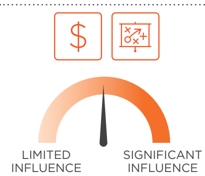
A risk influence rating here means that Aurizon has limited ability to influence this risk; for instance, it is largely driven by external factors or is complex to manage.

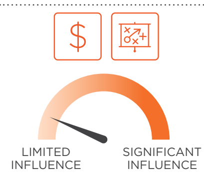
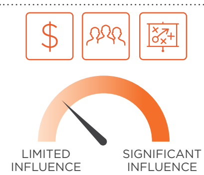
Directors' Report (continued)
OPERATING AND FINANCIAL REVIEW

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 29 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, consequential safety, legal or regulatory action or other adverse consequences.		Cyber security controls including identification, prevention, detection, and recovery controls are assessed and tested. Policies, frameworks, tools, and training are also assessed to assist management's awareness of this risk. Aurizon participates in cross-industry collaboration and provides the threat intelligence to improve defences based on emerging threats and real-time incident data. Aurizon has developed a cyber security transformation program to continue the ongoing enhancement of its protective cyber security capabilities.
Severe Weather	Aurizon owns and maintains rail track infrastructure in addition to other assets (rail and non-rail), maintenance facilities, 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. These extreme weather events also impact our customers' ability to produce. Damage caused by destructive weather events could cause safety, health and environmental risks and operational disruption, increasing operational costs or driving financial losses, in addition to a reduction in demand for our services.		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.

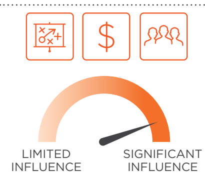
RISK	RISK DESCRIPTION AND POTENTIAL IMPACTS	IMPACTS AND INFLUENCE	MANAGEMENT RESPONSE
Supply Chain Reliability	Building resilient supply chains and effective inventory management is critical to ensure optimal levels of supply, minimise costs and ensure Aurizon's operational assets are appropriately maintained to enable uninterrupted service delivery. Ongoing events have increased supply chain complexity and challenged reliability, including the global pandemic, evolving international trade relations tensions, cyber security risks, 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 where possible. Our key focus remains on demand forecasting, refreshing inventory management approaches and strengthening inventory levels, and monitoring of emerging supply chain risks. In December 2022, Aurizon published its third Modern Slavery Statement, which addresses the Company's obligations contained in the *Modern Slavery Act 2018* (Cth).
People and Capability	Aurizon's workforce comprises individuals with a wide array of specialist skills, technical knowledge and subject matter expertise. An inability to plan, 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, impairment of our strategic growth and other adverse impacts.		Talent attraction and retention strategies have been implemented, including career progression pathways, remuneration and other incentives, and 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.
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 reforms which commenced on 1 July 2023, Aurizon is required to maintain its Scope 1 emissions below an annually declining regulated baseline. Failure to do so will expose Aurizon to direct carbon costs and/or regulatory action. Due to current technology constraints, Aurizon will be required to purchase and retire Australian Carbon Credit Units (ACCUs) to meet its compliance obligations from FY2024. 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 availability and efficiency of renewable energy to power the transition › reliance on third parties, including the implementation of government policy, to facilitate the transition › costs such as decarbonisation technologies, energy sources or ACCUs › 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.		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, › continue engagement 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 › develop and implement an ACCU purchasing strategy. 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, also refer to our annual Sustainability Report.

Directors' Report (continued)
OPERATING AND FINANCIAL REVIEW

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.		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.
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.		To reduce exposure to competition risk, management is focused on the delivery of high-quality service to support re-contracting 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.		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.
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.

RISK	RISK DESCRIPTION AND POTENTIAL IMPACTS	IMPACTS AND INFLUENCE	MANAGEMENT RESPONSE
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. These risks could impact the financial viability of our current clients, restrict future mining investments, lead to increasing costs of finance and insurance, reduction in credit rating 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 also refer to our annual Sustainability Report.
Geopolitics	Aurizon's customer base is exposed to fluctuating overseas demand for Australian bulk commodities, predominantly in key export markets in Asia. Ongoing geopolitical unrest, 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.
Macroeconomic	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.		Aurizon sources funding from both bank and debt capital markets (AMTN, EMTN, USPP) giving it access to a diversified investor base. The ability to raise capital in a variety of markets allows Aurizon flexibility in its approach to refinancing activities and future capital raisings. Hedging strategies are employed to manage some financial exposures, including interest rate and foreign exchange risk. Aurizon employs a duration based hedging strategy which is annually refreshed and presented to the Board. Escalation clauses in haulage contracts provide some protection against increasing costs through inflation recovery, and counterparty credit monitoring and supply chain resilience reviews consider financial viability to manage credit risk. Please refer to Note 18 of the Financial Report which sets out Aurizon's approach to Financial Risk Management.

Directors' Report (continued)
OPERATING AND FINANCIAL REVIEW

RISK	RISK DESCRIPTION AND POTENTIAL IMPACTS	IMPACTS AND INFLUENCE	MANAGEMENT RESPONSE
STRATEGIC RISK			
Delivering Bulk Growth	Aurizon aspires to materially increase earnings from the Bulk business unit and therefore faces the risk of failing to achieve this growth. This could occur due to an inability to retain and extend existing contracts, identify and execute suitable growth opportunities, a lack of available resources and funding or other associated factors. Materialisation of these risks could result in financial losses, stranded assets, negative investor sentiment, reputational damage and failure to achieve strategic objectives.		A clear strategy has been developed to achieve this aspiration 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.
Expansion of Containerised Freight	Aurizon recently expanded services as part of a containerised freight service offering, leveraging existing national footprint and expertise. As this service offering expands, Aurizon is exposed to risk, including an inability to deliver suitable growth opportunities to capitalise on the demand for services, as a result of ineffective planning, insufficient talent, resources and assets. Materialisation of these risks could result in financial losses, stranded assets, negative investor sentiment, reputational damage and failure to achieve strategic objectives.		Aurizon has formulated a strategy to facilitate the expansion of our Containerised Freight service offering. This strategy includes accessing and developing key terminals and pathing, procuring and managing the required rollingstock and other assets, and implementing suitable IT systems. It also includes leveraging existing containerised freight expertise and operations and recruiting additional personnel with the necessary expertise and skill sets, including the appointment of an experienced Group Executive.
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.		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. For more information on our approach to climate change, including risks relating to decarbonising and reporting, refer to our annual Sustainability Report.

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, 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 interests 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. Our response to climate-related risks is outlined in our annual Sustainability Report.

In FY2021, we published our Climate Strategy and Action Plan (CSAP). The strategy builds on our existing work in reducing our carbon footprint. We recognise that we all have a responsibility to act on climate change — government, business, and the general community — so we can achieve an effective transition to a low-carbon future.

For more information on our approach to climate change, including risks relating to decarbonisation, refer to the Risk section of the Directors' Report in the FY2023 Annual Report and our annual Sustainability Report.

In 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 our people and the communities in which we operate.

During FY2023, we embedded our Safety Strategy focused on nine key priorities and delivered several key strategic projects and initiatives. In April, Aurizon launched its Enterprise Critical Control Management framework. While Aurizon's business units have traditionally managed critical risk at a local level, the new enterprise program is designed to simplify process and enable a consistent approach to our eleven Critical Safety Risks across our national operations. Also, in late FY2023, Aurizon launched its new Event Learning Framework to further facilitate the prioritisation of learning from events, enabling stronger and more resilient systems to keep our people safe.

Throughout FY2023, Aurizon has continued to deliver against its Mental Health and Wellbeing Strategy, including conducting a psychosocial risk management pilot focused on understanding psychosocial risk hazards present in our operations.

As we move into FY2024, Aurizon continues to focus on embedding our strategy and focus our attention on simple systems and process, understanding and controlling risk and building leadership and the capability of our people. For example, enhancements in contractor safety and fatigue risk management.

Aurizon uses two primary safety metrics to measure safety performance across the enterprise: Total Recordable Injury Frequency Rate (TRIFR) and potential and actual Serious Injury and Fatality Frequency Rate (SIFR(a+p)). For FY2023, Aurizon has reported these two-core metrics excluding Bulk Central. Moving into FY2024, Aurizon enterprise and Bulk Central will be integrated into the one metric.

FY2023 TRIFR (excluding Bulk Central) was 8.36 injuries per million hours worked compared to 8.51 for FY2022, an improvement in our overall TRIFR of 1.76%. FY2023 SIFR(a+p) (excluding Bulk Central) was 1.92 events per million hours worked compared to 4.41 for FY2022, representing a 56% improvement.

Bulk Central TRIFR for FY2023 is 7.28 compared to 4.09 in FY2022, representing a deterioration of 78%. The increase is the result of a single event in June 2023 whereby a heavy vehicle pulled into the path of an Aurizon train at a protected level crossing outside of Katherine, in the Northern Territory resulting in injuries to all four train crew. Excluding this event, Bulk Central was representing a year-on-year improvement of 11%. Bulk Central SIFR(a+p) for FY2023 is 4.55 and is the first period Bulk Central has been using this measure.

Environment

Aurizon recognises our responsibility to aid our local communities and supply chains by delivering 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.

Following the acquisition of Bulk Central, environmental licences in South Australia have been consolidated. Bulk Central has been steadily integrated into Aurizon's existing annual second line environmental assurance program which assesses compliance with legislative obligations and applicable licences. No material non-compliances were reported.

Directors' Report (continued)
OPERATING AND FINANCIAL REVIEW

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 FY2023 continues to yield low rates of coal dust loss from tops of wagons. For further detail in relation to coal dust management and monitoring processes, refer to Aurizon's annual Sustainability Report.

Aurizon successfully transitioned its three Safeguard Mechanism Facilities (covering Scope 1 GHG emissions associated with rail activities in QLD, NSW and WA) to a single National Transport Facility, with approval granted by the Clean Energy Regulator on 29 March 2023. Bulk Central's emission reporting requirements, including National Greenhouse and Energy Reporting (NGER) and National Pollutant Inventory (NPI) have been incorporated into national reporting requirements for Aurizon. Aurizon will not be required to purchase or retire Australian Carbon Credit Units (ACCUs) to meet its obligations under the Safeguard Mechanism in FY2023. This was achieved through effective management of its Scope 1 emissions intensity to remain below baselines. The Safeguard Mechanism reforms passed by Federal parliament in March 2023, which commenced on 1 July 2023, mean that Aurizon is estimated to have a carbon liability for the first time in FY2024. Sufficient ACCUs have been purchased to achieve this compliance obligation.

In FY2023:

- Aurizon has not incurred any fines, penalties or prosecutions arising from environmental or cultural heritage related incidents; and
- Aurizon has had four 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 5,700 employees living and working across our national footprint of operations. 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:

- providing meaningful ways for our people to develop their skills and capabilities, now and for the future. Our established Leadership programs are 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. We also recognise the need for development at all levels and rolled out new programs for emerging leaders. We also implemented a new Capability Framework to help our people identify development opportunities for current and future roles
- ensuring our people processes and systems adapt to the needs of our leaders and people, and actively facilitates the attraction and retention of our current and future workforce. This year we have focused on renewing our workforce planning process and initiatives as well as progressing a refreshed employee value proposition
- 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, First Nations peoples and LGBTQIA+), meeting workforce representation targets and actively reducing the gender pay gap. In August 2022, we launched our first ALL in Action Plan 'Advancing LGBTQIA+ Inclusion at Aurizon' — aligning our activities to three pillars to support the Group's vision — visibility, education and connection
- integrating the Bulk Central business into Aurizon's existing processes, ensuring alignment across people and performance priorities, complementing the established cultures.

Directors’ Report (continued)
REMUNERATION REPORT

Dear fellow shareholders

On behalf of the Board, I am pleased to present Aurizon’s Financial Year (FY) 2023 Remuneration Report.

Aurizon delivered Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) in FY2023 of $1,428 million. This was 3% lower than the prior year, due to prolonged wet weather, mine production issues and some labour shortages. Despite the challenging operating environment, Aurizon has continued to deliver a strong operating discipline and safety performance which is a credit to the ongoing efforts and dedication of our employees. We have a resilient business, with a strong balance sheet and important revenue protection mechanisms which help support our earnings in the current elevated inflationary environment.

During the year, the Company has delivered a number of key strategic initiatives, including completing the acquisition and integration of the One Rail Australia business (and subsequent divestment of East Coast Rail) and the establishment of a national Containerised Freight business. These are important building blocks for the future growth of Aurizon, where we diversify the products we transport for customers and tap into growing and emerging markets.

The Coal business recorded lower Underlying EBITDA of $455 million, down 16% from the prior year primarily due to a decrease in volumes, Take-or-Pay expenses and higher costs, partially offset by higher CPI benefits in haulage contracts.

The Network business achieved 1% higher Underlying EBITDA of $813 million. Volume uplift (1%) was limited due to the impact of prolonged wet weather offset by the recognition of Take-or-Pay revenue.

The Bulk business recorded a 59% increase in Underlying EBITDA of $214 million, due to the acquisition of One Rail Australia, higher iron ore and grain volumes and growth with new contracts.

The Short Term Incentive (STI) Award for FY2023 continued to be based on the three annual performance measures of Underlying EBITDA, Safety and Individual Key Deliverables. Business Unit earnings metrics continue to be used for Bulk, Coal and Network.

Group Underlying EBITDA fell below Threshold in the scorecard. Coal and Bulk Underlying EBITDA also resulted in a below Threshold outcome, with Network Underlying EBITDA achieving an above Target result.

During FY2023, several key strategic initiatives in our Safety Strategy were delivered, including our Enterprise Critical Control Management framework. While Aurizon’s business units have traditionally managed critical risk at a local level, this program is designed to simplify process and enable a consistent approach to Critical Safety Risks across our national operations.

In FY2023, Aurizon utilised two primary safety metrics in the remuneration framework: Total Recordable Injury Frequency Rate (TRIFR) and Serious Injury and Fatality Frequency Rate, including both actual and potential events (SIFR(a+p)). We have seen significant improvement in SIFR(a+p), resulting in a Stretch outcome. Although there was modest, but continued year-on-year improvement in TRIFR, the result was below Threshold.

As we move into FY2024, Aurizon continues to embed our Safety Strategy, focusing our attention on simple systems and processes, understanding and controlling risk, and building leadership and the capability of our people such as enhancements in contractor safety and fatigue risk management.

The STI Award also considers performance against individual objectives which vary for Key Management Personnel (KMP). Management has made strong progress across the strategic levers (Optimise, Excel and Extend) including commencement of the project to build a zero-emissions capable freight locomotive, powered by batteries and other Climate Strategy and Action Plan (CSAP) initiatives. Consistent with prior years, delivery against Aurizon’s CSAP will continue to form part of the MD & CEO and Executive individual deliverables in FY2024 and is cascaded broadly.

The varied performance across the STI measures is reflected directly in the STI payments for our Executive KMP. The Board has determined that overall outcomes between Threshold and Target will be awarded for Executive KMP.

During FY2023, the 2019 Long Term Incentive (LTI) Award was subject to testing. It included relative Total Shareholder Return (TSR) and Return on Invested Capital (ROIC) measures. No portion of the relative TSR component vested and these rights will lapse. ROIC achieved an outcome between the minimum and maximum vesting point, with 35% of the total award to vest.

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

During FY2023, the Board continued to review and refine Aurizon’s Remuneration Framework. For FY2024 the STI scorecard will not include a Network business unit EBITDA measure, reverting to the Group EBITDA financial measure to better align Network with enterprise performance outcomes. Additionally, an operational measure will be included in the Network individual deliverables focused on improving network velocity and disciplined train operations. For the 2023 LTI Award, there has been an increase in the non-coal growth target in line with the upgraded aspirations for the Bulk and Containerised Freight business units.

Further changes may be implemented from FY2024 to ensure the framework continues to deliver against our remuneration principles and long-term strategic outlook, and to ensure it remains effective in driving strong performance.

Tim Poole

Tim Poole
Chairman

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 2023 is set out as per Table 1. The information in this Report has been audited.

TABLE 1 — TABLE OF CONTENTS

2. Directors and Executives

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

The Non-Executive Directors and Executives that formed part of the KMP for the Financial Year (FY) as at 30 June 2023 are identified in Table 2.

Table 3 identifies other persons who were KMP at some time during FY2023.

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
T Longstaff[1]	Independent Non-Executive Director
S Ryan	Independent Non-Executive Director
L Strambi	Independent Non-Executive Director
EXECUTIVE KMP	
A Harding	Managing Director & Chief Executive Officer (MD & CEO)
P Bains	Group Executive Network
A Dartnell[2]	Group Executive Bulk
G Lippiatt	Chief Financial Officer & Group Executive Strategy
E McKeiver	Group Executive Coal

1 T Longstaff was appointed Director on 1 June 2023.
2 A Dartnell was appointed Group Executive Bulk on 2 May 2023.

TABLE 3 — FORMER KEY MANAGEMENT PERSONNEL

NAME	POSITION
NON-EXECUTIVE DIRECTORS	
K Vidgen[1]	Independent Non-Executive Director
EXECUTIVE KMP	
C McDonald[2]	Group Executive Bulk

1 K Vidgen retired on 31 May 2023.
2 C McDonald ceased in role on 1 May 2023 and with the Company on 14 July 2023.

Directors' Report (continued)
REMUNERATION REPORT

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.

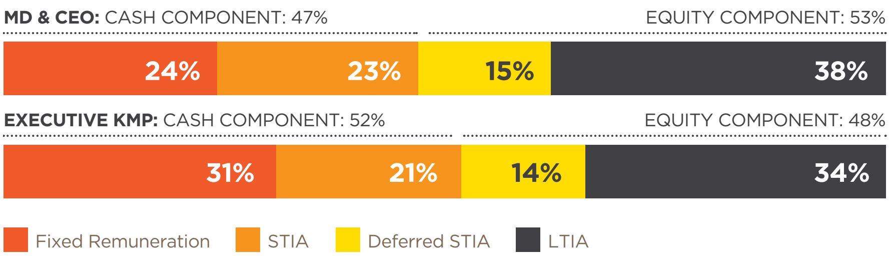
The structure is intended to provide an appropriate mix of fixed and variable remuneration, and provide a combination of incentives intended to drive performance against the Company's short and longer-term business objectives.

The mix of potential remuneration components for FY2023 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 REMUNERATION[1]



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

BOARD

The Board:

- approves the overall remuneration policy and ensures it is competitive, fair and aligned with the long-term interests of the Company
- approves the remuneration for Non-Executive Directors, MD & CEO, Executive KMP and the remaining Group Executives
- assesses the performance of, and determines the STIA outcome for, the MD & CEO giving due weight to objective performance measures while retaining discretion to determine final outcomes
- considers and determines the STIA outcomes of the Executive KMP and remaining Group Executives based on the recommendations of the MD & CEO.

REMUNERATION AND PEOPLE COMMITTEE

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

- the remuneration policies and framework for the Company
- Non-Executive Director remuneration
- remuneration for MD & CEO, Executive KMP and the remaining Group Executives
- Executive incentive arrangements.

MANAGEMENT

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

CONSULTATION WITH SHAREHOLDERS AND OTHER STAKEHOLDERS

REMUNERATION CONSULTANTS AND OTHER EXTERNAL ADVISORS

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

These advisors:

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

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

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 FY2023 and the changes being implemented in FY2024. Further changes may be implemented from FY2025 to ensure the framework continues to deliver against our remuneration principles and 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	FY2023 AND FY2024 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 2022, fixed remuneration increases were provided to ensure alignment with external peer group: › **MD & CEO:** from $1.75m to $1.8m (2.9%) › **Other Executive KMP:** between 3% & 6.7%. 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 FY2023 continued focus and alignment of KMP individual deliverables with the Climate Strategy Action Plan (CSAP) › From FY2024 the Network Business Unit scorecard will not include a Business Unit EBITDA measure, reverting to Group EBITDA measure to better align Network with enterprise performance outcomes
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 Executive encourages retention of shares and alignment with shareholder interests.	› The Non-Coal Growth Strategic Transformation measure will continue with an increase in the target reflecting the upgraded Bulk and Containerised Freight growth aspiration

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 2023

Aurizon reported Group Underlying EBITDA of $1,428 million for continuing operations for year ended 30 June 2023 in line with the revised EBITDA guidance range ($1,420m – $1,470m).

The past 12 months have been challenging due to prolonged wet weather, mine production issues and some labour shortages. This has resulted in Group EBITDA at the lower end of guidance.

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 FY2023 STIA performance measures is provided in Table 6 (page 38). Table 9 (page 40) provides additional information related to the LTIA performance outcomes.

TABLE 4 — HISTORICAL COMPANY PERFORMANCE AGAINST KEY MEASURES

KEY PERFORMANCE MEASURES	DESCRIPTION	FY2023	FY2022	FY2021	FY2020	FY2019
Group Underlying EBITDA[1]	$m	1,428	1,467	1,482	1,468	1,372
Bulk Underlying EBITDA[1]	$m	214	135	140	110	55
Coal Underlying EBITDA[1]	$m	455	541	533	616	610
Network Underlying EBITDA[1]	$m	813	801	849	798	721
Return on Invested Capital (ROIC)	%	7.5	10.3	10.7	10.9	9.7
Total Recordable Injury Frequency Rate (TRIFR)	per million work hours	8.36	8.51	10.21	9.92	11.07
SIFR(a+p)[2]	per million work hours	1.92	-	-	-	-
Total Shareholder Return (TSR)	%	2.7	10.4	(14.9)	(9.6)	28.2
4-year TSR	%	(14.9)	13.8	(11.1)		
Share Buy Back	$m	-	-	300	400	-
Share price at beginning of year[3]	$	3.83	3.73	4.80	5.40	4.32
Share price at end of year[3]	$	3.92	3.80	3.72	4.92	5.40
Dividends per share[4]	cps	15.0	21.4	28.8	27.4	23.8
Dividends[5]	$m	275	395	533	529	474

1 Continuing operations.

2 From FY2023 the safety metric Serious Injury and Fatality Frequency Rate, including both actual and potential events (SIFR(a+p)) replaced Rail Process Safety (RPS) in the Short Term Incentive Award scorecard.

3 Share price at close of day.

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

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

5. Take Home Pay

Table 5 identifies the actual remuneration earned during FY2023 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 44).

Following a market review, effective 1 July 2022, fixed remuneration increases were provided to the MD & CEO (2.9%) and other Executive KMP (between 3% & 6.7%) 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 37) and Section 7 (page 39).

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 29% to 65% 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 FY2023, the 2019 Award was subject to testing. No portion of the relative TSR component vested and these rights will lapse. ROIC achieved an outcome between the minimum and maximum vesting point and therefore 35% of this Award will vest in October 2023.

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

TABLE 5 — REMUNERATION EARNED IN FINANCIAL YEAR 2023

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 FY2023 REMUNERATION OUTCOMES $'000
EXECUTIVE KMP							
A Harding	1,800	–	570	835	721	(178)	3,748
P Bains	824	–	363	298	310	(81)	1,714
A Dartnell[6]	110	–	22	–	83	(28)	187
G Lippiatt	800	–	182	265	101	(13)	1,335
E McKeiver	731	–	149	246	269	(71)	1,324
FORMER EXECUTIVE KMP							
C McDonald[7]	731	–	–	–	–	–	731

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 FY2023 STIA which will be paid in September 2023.

3 The amount relates to the deferred component (40%) of the FY2022 STIA which was awarded in performance rights and will become unrestricted in September 2023 (calculation assumes a share price of $3.63 at date of issue).

4 The amount relates to the portion of the 2019 Award which was subject to testing in FY2023 but will vest in October 2023 (calculation based on share price of $5.93 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 2023 (calculation assumes share price appreciation of $0.29 DSTIA and a share price depreciation of $2.01 LTIA).

6 The amount relates to the Fixed Remuneration and STIA attributable to the Group Executive Bulk role (commenced as KMP on 2 May 2023).

7 C McDonald rights awarded under 2019 LTIA, 2022 DSTIA and FY2023 STIA lapsed upon cessation on 14 July 2023.

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 or 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, 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. 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 based on the FY2023 scorecard.

What are the outcomes for FY2023?

Table 6 identifies the performance measures, relevant weightings, and outcomes for FY2023. Group Underlying EBITDA performance resulted in a Below Threshold outcome, reflecting a challenging year due to prolonged wet weather, mine production issues and labour shortages.

Business Unit Underlying EBITDA performance resulted in a Below Threshold outcome for Coal and Bulk, and an outcome between Target and Stretch for Network.

In FY2023 the safety metric Serious Injury and Fatality Frequency Rate, including both actual and potential events (SIFR(a+p)) replaced Rail Process Safety (RPS). The new metric will ensure safety remains core to the business with increased focus on high severity events that have the potential to seriously injure our people.

FY2023 performance resulted in a TRIFR Below Threshold and SIFR(a+p) at Stretch.

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

During FY2023, individual deliverables continued to focus on strategic levers (Optimise, Excel and Extend). Some of the initiatives successfully delivered include the deployment of TrainGuard, implementation of critical control management, the One Rail Australia acquisition and integration, and successful divestment of East Coast Rail and establishment of a national Containerised Freight business.

The FY2023 actual outcomes for Executive KMP are identified within Table 7.

FIGURE 4 — STRATEGIC MEASURES CASCADING PROCESS

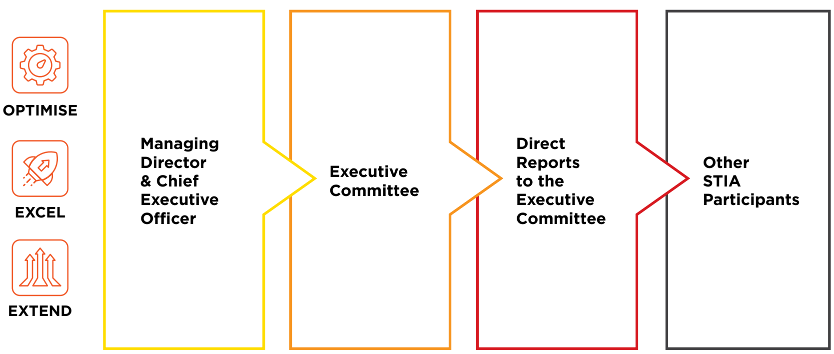
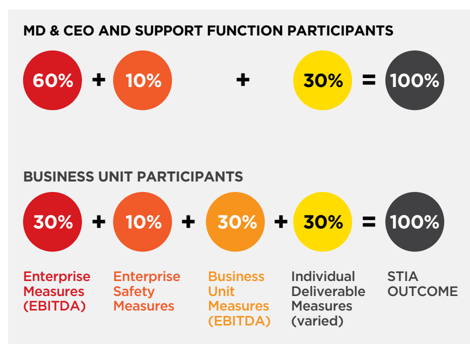


FIGURE 5 — STIA TARGET PERFORMANCE OUTCOME CALCULATION



Directors’ Report (continued)
REMUNERATION REPORT

TABLE 6 — SHORT TERM INCENTIVE AWARD FINANCIAL YEAR 2023 OBJECTIVES[1]

	WEIGHTING			
PERFORMANCE MEASURE	MD & CEO & CFO	COAL, BULK & NETWORK	TARGET	FY2023 PERFORMANCE OUTCOME
ENTERPRISE				
Group Underlying EBITDA: Underlying EBITDA delivers financial benefit to shareholders through the achievement of underlying operating earnings	60%	30%	$1,528m	$1,428m
Group Safety[2]: 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%	7.57	8.36
› Serious Injury and Fatality Frequency Rate, including both actual and potential events (SIFR(a+p))[3]	5%	5%	4.19	1.92
BUSINESS UNIT				
Coal Underlying EBITDA:			$508m	$455m
Bulk Underlying EBITDA:	–	30%	$261m	$214m
Network Underlying EBITDA:			$797m	$813m
INDIVIDUAL: At the start of the performance year the Board determines the MD & CEO 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 Group Executives and the organisation. During FY2023 key deliverables included: › Progress scale growth initiatives and other non-coal growth execution › Deliver efficiency through continued transformation › Deliver safety and performance culture initiatives › Targeted capital investment and portfolio changes that support decarbonisation trajectory and optimise fleet composition › Continue implementation of Aurizon’s Climate Strategy and Action Plan.	30%	30%	Individual performance targets vary for each specific role	Personal outcomes for MD & CEO and Executive KMP were between Target and Stretch
TOTAL OUTCOME	100%	100%		Executive KMP

1 Company performance hurdles relate to continuing operations.
2 SIFR(a+p) and TRIFR excludes Aurizon Bulk Central for remuneration purposes in FY2023.
3 From FY2023 the SIFR(a+p) measure replaced Rail Process Safety (RPS).

Stretch · Between Target and Stretch · Target · Between Threshold and Target · Threshold · Below Threshold

TABLE 7 — SHORT TERM INCENTIVE AWARDED IN FINANCIAL YEAR 2023

			AWARDED FY2023 $’000				
NAME	TARGET STIA $’000	MAXIMUM POTENTIAL STIA $’000	STIA CASH COMPONENT	STIA DEFERRED SHARE COMPONENT[2]	TOTAL STIA PAYMENT	% OF TARGET STIA	% OF MAXIMUM STIA[3]
EXECUTIVE KMP[1]							
A Harding	1,800	2,700	570	380	950	53	35
P Bains	618	927	363	242	605	98	65
A Dartnell[4]	83	124	22	14	36	44	29
G Lippiatt	600	900	182	121	303	51	34
E McKeiver	548	823	149	99	248	45	30

1 C McDonald resigned and was not eligible for an STI payment.
2 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’.
3 Executives have forfeited between 35% and 71% of their maximum potential outcomes.
4 The amount relates to the STIA attributable to the Group Executive Bulk role (commenced as KMP 2 May 2023).

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 2019 Award and 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 2019 LTIA is 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 2023[1]

COMPANY HURDLE AND PERFORMANCE MEASUREMENT PERIOD		WEIGHTING	RESULT	% VESTED	% LAPSED
2019 AWARD: 01 JULY 2019 — 30 JUNE 2023					
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 50th Percentile ● (Below Minimum)	0%	100%
ROIC: average annual ROIC FY2020 – FY2023	50% of rights vest with an average ROIC of 9.5%, up to 100% at 10.5%	50%	9.9% ● (Between Minimum and Maximum)	70%	30%

1 Vesting will occur in October 2023.

● 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:

- Conditional on Aurizon's TSR performance relative to a peer group of companies in the ASX 100 index that are broadly comparable to Aurizon (i.e. with which Aurizon competes for capital and/or capability)
- From the 2021 Award, companies in the industrials, energy, materials, real estate and utilities Industry Sectors are included in the peer group (approximately 50)[1]
- Determined by reference to a VWAP over a period to smooth any short-term 'peaks' or 'troughs'
- Verified by an independent expert.

Vesting Thresholds are consistent across all outstanding Awards

	WEIGHTING	MINIMUM VESTING		MAXIMUM VESTING
Outstanding				
2020 Award	50%	30% of rights vest at the 50th percentile	75% of rights vest at the 62.5th percentile	100% of rights vest at the 75th percentile
2021 Award	25%			
2022 Award	25%			
Future				
2023 Award	25%			

All rights will vest pro-rata on a straight-line basis between the minimum and maximum 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:

- Adjusted, for Invested Capital, to exclude major (infrastructure investments with an approved budget capital expenditure over $250m) assets under construction until these investments are planned to generate income, subject to Board discretion (for example, in the case of a delay judged to be outside the control of management and not able to be foreseen or mitigated)
- Adjusted (add-back depreciation charge and invested capital) to reflect asset impairments which occur during the performance period, excluding asset impairments driven by continued efficiency and productivity improvements.

Vesting Thresholds are consistent across all outstanding Awards

	WEIGHTING	MINIMUM VESTING	MAXIMUM VESTING
Outstanding			
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%		
2022 Award	50%		
Future			
2023 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.

Aligns with the long-term strategic direction to more than double the size of the Bulk and Containerised Freight business by FY2030 by expanding across the bulk commodities supply chain.

- For the 2021 Award, determined by reference to non-coal gross revenue growth over the performance period
- From the 2022 Award, determined by reference to Non-Coal Underlying EBITDA growth over the performance period. The 2022 Award baseline reflects combined Underlying EBITDA for Bulk and One Rail Australia (excluding East Coast Rail)
- From the 2023 Award, determined by reference to Non-Coal Underlying EBITDA growth over the performance period. The 2023 Award baseline reflects Total Underlying Group EBITDA less Network and Coal EBITDA.

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%
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%
Future			
2023 Award	25%	50% of Rights vest with Non-Coal Underlying EBITDA growth of 121%	100% of Rights vest with Non-Coal Underlying EBITDA growth of 146%

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 FY2023, no retention awards were issued to Executive KMP and 176,425 performance rights were issued across a number of other employees. Further information is available in note 27 of the Financial Report (page 107).

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 2023 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 2023[1]	NOTICE PERIOD[2] BY EXECUTIVE	NOTICE PERIOD[2] BY COMPANY[3]
EXECUTIVE KMP				
A Harding	Ongoing	1,800,000	6 months	12 months
P Bains	Ongoing	824,000	3 months	6 months
A Dartnell	Ongoing	670,000	3 months	6 months
G Lippiatt	Ongoing	800,000	3 months	6 months
E McKeiver	Ongoing	731,300	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 2023

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]	180,500	–	70,000	250,500	200%
M Bastos	60,947	–	5,000	65,947	115%
R Caplan[2]	82,132	–	–	82,132	155%
S Lewis[2,5]	63,025	–	–	63,025	109%
T Longstaff[3]	–	–	–	–	0%
S Ryan[5]	63,000	–	–	63,000	119%
L Strambi	42,787	–	19,575	62,362	107%
EXECUTIVE KMP					
A Harding[2]	1,728,659	433,603	–	2,162,262	471%
P Bains[2]	176,886	177,955	–	354,841	169%
A Dartnell[4]	–	24,570	–	24,570	14%
G Lippiatt	77,959	90,985	–	168,944	83%
E McKeiver[2]	153,243	131,815	(138,815)	146,243	78%

1 Assumes Total Directors' Fees and Fixed Remuneration as at 30 June 2023 and the calculation assumes a share price of $3.92.
2 KMP required to meet the minimum shareholding requirement due to length of service in a KMP role being longer than six years.
3 T Longstaff commenced on 1 June 2023.
4 A Dartnell commenced in role on 2 May 2023.
5 The one-off fees in FY2023 for the Due Diligence Committee relating to the possible demerger of East Coast Rail did not form part of fixed remuneration.

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 Committees 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 is summarised in Table 14. Details of the Non-Executive Director membership is 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 Director 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[1,2]

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

1 A Due Diligence Committee was established in FY2023 for the possible demerger of East Coast Rail. One-off Committee fees were approved by the Board; S Lewis (Chair: $40,000), S Ryan (Member: $20,000)

2 There are no fees for the Nomination and Succession Committee

TABLE 14 — NON-EXECUTIVE DIRECTORS' REMUNERATION

		SHORT-TERM EMPLOYEE BENEFITS		POST-EMPLOYMENT BENEFITS	
NAME	YEAR	SALARY AND FEES[1] $'000	NON-MONETARY BENEFITS[2] $'000	SUPERANNUATION $'000	TOTAL REMUNERATION $'000
NON-EXECUTIVE DIRECTORS					
T Poole	**2023**	**465**	**–**	**25**	**490**
	2022	466	–	24	490
M Bastos	**2023**	**204**	**–**	**21**	**225**
	2022	205	–	20	225
R Caplan	**2023**	**208**	**–**	**–**	**208**
	2022	189	–	19	208
S Lewis	**2023**	**243**	**–**	**25**	**268**
	2022	207	–	21	228
T Longstaff[3]	**2023**	**9**	**–**	**1**	**10**
S Ryan	**2023**	**228**	**–**	**–**	**228**
	2022	208	–	–	208
L Strambi	**2023**	**206**	**–**	**22**	**228**
	2022	195	–	20	215
FORMER NON-EXECUTIVE DIRECTOR					
K Vidgen	**2023**	**194**	**–**	**20**	**214**
	2022	205	–	20	225
M Fraser	2022	135	–	14	149
Total	**2023**	**1,757**	**–**	**114**	**1,871**
	2022	1,810	–	138	1,948

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.

3 T Longstaff commenced 1 June 2023.

Directors' Report (continued)
REMUNERATION REPORT

10. Executive Remuneration for Financial Year 2023

The table below details the number and value of movements in equity awards during FY2023[1].

TABLE 15 — RIGHTS GRANTED AS COMPENSATION

NAME	INCENTIVE PLAN	BALANCE AT BEGINNING OF YEAR NO.	RIGHTS AWARDED DURING THE YEAR[2] NO.	VALUE OF RIGHTS GRANTED IN YEAR $'000	VESTED IN YEAR %	VESTED IN YEAR NO.	FORFEITED IN YEAR NO.	FORFEITED IN YEAR %
EXECUTIVE KMP								
A Harding	2018[3]	459,911			50	(229,956)	(229,955)	50
	2019[4]	347,454						
	2020	556,263						
	2021 DSTIA[5]	203,647			100	(203,647)		
	2021	654,613						
	2022 DSTIA[6]	–	230,055	835				
	2022	–	694,087	1,685				
P Bains	2018[3]	188,337			50	(94,169)	(94,168)	50
	2019[4]	149,494						
	2020	191,469						
	2021 DSTIA[5]	83,786			100	(83,786)		
	2021	224,439						
	2022 DSTIA[6]	–	82,182	298				
	2022	–	238,303	578				
A Dartnell[8]	2019[4]	40,135						
	2020	51,404						
	2021	61,097						
	2022	–	65,799	160				
G Lippiatt	2018[3]	62,500			50	(31,250)	(31,250)	50
	2019[4]	48,799						
	2020	170,086						
	2021 DSTIA[5]	59,735			100	(59,735)		
	2021	210,411						
	2022 DSTIA[6]	–	73,017	265				
	2022	–	231,362	562				
E McKeiver	2018[3]	165,737			50	(82,869)	(82,868)	50
	2019[4]	129,574						
	2020	165,956						
	2021 DSTIA[5]	48,946			100	(48,946)		
	2021	199,190						
	2022 DSTIA[6]	–	67,890	246				
	2022	–	211,494	513				
FORMER EXECUTIVE KMP								
C McDonald[7]	2018[3]	152,176			50	(76,088)	(76,088)	50
	2019[4]	126,539						
	2020	162,068						
	2021 DSTIA[5]	68,828			100	(68,828)		
	2021	199,190						
	2022 DSTIA[6]	–	43,950	160				
	2022	–	211,407	513				

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 8 in the FY2022 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 6 in the FY2021 Remuneration Report.

6 Deferred STIA component as described in Section 3 and Section 6 of this report and Table 7 in the FY2022 Remuneration Report.

7 C McDonald rights awarded under LTIA and 2022 DSTIA lapse following cessation.

8 A Dartnell all performance rights listed relate to role held prior to appointment as Group Executive Bulk

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.	$			
407	–	2.58	18-Oct-18	18-Oct-22	31-Dec-22
	347,454	3.95	17-Oct-19	17-Oct-23	31-Dec-23
	556,263	2.51	14-Oct-20	14-Oct-24	31-Dec-24
	–	3.73	27-Sep-21	27-Sep-22	31-Dec-22
	654,613	2.72	13-Oct-21	13-Oct-25	31-Dec-25
	230,055	3.63	26-Sep-22	26-Sep-23	31-Dec-23
	694,087	2.43	14-Oct-22	14-Oct-26	31-Dec-26
160	–	2.56	5-Oct-18	5-Oct-22	31-Dec-22
	149,494	3.95	17-Oct-19	17-Oct-23	31-Dec-23
	191,469	2.51	14-Oct-20	14-Oct-24	31-Dec-24
	–	3.73	27-Sep-21	27-Sep-22	31-Dec-22
	224,439	2.72	13-Oct-21	13-Oct-25	31-Dec-25
	82,182	3.63	26-Sep-22	26-Sep-23	31-Dec-23
	238,303	2.43	14-Oct-22	14-Oct-26	31-Dec-26
	40,135	3.95	17-Oct-19	17-Oct-23	31-Dec-23
	51,404	2.51	14-Oct-20	14-Oct-24	31-Dec-24
	61,097	2.72	13-Oct-21	13-Oct-25	31-Dec-25
	65,799	2.43	14-Oct-22	14-Oct-26	31-Dec-26
53	–	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
	–	3.73	27-Sep-21	27-Sep-22	31-Dec-22
	210,411	2.72	13-Oct-21	13-Oct-25	31-Dec-25
	73,017	3.63	26-Sep-22	26-Sep-23	31-Dec-23
	231,362	2.43	14-Oct-22	14-Oct-26	31-Dec-26
141	–	2.56	5-Oct-18	5-Oct-22	31-Dec-22
	129,574	3.95	17-Oct-19	17-Oct-23	31-Dec-23
	165,956	2.51	14-Oct-20	14-Oct-24	31-Dec-24
	–	3.73	27-Sep-21	27-Sep-22	31-Dec-22
	199,190	2.72	13-Oct-21	13-Oct-25	31-Dec-25
	67,890	3.63	26-Sep-22	26-Sep-23	31-Dec-23
	211,494	2.43	14-Oct-22	14-Oct-26	31-Dec-26
129	–	2.56	5-Oct-18	5-Oct-22	31-Dec-22
	126,539	3.95	17-Oct-19	17-Oct-23	31-Dec-23
	162,068	2.51	14-Oct-20	14-Oct-24	31-Dec-24
	–	3.73	27-Sep-21	27-Sep-22	31-Dec-22
	199,190	2.72	13-Oct-21	13-Oct-25	31-Dec-25
	43,950	3.63	26-Sep-22	26-Sep-23	31-Dec-23
	211,407	2.43	14-Oct-22	14-Oct-26	31-Dec-26

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

		SHORT-TERM EMPLOYEE BENEFITS					POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS	EQUITY-SETTLED SHARE-BASED PAYMENTS			
NAME	YEAR	CASH SALARY AND FEES[1] $'000	CASH BONUS[2] $'000	ANNUAL LEAVE[3] $'000	NON-MONETARY BENEFITS[4] $'000	OTHER $'000	SUPER-ANNUATION[5] $'000	LONG-SERVICE LEAVE $'000	RIGHTS[6] $'000	TOTAL $'000	PROPORTION OF COMPENSATION PERFORMANCE RELATED[7] %	REMUNERATION CONSISTING OF RIGHTS FOR THE YEAR %
EXECUTIVE KMP		**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**	**J**	**K**
A Harding	**2023**	**1,775**	**570**	**(18)**	**–**	**–**	**25**	**72**	**2,128**	**4,552**	**59%**	**47%**
	2022	1,726	1,253	(98)	–	–	24	38	2,189	5,132	67%	43%
P Bains	**2023**	**797**	**363**	**9**	**–**	**–**	**27**	**31**	**779**	**2,006**	**57%**	**39%**
	2022	773	447	(8)	–	–	27	2	885	2,126	63%	42%
A Dartnell[8]	**2023**	**85**	**22**	**24**	**–**	**–**	**3**	**21**	**20**	**175**	**24%**	**11%**
G Lippiatt	**2023**	**775**	**182**	**55**	**–**	**–**	**25**	**31**	**659**	**1,727**	**49%**	**38%**
	2022	726	398	2	–	–	24	13	509	1,672	54%	30%
E McKeiver	**2023**	**706**	**149**	**4**	**–**	**–**	**25**	**16**	**634**	**1,534**	**51%**	**41%**
	2022	686	370	14	–	–	24	(39)	651	1,706	60%	38%
FORMER EXECUTIVE KMP												
C McDonald[9]	**2023**	**706**	**–**	**(29)**	**–**	**–**	**25**	**21**	**487**	**1,210**	**40%**	**40%**
	2022	686	239	57	–	–	24	13	724	1,743	55%	42%
Total Executive KMP compensation (group)	**2023**	**4,844**	**1,286**	**45**	**–**	**–**	**130**	**192**	**4,707**	**11,204**	**53%**	**42%**
	2022	4,597	2,707	(33)	–	–	123	27	4,958	12,379	62%	40%

1 Cash salary and fees include any salary sacrifice benefits.

2 This amount relates to the cash component (60%) of the FY2023 STIA which will be paid in September 2023.

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 Superannuation amounts represent employers' contribution to superannuation.

6 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.

7 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.

8 A Dartnell was appointed Group Executive Bulk on 2 May 2023. The cash salary and fees (column A) and cash bonus (column B) reflect the salary and STIA attributable to the Group Executive Bulk role.

9 No remuneration was received associated with the FY2023 STIA.

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14 August 2023

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 2023, 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
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 11 August 2023.

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 41 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 FY2023, are set out below:	✓

ENTERPRISE MEASURES	FY2023 TARGET	FY2023 ACTUAL
Gender representation on the Board	Minimum 30% (each gender)	25% women/75% men*
Representation of women in senior executive roles (being the Group Executives)	30%	50%
Representation of women in the workforce	24%	21%
Representation of Aboriginal and Torres Strait Islander men and women in Aurizon	7%	7%

*Note: This reflects the position at 30 June 2023. Between 1 July 2022 and 31 May 2023, the representation of women on the Board was 38%. From 1 September 2023, the representation of women on the Board will be 33%.

In compliance with the *Workplace Gender Equality Act 2012*, 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.

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 FY2023 an internal review was undertaken led by 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 FY2023. In respect of the Managing Director & CEO, the evaluation was led by the Chairman 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 & 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 FY2023 the Nomination & Succession Committee assisted the Board in, among other things, reviewing the appropriate mix of skills, competencies and experience of its members and assisted with the identification and recruitment of new Directors. 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)

Principle 2: Structure the Board to be effective and add value (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. Ms Vidgen retired as a Director of Aurizon Holdings Limited on 31 May 2023. In FY2023, Mr Caplan will have served as a Director of Aurizon for over 12 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, New South Wales, South Australia, Western Australia and Northern Territory.	✓

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 Committees 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. The Board, through the Audit, Governance & Risk Management Committee, reviews investigation processes and outcomes of all matters reported under the Whistleblower Policy.	✓
3.4 Anti-Bribery and Anti-Corruption 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. The Board, through the Audit, Governance & Risk Management Committee, reviews investigation processes and outcomes of all matters reported under the Whistleblower Policy.	✓

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 five 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. 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 *Corporations Act 2001* (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 *Corporations Act 2001* and relevant Accounting standards. The certification process is reviewed annually with the view that it remains current having regard to any changes in the *Corporations Act 2001*, accounting standards or governance. For other types of periodic corporate reports (including the annual Directors' Report and the Annual Results Presentation), 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 substantiated 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 *Corporations Act 2001*. 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 do' 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 2023, the Company will host a hybrid AGM in Brisbane, Queensland 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's 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 FY2023 the Board considered and reviewed the Enterprise Risk Framework and Appetite. Further review and update will take place in early FY2024. 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.	✓

Principle 7: Recognise and manage risk (continued)

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 FY2023, the Company published its ninth Sustainability Report. A copy of this report is available in the Sustainability section of the Company's website aurizon.com.au. Aurizon's 2023 Sustainability Report will be published in October 2023. This will be the seventh 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. In 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 FY2023, the Company published its third 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 and People Committee, comprising three members, all of whom are Independent Non-Executive Directors. Details of the membership of the Remuneration and 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 and People Committee during the financial year are set out on page 9 of the Annual Report. The Remuneration and 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 FY2023, the Remuneration and 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 and 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 42 to 43. 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 31 to 46 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 FY2023, and are therefore not relevant to the period.

Financial Report
for the year ended 30 June 2023

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Consolidated income statement
for the year ended 30 June 2023

	Notes	2023 $m	2022 $m
Revenue from continuing operations	2	**3,511**	3,048
Other income		**–**	27
Total revenue and other income		**3,511**	**3,075**
Employee benefits expense	3	**(977)**	(853)
Energy and fuel		**(438)**	(255)
Track access		**(110)**	(78)
Consumables[1]		**(539)**	(419)
Depreciation and amortisation	3	**(666)**	(592)
Impairment losses		**(13)**	(2)
Other expenses[1]		**(56)**	(15)
Share of net profit of investments accounted for using the equity method		**1**	–
Operating profit		**713**	861
Finance income		**3**	2
Finance expenses	3	**(233)**	(127)
Net finance costs		**(230)**	(125)
Profit before income tax		**483**	736
Income tax expense	4	**(159)**	(223)
Profit from continuing operations after tax		**324**	513
Loss from discontinued operations after tax		**(48)**	–
Profit for the year attributable to the owners of Aurizon Holdings Limited		**276**	**513**

		Cents	Cents
Earnings per share for profit from continuing operations attributable to the owners of Aurizon Holdings Limited	5		
Basic earnings per share		**17.6**	27.9
Diluted earnings per share		**17.6**	27.8
Earnings per share for profit attributable to the owners of Aurizon Holdings Limited	5		
Basic earnings per share		**15.0**	27.9
Diluted earnings per share		**15.0**	27.8

1 Amounts for FY2022 have been reclassified for consistency with current year presentation.

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 2023

	Notes	2023 $m	2022 $m
Profit for the year		**276**	513
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Changes in the fair value of cash flow hedges	16(b)	**(13)**	107
Income tax relating to changes in fair value of cash flow hedges	16(b)	**4**	(32)
Exchange differences on translation of foreign operations	16(b)	**4**	(1)
Other comprehensive income for the year, net of tax		**(5)**	74
Total comprehensive income for the year attributable to the owners of Aurizon Holdings Limited		**271**	**587**

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

Consolidated balance sheet
as at 30 June 2023

	Notes	2023 $m	2022 $m
ASSETS			
Current assets			
Cash and cash equivalents		**92**	172
Trade and other receivables	6	**728**	434
Inventories	7	**235**	186
Derivative financial instruments	18(a)	**2**	44
Current tax receivables		**104**	–
Other assets	10	**32**	24
Total current assets		**1,193**	860
Non-current assets			
Inventories	7	**60**	56
Derivative financial instruments	18(a)	**119**	38
Property, plant and equipment	8	**9,945**	8,416
Intangible assets	9	**220**	209
Other assets	10	**86**	75
Investments accounted for using the equity method	19	**56**	22
Total non-current assets		**10,486**	8,816
Total assets		**11,679**	9,676
LIABILITIES			
Current liabilities			
Trade and other payables	11	**362**	294
Borrowings	17	**566**	255
Current tax liabilities		**–**	69
Provisions	12	**287**	281
Other liabilities	13	**95**	69
Total current liabilities		**1,310**	968
Non-current liabilities			
Borrowings	17	**4,576**	2,966
Derivative financial instruments	18(a)	**252**	266
Deferred tax liabilities	4(c)	**940**	797
Provisions	12	**52**	49
Other liabilities	13	**196**	218
Total non-current liabilities		**6,016**	4,296
Total liabilities		**7,326**	5,264
Net assets		**4,353**	**4,412**
EQUITY			
Contributed equity	16(a)	**3,674**	3,674
Reserves	16(b)	**20**	26
Retained earnings		**659**	712
Total equity		**4,353**	**4,412**

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 2023

		Attributable to the owners of Aurizon Holdings Limited			
	Notes	Contributed equity $m	Reserves $m	Retained earnings $m	Total equity $m
Balance at 1 July 2022		**3,674**	**26**	**712**	**4,412**
Profit for the year		**–**	**–**	**276**	**276**
Other comprehensive income	16(b)	**–**	**(5)**	**–**	**(5)**
Total comprehensive income for the year		**–**	**(5)**	**276**	**271**
Transactions with owners in their capacity as owners:					
Dividends paid	15	**–**	**–**	**(329)**	**(329)**
Share-based payments	16(b)	**–**	**(1)**	**–**	**(1)**
		–	**(1)**	**(329)**	**(330)**
Balance at 30 June 2023		**3,674**	**20**	**659**	**4,353**
Balance at 1 July 2021		3,674	(57)	658	4,275
Profit for the year		–	–	513	513
Other comprehensive income	16(b)	–	74	–	74
Total comprehensive income for the year		–	74	513	587
Transactions with owners in their capacity as owners:					
Dividends paid	15	–	–	(459)	(459)
Share-based payments	16(b)	–	9	–	9
		–	9	(459)	(450)
Balance at 30 June 2022		3,674	26	712	4,412

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 2023

	Notes	2023 $m	2022 $m
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**3,766**	3,402
Payments to suppliers and employees (inclusive of GST)		**(2,557)**	(2,005)
Interest received		**3**	2
Income taxes paid		**(204)**	(86)
Principal elements of lease receipts		**7**	7
Net cash inflow from operating activities from continuing operations	24	**1,015**	1,320
Net cash inflow from operating activities from discontinued operations		**48**	–
Net cash inflow from operating activities		**1,063**	**1,320**
Cash flows from investing activities			
Payments for business acquisitions (net of cash acquired) and investment in joint venture	22	**(1,434)**	(17)
Payments for property, plant and equipment		**(743)**	(535)
Proceeds from sale of property, plant and equipment		**6**	39
Payments for intangibles		**(15)**	(14)
Interest paid on qualifying assets	3	**(4)**	(2)
Distributions from joint ventures		**1**	1
Net cash outflow from investing activities from continuing operations		**(2,189)**	(528)
Net cash outflow from investing activities from discontinued operations		**(662)**	–
Net cash outflow from investing activities		**(2,851)**	**(528)**
Cash flows from financing activities			
Proceeds from borrowings		**2,210**	60
Repayment of borrowings		**(360)**	(224)
Payments of transaction costs related to borrowings		**(15)**	–
Principal elements of lease payments		**(20)**	(17)
Interest paid		**(210)**	(128)
Payments for shares acquired for share-based payments		**(7)**	–
Dividends paid to Company's shareholders	15	**(329)**	(459)
Net cash inflow/(outflow) from financing activities from continuing operations		**1,269**	(768)
Net cash inflow from financing activities from discontinued operations		**439**	–
Net cash inflow/(outflow) from financing activities		**1,708**	**(768)**
Net increase in cash and cash equivalents from continuing operations		**95**	24
Net decrease in cash and cash equivalents from discontinued operations		**(175)**	–
Cash and cash equivalents at the beginning of the financial year		**172**	149
Effects of exchange rate changes on cash and cash equivalents		**–**	(1)
Cash and cash equivalents at end of the financial year		**92**	**172**

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

Notes to the consolidated financial statements
30 June 2023

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 on the going concern basis of accounting;
- 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 $1,000,000 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 2022; 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 2023 (FY2023) has been authorised for issue in accordance with a resolution of the Directors on 14 August 2023. 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 life of Network infrastructure assets	8
Useful lives of rollingstock	8
Recoverable amount of property, plant and equipment (Western Australia cash generating unit (CGU))	8
Impairment tests for goodwill (Bulk Queensland, Bulk New South Wales and Bulk Central CGUs)	9
Business combination	22

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) Acquisition of subsidiaries and interests in joint ventures

One Rail Australia

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 general and limited partnership interests in Aurizon Bulk Central Holdings LP (formerly One Rail Australia Holdings LP). Aurizon Bulk Central Holdings LP and its subsidiaries are collectively referred to as 'One Rail Australia'. The acquisition completed on 29 July 2022 for consideration of $2,404 million.

One Rail Australia comprised two main business segments:

- One Rail Bulk: Integrated bulk rail haulage and general freight assets in South Australia and the Northern Territory and below rail operator and economic owner of 2,460km of rail infrastructure including the 2,245km Tarcoola-to-Darwin railway line; and
- East Coast Rail: Coal haulage in New South Wales and Queensland.

One Rail Bulk has been integrated into the Group's Bulk segment and renamed Aurizon Bulk Central. Aurizon Bulk Central is the only rail freight operator along the South Australia/Northern Territory corridor and products hauled include copper, grain, iron ore, gypsum and containerised freight. Aurizon Bulk Central also manages the Tarcoola-to-Darwin rail infrastructure, and the intrastate rail freight network in South Australia. Provision of access to the below rail infrastructure is regulated by the Essential Services Commission of South Australia (ESCOSA).

The investments held in the East Coast Rail entities were transferred to One Rail Australia Holdings Limited (ORAH) (formerly NHK Pty Ltd), a subsidiary of the Company, on 29 July 2022. During the year, the Group completed the divestment of ORAH in accordance with the Company's Undertaking to the Australian Competition and Consumer Commission (ACCC) as part of its acquisition of One Rail Australia. Refer to section (b) for further information on the divestment of ORAH.

The acquisition of One Rail Australia was funded from cash, existing bank debt facilities and new bank debt facilities. Refer to note 18(b)(i) for further information on the Group's financing arrangements.

Acquisition costs of $49 million (2022: $14 million) including landholder duty, advisory fees and other costs have been expensed to profit or loss during the year and classified in other expenses. This amount has been classified as a significant item in continuing operations.

Refer to note 22 for further information on the One Rail Australia acquisition.

Notes to the consolidated financial statements
30 June 2023 (continued)

Key events and transactions for the reporting period (continued)

(a) Acquisition of subsidiaries and interests in joint ventures (continued)

Ox Mountain Limited

The Group increased its ownership interest in Ox Mountain Limited (UK registered) from 42% to 69% on 9 January 2023 for consideration of $30 million. Ox Mountain Limited is a maintenance software developer and distributor focusing on asset intensive sectors such as mining and rail operations/infrastructure and has customers and operations in Australia and globally. The investment continues to be classified as a joint venture due to the Group having joint control and is accounted for using the equity method of accounting.

(b) Disposals

One Rail Australia Holdings Limited (ORAH)

The Group completed the sale of ORAH to Magnetic Rail Group Pty Ltd (Magnetic) on 17 February 2023 for consideration of $438 million including completion adjustments. The total consideration includes $313 million cash proceeds received on completion of the sale and $125 million cash proceeds receivable in February 2024. On completion of the sale, Magnetic assumed ORAH's existing borrowings of $474 million.

The loss from discontinued operations after tax of $48 million for the year includes operating net profit after tax for the period 30 July 2022 to 17 February 2023 of $34 million excluding significant items.

Refer to note 23 for further information on the discontinued operation.

(c) Debt financing

Aurizon Operations Limited (via a wholly owned subsidiary Aurizon Finance Pty Ltd)

To fund the acquisition of One Rail Australia in July 2022, the Group added $1,450 million of capacity to existing unsecured bank debt facilities. The additional capacity included a $650 million bridge facility maturing July 2024, a $400 million revolving facility maturing July 2025, and a $400 million term loan facility maturing July 2027. The $650 million bridge facility has been partly repaid during FY2023, with the facility limit reduced to $350 million at reporting date.

The Group successfully priced a US Private Placement (USPP) comprising of both USD and AUD tranches (~A$503 million equivalent) in June 2023 which settled subsequent to the reporting date on 26 July 2023 (Finance USPP). The proceeds from the Finance USPP have been used to repay the remainder of the $350 million bridge facility drawn to fund the acquisition of One Rail Australia. The Finance USPP includes a A$50 million tranche maturing July 2033, a A$50 million tranche maturing July 2034, a US$133 million tranche maturing July 2030, a US$70 million tranche maturing July 2033 and a US$70 million tranche maturing July 2035. Cross-currency interest rate swaps covering the entirety of the US$273 million issued have been executed to swap USD tranches to AUD floating rate debt.

In June 2023, the Group also re-financed existing floating rate bilateral facilities and reduced the capacity from $625 million to $605 million (the capacity at reporting date was $555 million, with $50 million capacity added on 3 July 2023). The re-financed bilateral facilities include $465 million ($415 million at reporting date) maturing July 2026, $65 million maturing November 2023, and $75 million maturing November 2025. The maturity of the $125 million working capital facility was also extended to June 2024.

Floating-to-fixed rate interest rate swaps with a notional amount of $1,550 million have been executed with a range of maturities from three to 10 years. As at 30 June 2023, variable rate borrowings are 98% hedged through fixed rate interest rate swaps for an average period of 4.6 years.

Aurizon Network Pty Ltd (Network)

The Group privately placed two AUD fixed rate Medium-Term Notes (AMTNs) in December 2022, including a $50 million AMTN maturing December 2032 (Network AMTN 6) and a $20 million AMTN maturing December 2034 (Network AMTN 7). The capacity of Network AMTN 6 was increased by $30 million to $80 million in February 2023. Interest rate swaps with a notional amount of $100 million have been executed to swap the fixed rate AMTNs to floating rate debt.

In January 2023, the Group re-financed existing floating rate bilateral facilities and reduced the capacity from $1,200 million to $1,090 million. The re-financed bilateral facilities include $575 million maturing January 2026, $310 million maturing January 2027, and $205 million maturing January 2028. The maturity of the $75 million working capital facility was extended to June 2024.

The Group successfully priced a USPP comprising of both USD and AUD tranches (~A$306 million equivalent) in April 2023, which settled in June 2023 (Network USPP). The proceeds from the Network USPP, along with Network AMTN 6 and Network AMTN 7, will be used to repay Network AMTN 2 maturing June 2024. In the interim period, the proceeds have been used to repay drawn bank debt facilities. The Network USPP includes a A$55.5 million tranche maturing June 2033, a A$55.5 million tranche maturing June 2035, a US$87 million tranche maturing June 2033, and a US$45 million tranche maturing June 2035. Cross-currency interest rate swaps covering the entirety of the US$132 million have been executed to swap USD tranches to AUD floating rate debt.

Floating-to-fixed interest rate swaps with a notional amount of $2,300 million matured June 2023, in line with the WACC reset date in the 2017 Access Undertaking (UT5). The floating-to-fixed interest rate swaps were replaced with a notional amount of $2,900 million (including $570 million future dated swaps) maturing June 2027 to align with the remaining term of UT5. As at 30 June 2023, variable rate borrowings are 88% hedged through fixed rate interest rate swaps for an average period of 4.0 years.

Key events and transactions for the reporting period (continued)

(d) Access revenue

2017 Access Undertaking (UT5)

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 Network notifying the Chair of the Rail Industry Group (RIG) of its proposed options to address any capacity deficits identified in the Initial Capacity Assessment Report (ICAR) of the Central Queensland Coal Network (CQCN) completed by the Independent Expert appointed under UT5 (Report Date).

On 15 December 2022, the QCA rejected the FY2022 Revenue Adjustment Amount of $45 million (net under-recovery) ($33 million excluding GAPE) on the view that the Report Date was 14 March 2022, instead of 12 November 2021 used to calculate the FY2022 Revenue Adjustment Amount. Network submitted an amended FY2022 Revenue Adjustment Amount of $36 million (net under-recovery) ($25 million excluding GAPE) on 20 January 2023 in compliance with the QCA's decision, so as to ensure the other aspects of the QCA's decision could operate without delays arising, and reserved its rights in relation to the proper interpretation of the Report Date. On the same day, Network lodged an application with the Supreme Court of Queensland to appeal the QCA's decision, seeking a declaration from the court about the proper interpretation of the definition of Report Date. The Supreme Court hearing took place on 14 June 2023. On 28 July 2023, the Supreme Court dismissed Network's application and decided that the Report Date is 14 March 2022. Network is considering the judgement and next steps. At this time, there is no requirement for any further adjustment to FY2024 tariffs.

The QCA's decision has no impact on FY2023 access revenue as the FY2022 Revenue Adjustment Amount will be reflected in reference tariffs for FY2024.

In FY2023 annual volumes were lower than the regulatory forecast resulting in Take-or-Pay of $100.2 million ($76.1 million excluding GAPE) being recognised. In addition, there was a net under-recovery amount of approximately $31.5 million ($27.2 million excluding GAPE) which represents the FY2023 Revenue Adjustment Amount that will be recovered in FY2025. The FY2023 Revenue Adjustment Amount is subject to approval by the QCA.

UT5 includes a defined process to reset the WACC at 1 July 2023 (Preliminary Reset Values) and 1 July 2024 (Final Reset Values). On 25 May 2023, the QCA approved Preliminary Reset Values, including a WACC of 8.18% (applying a risk-free rate of 3.47% and a debt risk premium of 2.60%), to be incorporated into reference tariffs for FY2024.

On 31 July 2023, Network submitted to the QCA the Final Reset Values including a WACC of 8.51% (applying a risk-free rate of 3.87% and a debt risk premium of 2.48%). Network is providing additional information to the QCA in support of its submission prior to it being published. Following a QCA consultation and decision process on the Final Reset Values, the WACC will be incorporated into reference tariffs for FY2025. Any difference between the Preliminary and Final Reset allowable revenues for FY2024 will be reconciled through the FY2024 Revenue Adjustment Amount and reflected in reference tariffs for FY2026.

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.

Notes to the consolidated financial statements
30 June 2023 (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).

The following segment information has been presented for continuing operations only.

(a) Description of reportable segments

The following summary describes the operations of each reportable segment:

Network

This segment manages the provision of access to the CQCN rail infrastructure and operation and maintenance of the network.

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 Australia. This segment also manages the Tarcoola-to-Darwin rail infrastructure, the intrastate rail freight network in South Australia, and containerised freight services between Adelaide and Darwin.

Other

This segment includes other containerised freight, which is not considered a separate reportable segment, as well as other revenue 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 2023 (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 2023					
External revenue					
Revenue from external customers					
Services revenue					
Track access	849	350	–	–	1,199
Freight transport[1]	–	1,175	1,018	6	2,199
Other services	34	–	6	–	40
Other revenue	38	6	16	13	73
Total revenue from external customers	921	1,531	1,040	19	3,511
Internal revenue					
Services revenue					
Track access	406	–	–	–	406
Freight transport	–	–	17	–	17
Other services	10	–	6	–	16
Total internal revenue	416	–	23	–	439
Total external and internal revenue	1,337	1,531	1,063	19	3,950
Other income	–	–	–	–	–
Total revenue and other income	1,337	1,531	1,063	19	3,950
Internal revenue elimination					(439)
Consolidated revenue and other income					3,511
Continuing EBITDA (Underlying)[2]	813	455	214	(54)	1,428
Depreciation and amortisation	(351)	(204)	(108)	(3)	(666)
Continuing EBIT (Underlying)[2]	462	251	106	(57)	762
Significant items (note 1(c))					(49)
EBIT[2]					713
Net finance costs					(230)
Profit before income tax from continuing operations					483

1 As a result of the integrated bulk rail haulage and general freight assets in South Australia and the Northern Territory, freight transport revenue for Bulk includes track access as it is not separately invoiced to customers.

2 Refer to page 119 for Non-IFRS Financial Information.

Notes to the consolidated financial statements
30 June 2023 (continued)

1 Segment information (continued)

(b) Segment information (continued)

	Network $m	Coal $m	Bulk[1] $m	Other[1] $m	Total continuing operations $m
30 June 2022					
External revenue					
Revenue from external customers					
Services revenue					
Track access	752	360	–	–	1,112
Freight transport	–	1,195	657	1	1,853
Other services	16	–	15	–	31
Other revenue	33	4	5	10	52
Total revenue from external customers	801	1,559	677	11	3,048
Internal revenue					
Services revenue					
Track access	382	–	–	–	382
Freight transport	–	–	15	–	15
Other services	10	–	6	–	16
Total internal revenue	392	–	21	–	413
Total external and internal revenue	1,193	1,559	698	11	3,461
Other income	–	–	2	25	27
Total revenue and other income	1,193	1,559	700	36	3,488
Internal revenue elimination					(413)
Consolidated revenue and other income					3,075
Continuing EBITDA (Underlying)[2]	801	541	135	(10)	1,467
Depreciation and amortisation	(345)	(208)	(39)	–	(592)
Continuing EBIT (Underlying)[2]	456	333	96	(10)	875
Significant items (note 1(c))					(14)
EBIT[2]					861
Net finance costs					(125)
Profit before income tax from continuing operations					736

1 The Bulk and Other segments for FY2022 have been restated for consistency with current year presentation.

2 Refer to page 119 for Non-IFRS Financial Information.

Notes to the consolidated financial statements
30 June 2023 (continued)

1 Segment information (continued)

(c) Significant items

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

	2023 $m	2022 $m
Acquisition costs for One Rail Australia	**(49)**	(14)

Significant items is reconciled in the Non-IFRS Financial Information on page 119.

(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:

	2023 $m	2022[1] $m	2023 Credit Rating	2022 Credit Rating
Customer 1	**570**	573	**A-**	A-
Customer 2	**532**	532	**BBB+**	BBB+
Total	**1,102**	1,105		

1 Amounts for FY2022 have been updated.

2 Revenue

The Group recognises revenue primarily from the provision of freight haulage services across Australia and the provision of access to the CQCN, and the rail infrastructure in South Australia and the Northern Territory.

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

	2023 $m	2022 $m
Services revenue		
Track access	**1,199**	1,112
Freight transport	**2,199**	1,853
Other services	**40**	31
Other revenue[1]	**73**	52
Total revenue from continuing operations	**3,511**	3,048

1 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:

	2023 $m	2022 $m
Current		
Contract assets for freight transport	**11**	9
Non-current		
Contract assets for freight transport	**64**	41

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 (2022: $nil).

	2023 $m	2022 $m
Within one year	**11**	9
Later than one year but not later than five years	**45**	36
Later than five years	**19**	5
	75	50

(ii) Contract liabilities

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

	2023 $m	2022 $m
Current		
Advances for freight transport	**9**	2
Advances for other services	**55**	46
	64	48
Non-current		
Advances for freight transport	**10**	12
Advances for other services	**70**	97
	80	109

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 either as volumes are delivered or on a straight line basis over the contract term, as performance obligations are satisfied over time.

2 Revenue (continued)

(b) Contract assets and liabilities (continued)

(ii) Contract liabilities (continued)

	2023 $m	2022 $m
Within one year	**64**	48
Later than one year but not later than five years	**61**	80
Later than five years	**19**	29
	144	157

The decrease in contract liabilities represents revenue recognised for 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.

	2023 $m	2022 $m
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Advances for track access	–	26
Advances for freight transport	**3**	6
Advances for other services	**42**	25
	45	57

(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 2023, future contracted revenues for contracts with a timing difference are approximately $1,799 million (2022: $2,014 million), of which $550 million is expected to be recognised in FY2024. These amounts relate to track access, freight transport and other services from contracts with customers. Future contracted revenues are in FY2023 dollars. Variable revenue is not included. As such, the future contracted revenues described above represent only part of the Group's forecast revenues for FY2024 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

Network 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 cancellations which are determined to be either of below rail cause, above rail operator cause and/or mine cause. This determination impacts the calculation of Take-or-Pay and the receivable recognised in the year that the contractual railings were not achieved as a result of rail operator and/or mine cancellations. At the reporting date, the Group recognised Take-or-Pay revenue of $59 million (2022: $28 million), after an adjustment for Take-or-Pay eliminated on consolidation. Take-or-Pay will be collected in the first half of FY2024.

(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 reporting 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% (2022: 6.30%). Refer to key events and transactions for further information.

Track access revenue is also generated from the provision of access to, and operation of, the rail infrastructure in South Australia and the Northern Territory. Track access revenue is recognised over time as access to the rail network is provided. Track access revenue recognised for services provided between related parties within the Group, as a result of the integrated bulk rail haulage and general freight assets in South Australia and the Northern Territory, are eliminated.

(ii) Freight transport

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

Notes to the consolidated financial statements
30 June 2023 (continued)

2 Revenue (continued)

(c) Accounting policies (continued)

(ii) Freight transport (continued)

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 reporting 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.

3 Expenses

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

	2023 $m	2022 $m
Employee benefits expense		
Salaries, wages and allowances including on-costs	**888**	767
Defined contribution superannuation expense	**84**	74
Redundancies	**5**	12
	977	853
Depreciation and amortisation		
Depreciation of property, plant and equipment	**637**	563
Amortisation of intangibles	**29**	29
	666	592
Finance expenses		
Interest and finance charges paid/payable	**218**	127
Discounting of land rehabilitation provision	**1**	1
Interest paid on lease liability	**6**	5
Amortisation of capitalised borrowing costs	**6**	4
Amortisation of AMTN 2 fair value adjustment	**(2)**	(2)
Hedge ineffectiveness[1]	**8**	(6)
	237	129
Capitalised interest paid on qualifying assets	**(4)**	(2)
	233	127

1 Refer to the accounting policy in note 18.

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

	2023 $m	2022 $m
Current tax	**47**	180
Deferred tax	**102**	43
Current tax relating to prior periods	**(8)**	(16)
Deferred tax relating to prior periods	**12**	16
	153	223
Income tax expense is attributable to:		
Profit from continuing operations	**159**	223
Loss from discontinued operations	**(6)**	–
	153	223
Deferred income tax expense included in income tax expense comprises:		
(Increase)/decrease in deferred tax assets	**(13)**	24
Increase in deferred tax liabilities	**127**	35
	114	59

Notes to the consolidated financial statements
30 June 2023 (continued)

4 Income tax (continued)

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

	2023 $m	2022 $m
Profit before income tax expense from continuing operations	**483**	736
Loss before income tax expense from discontinued operations	**(54)**	–
	429	736
Tax at the Australian tax rate of 30% (2022: 30%)	**129**	221
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible acquisition costs	**9**	2
Non-deductible sale and divestment costs	**4**	–
Non recognition of capital loss on impairment	**4**	–
Non recognition of capital loss on disposal	**1**	–
Other	**2**	–
Adjustments for tax of prior periods	**4**	–
	153	223

(c) Deferred tax balances

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

	2023 $m	2022 $m
Deferred tax assets		
Provisions and accruals	**109**	101
Contract liabilities	**13**	10
Financial instruments	**34**	17
Lease liabilities	**40**	37
Other items	**15**	12
Total deferred tax assets	**211**	177
Set-off against deferred tax liabilities	**(211)**	(177)
Net deferred tax assets	**–**	–
Deferred tax liabilities		
Inventories	**6**	5
Property, plant and equipment	**1,024**	900
Intangible assets	**32**	29
Financial instruments	**50**	25
Other items	**39**	15
Total deferred tax liabilities	**1,151**	974
Set-off of deferred tax assets	**(211)**	(177)
Net deferred tax liabilities	**940**	797

The Group has unused capital losses for which no deferred tax asset has been recognised of $28 million (2022: $nil), which arose from the sale of ORAH. These losses can be carried forward indefinitely and may be used to reduce future capital gains.

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

	2023 $m	2022 $m
Provisions and accruals	**1**	12
Contract liabilities	**(3)**	(6)
Financial instruments	**(13)**	15
Lease liabilities	**3**	5
Other items	**(1)**	(2)
(Increase)/decrease in deferred tax assets	**(13)**	24
Inventories	**1**	5
Property, plant and equipment	**97**	52
Intangible assets	**3**	(4)
Financial instruments	**12**	(13)
Other items	**14**	(5)
Increase in deferred tax liabilities	**127**	35
Net deferred income tax expense	**114**	59

(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 or 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.

4 Income tax (continued)

(d) Accounting policies (continued)

(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.

(v) Pillar Two income taxes

The Group is currently assessing the impact of AASB 2023-2 *Amendments to Australian Accounting Standards — International Tax Reform — Pillar Two Model Rules* (the Amendments) as the Company has a subsidiary incorporated in the United Kingdom that is not an Australian resident for tax purposes. The Amendments clarify that AASB 112 *Income Taxes* applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organisation for Economic Co-operation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes'. The Group has applied the mandatory temporary exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

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.

	2023 Cents	2022 Cents
Basic earnings per share		
Continuing operations	**17.6**	27.9
Discontinued operations	**(2.6)**	–
	15.0	27.9
Diluted earnings per share		
Continuing operations	**17.6**	27.8
Discontinued operations	**(2.6)**	–
	15.0	27.8
Underlying basic earnings per share[1]		
Continuing operations	**19.9**	28.5
Discontinued operations	**1.9**	–
	21.8	28.5

1 Underlying basic earnings per share has been calculated by dividing the net profit after tax for continuing operations of $324 million, less significant items, net of tax, of $43 million by the weighted average number of ordinary shares outstanding of 1,841 million.

	2023 Number '000	2022 Number '000
Weighted average number of ordinary shares for basic earnings per share	**1,840,704**	1,840,605
Dilution due to rights issued pursuant to performance rights plans	**3,794**	3,992
Weighted average number of ordinary shares for diluted earnings per share	**1,844,498**	1,844,597

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

	2023 $m	2022 $m
Current		
Trade receivables	**395**	313
Provision for impairment	**(2)**	(1)
Net trade receivables	**393**	312
Other receivables[1]	**335**	122
	728	434

1 Other receivables includes revenue for services performed but not yet invoiced under contracts including Take-or-Pay of $59 million (2022: $28 million), annual GAPE fees of $33 million (2022: $34 million) and deferred consideration receivable of $125 million (2022: $nil) in respect of the sale of ORAH (refer to note 23).

The Group has recognised a net increase of $1 million (2022: net reduction of $2 million) in the provision for impairment of trade receivables. No amounts were written off in the financial year (2022: $nil).

(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

	2023 $m	2022 $m
Current		
Raw materials and stores — at cost	**246**	194
Provision for inventory obsolescence	**(11)**	(8)
	235	186
Non-current		
Raw materials and stores — at cost	**73**	69
Provision for inventory obsolescence	**(13)**	(13)
	60	56

(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 2023 (continued)

8 Property, plant and equipment

	Assets under construction $m	Land $m	Buildings $m	Plant and equipment $m	Rollingstock $m	Infrastructure $m	Other leased assets $m	Total $m
2023								
Opening net book amount	**278**	**128**	**225**	**307**	**2,127**	**5,267**	**84**	**8,416**
Additions	**764**	**–**	**–**	**–**	**–**	**–**	**11**	**775**
Transfers between asset classes	**(782)**	**28**	**4**	**83**	**292**	**375**	**–**	**–**
Acquisitions through business combinations (note 22)	**37**	**78**	**4**	**16**	**227**	**1,026**	**21**	**1,409**
Disposals	**–**	**–**	**–**	**(3)**	**(1)**	**(5)**	**–**	**(9)**
Depreciation	**–**	**(2)**	**(14)**	**(52)**	**(195)**	**(359)**	**(15)**	**(637)**
Impairment	**–**	**–**	**–**	**–**	**(8)**	**(1)**	**–**	**(9)**
Closing net book amount	**297**	**232**	**219**	**351**	**2,442**	**6,303**	**101**	**9,945**
At 30 June 2023								
Cost	**297**	**234**	**475**	**823**	**6,055**	**9,808**	**160**	**17,852**
Accumulated depreciation and impairment	**–**	**(2)**	**(256)**	**(472)**	**(3,613)**	**(3,505)**	**(59)**	**(7,907)**
Net book amount	**297**	**232**	**219**	**351**	**2,442**	**6,303**	**101**	**9,945**
2022								
Opening net book amount	239	124	235	269	2,171	5,321	95	8,454
Additions	521	–	–	–	–	–	2	523
Transfers between asset classes	(481)	–	6	78	136	261	–	–
Acquisitions through business combinations	–	5	–	6	–	4	–	15
Disposals	–	(1)	(3)	(1)	(4)	(2)	–	(11)
Depreciation	–	–	(13)	(45)	(175)	(317)	(13)	(563)
Impairment	(1)	–	–	–	(1)	–	–	(2)
Closing net book amount	278	128	225	307	2,127	5,267	84	8,416
At 30 June 2022								
Cost	278	128	470	762	5,548	8,429	136	15,751
Accumulated depreciation and impairment	–	–	(245)	(455)	(3,421)	(3,162)	(52)	(7,335)
Net book amount	278	128	225	307	2,127	5,267	84	8,416

Notes to the consolidated financial statements

30 June 2023 (continued)

8 Property, plant and equipment (continued)

SIGNIFICANT JUDGEMENTS AND ESTIMATES

Useful life of Network infrastructure assets

The Group is the below rail operator and economic owner of the 2,670km CQCN through a long term lease. Network is responsible for the provision of access to, and operation of the regulated infrastructure assets which connect 40 coal mines to five export terminals, as well as to domestic customers. The useful life of infrastructure assets is determined based on the expected engineering life, capped at the remaining term of the infrastructure lease. In adopting this basis, the Group assumes that the infrastructure assets will remain economically viable throughout the lease term which, as explained further below, is dependent on the ongoing future supply and demand for Australian coal.

Around 70% of volume hauled across the CQCN is metallurgical coal which is primarily used to produce steel. Thermal coal, which is used as a heat source in energy generation, accounts for the remaining 30% of volume hauled. Metallurgical coal is expected to be in demand for longer than thermal coal. The useful life of Network infrastructure assets will be impacted by the future supply and demand for Australian metallurgical coal rather than thermal coal.

As part of the Group'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 supply and demand for commodities transported over the short term as well as risks that emerge over the medium to long term. This analysis is extended over the lease term where the timing and magnitude is less certain.

The future supply of Australian metallurgical coal is dependent on government policies, including the ability of customers to gain regulatory approvals and raise funding to support the development of their resource base. Demand for Australian metallurgical coal is dependent on seaborne-traded markets which are increasingly concentrated in Asia and linked to Asian steel production. Future demand is dependent on economic development in Asia including steel intensive growth, alternatives to steel and current steel production methods, technology advancements, competing supply of metallurgical coal, and changes in government policies including preference for domestic or imported coal and net-zero emission targets. Major import nations of Australian metallurgical coal with net-zero emissions targets include India (2070), Japan (2050), South Korea (2050) and China (2060).

Regulatory framework considerations

As the CQCN is a regulated asset, 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.

The Group assumes the regulatory framework continues throughout the lease term.

Indicators

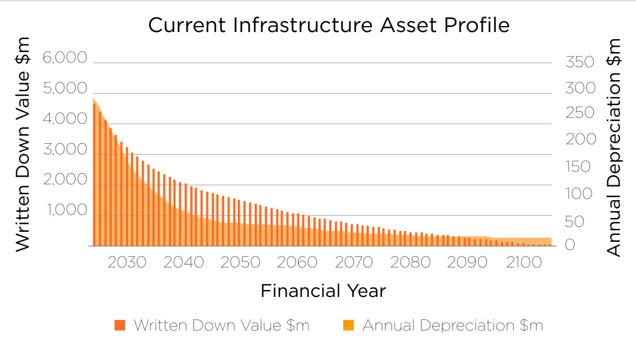
The key drivers for the future supply and demand for Australian metallurgical coal over the short term as well as risks that emerge over the medium to long term where the timing and magnitude is less certain are reviewed annually to assess the appropriateness of useful lives assigned to Network infrastructure assets. Indicators monitored include the following:

- government policies, including the ability of customers to gain regulatory approvals and raise funding to support the development of metallurgical coal reserves in the CQCN
- global crude steel production and the share of Australian metallurgical coal used in the process
- 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 metallurgical coal demand
- the average age of steel plants for end markets of Australian metallurgical coal
- global supply competitiveness and Australia's share of seaborne metallurgical coal supply
- 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.

8 Property, plant and equipment (continued)

Sensitivity
The indicators monitored are extended over the lease term where the timing and magnitude is less certain. Consequently, a change in indicators reviewed may result in a revision of useful lives assigned to the Network infrastructure assets in the future, resulting in a change in depreciation on a prospective basis. The graph below summarises the annual depreciation profile of the current written down value of Network infrastructure assets of $4,907 million (leased assets of $4,361 million and owned assets of $546 million) over the useful life applied for each class of assets described in note 8(b)(i) and excludes future capital investments.

FIGURE 1 — NETWORK INFRASTRUCTURE ASSETS DEPRECIATION PROFILE



The Network 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 Network 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
The Group has approximately 592 active locomotives and 13,438 active wagons, which are predominately used by the Coal and Bulk business units to transport bulk commodities and containerised freight to end customers and ports. The fleet is a mix of standard gauge and narrow gauge, with 138 active electric locomotives and 454 active diesel locomotives. The useful life of rollingstock is determined based on the expected engineering life.

In adopting the expected engineering life of rollingstock, the Group monitors a range of indicators including:

- the flexibility of fleet capacity, including the ability to shift standard gauge fleet between New South Wales, Western Australia, South Australia and the Northern Territory, narrow gauge fleet between Queensland and sections of track infrastructure in South Australia and Western Australia, and between commodities within states
- the risk of obsolescence as alternative technologies such as battery and hydrogen 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
- competitors fleet mix and their associated investment profile over time.

There is a risk that the indicators monitored could positively or negatively impact the expected engineering life of rollingstock resulting in a change in depreciation on a prospective basis.

Recoverable amount of property, plant and equipment (Western Australia CGU)
The Western Australia CGU provides integrated supply chain services including road transportation and material handling for a range of products and has previously been impaired. The Western Australia CGU has a carrying amount of $333 million and includes property, plant and equipment, software and working capital. There are indicators the previously recognised impairment losses for the Western Australia CGU may no longer be required. The recoverable amount of the Western Australia CGU has been determined based on a value-in-use calculation. The estimate uses a four-year cash flow projection (2022: four-year), a pre-tax discount rate of 11.63% (2022: 11.5%) and a long-term growth rate of 2.5% (2022: 2.5%). The recoverable amount of the CGU supports the carrying amount, therefore no further impairment or impairment reversal has been recognised.

The Western Australia CGU has a small number of customers, and the recoverable amount is sensitive to changes in these customer contractual arrangements, particularly iron ore customers. The recoverable amount of the CGU was determined taking into consideration the expected expiry and renewal of iron ore customer contracts. Should contracts with customers not be renewed, or 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 further impairment.

In addition, the terminal value calculation assumes a level of sustaining capital expenditure into perpetuity and the recoverable amount is sensitive to changes in this estimate. If the amount of sustaining capital expenditure required is lower or higher than the estimated amount, it may result in a further impairment or impairment reversal.

8 Property, plant and equipment (continued)

(a) Leases

Network and Bulk leased assets

The Group is the below rail operator and economic owner of more than 5,100km of rail infrastructure including the 2,670km CQCN and the 2,245km Tarcoola-to-Darwin railway line through long term leases. The infrastructure and land leases include corridor land and buildings. The assets associated with the leases are classified in infrastructure, land, buildings and plant and equipment.

The following table summarises the infrastructure and land leases:

Leases	Lessee	Lessor	Term	Expiry	Rental Amount	Extension Option
Network leased assets						
CQCN	Aurizon Network Pty Ltd	State of Queensland (land) and Queensland Treasury Holdings (infrastructure)	99 years	30 June 2109	$1 if demanded	99 years[1]
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]
Bulk leased assets						
Tarcoola-to-Darwin	Aurizon Bulk Central Network Pty Ltd	The AustralAsia Railway Corporation, The Northern Territory of Australia and the State of South Australia	32 years[3]	14 January 2054	$1 if demanded	None
Intrastate rail freight network in South Australia	Aurizon Bulk Central Pty Ltd	State of South Australia	25 years[3]	7 November 2047	$1 per annum (rail corridor land) and commercial rent (balance of land)	15 years[2]

1 The State of Queensland and Queensland Rail have an option to extend the leases by a further 99 years. The extension option is on the same terms as the initial lease period. Notice must be provided at least 20 years prior to the expiry of the existing term. The extension option under the corridor land leases are dependent on the infrastructure lease extension being exercised and granted.

2 The Group has an option to extend the lease by a further 15 years. The extension option is on the same terms as the initial lease period. Notice must be provided at any time after the expiry of 40 years and before the expiry of 45 years after the commencement date of 7 November 1997. The extension option is dependent on the Group providing and undertaking to carry out a Renewal Investment Plan.

3 Remaining lease term from 29 July 2022, being the date of acquisition of the lessee company.

Other leased assets

The Group primarily leases buildings with terms mostly ranging from one to 32 years. The leases generally provide the Group with the right to renewal 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.

Notes to the consolidated financial statements
30 June 2023 (continued)

8 Property, plant and equipment (continued)

(a) Leases (continued)

(i) Amounts recognised in the consolidated balance sheet

Property, plant and equipment includes the following amounts relating to leased assets:

	2023 $m	2022 $m
Network leased assets[1]		
Network infrastructure	**4,361**	4,307
Corridor land	**26**	26
Buildings	**1**	2
	4,388	4,335
Bulk leased assets[2]		
Bulk infrastructure	**996**	–
Land[3]	**66**	–
Buildings	**2**	–
Plant and equipment	**2**	–
	1,066	–
Other leased assets		
Land	**5**	–
Buildings	**83**	83
Plant and equipment	**7**	1
Rollingstock	**6**	–
	101	84
Total leased assets	**5,555**	4,419

Other liabilities includes the following amounts relating to lease liabilities:

	2023 $m	2022 $m
Lease liabilities		
Current	**20**	16
Non-current	**114**	107
Total lease liabilities	**134**	123

1 Network leased assets include the CQCN and part of the North Coast Line.

2 Bulk leased assets include the Tarcoola-to-Darwin railway line and the intrastate rail freight network in South Australia. Leased assets have been recognised on acquisition to reflect favourable or unfavourable terms of a lease when compared to market terms and are depreciated over the lease term.

3 Land includes the beneficial leasehold interests in respect of the intrastate rail freight network in South Australia.

(ii) Amounts recognised in the consolidated income statement

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

	2023 $m	2022 $m
Depreciation of Network and Bulk leased assets		
Network leased assets	**275**	265
Bulk leased assets	**34**	–
	309	265
Depreciation of other leased assets		
Buildings	**11**	10
Plant and equipment	**2**	3
Rollingstock	**2**	–
	15	13
Total leased assets depreciation	**324**	278
Interest expense	**6**	5
Expenses relating to short-term leases	**1**	1
Expenses relating to variable lease payments not included in lease liabilities	**5**	8

The total cash outflow for leases during the financial year was $31 million (2022: $30 million).

(b) Accounting policies

(i) Property, plant and equipment

Carrying value

Property, plant and equipment (including leased 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.

8 Property, plant and equipment (continued)

(b) Accounting policies (continued)

(i) Property, plant and equipment (continued)

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.

(ii) Leases

An asset and a corresponding liability, except for where the lease is prepaid, are recognised at the date at which the 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 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.

Other leased 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.

Other leased assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the asset is depreciated over the underlying asset's useful life.

(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 costs 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 2023 (continued)

9 Intangible assets

	Goodwill $m	Software $m	Software under development $m	Total $m
2023				
Opening net book amount	**27**	**143**	**39**	**209**
Additions	**–**	**–**	**17**	**17**
Transfers between asset classes	**–**	**39**	**(39)**	**–**
Acquisitions through business combinations (note 22)	**23**	**–**	**–**	**23**
Amortisation	**–**	**(29)**	**–**	**(29)**
Closing net book amount	**50**	**153**	**17**	**220**
At 30 June 2023				
Cost	**50**	**452**	**17**	**519**
Accumulated amortisation and impairment	**–**	**(299)**	**–**	**(299)**
Net book amount	**50**	**153**	**17**	**220**
2022				
Opening net book amount	25	163	35	223
Additions	–	–	15	15
Transfers between asset classes	–	11	(11)	–
Acquisitions through business combinations	2	–	–	2
Disposals	–	(2)	–	(2)
Amortisation	–	(29)	–	(29)
Closing net book amount	27	143	39	209
At 30 June 2022				
Cost	27	413	39	479
Accumulated amortisation and impairment	–	(270)	–	(270)
Net book amount	27	143	39	209

(a) Impairment tests for goodwill

Goodwill is allocated to the Group's CGUs identified according to the group of assets at the time of acquisition. The Group tests goodwill for impairment on at least an annual basis.

The recoverable amount of a CGU is determined based on the higher of value-in-use or fair value less costs of disposal calculations 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:

$m	Bulk QLD	Bulk NSW	Bulk Central
2023	**5**	**22**	**23**
2022	5	22	–

Notes to the consolidated financial statements

30 June 2023 (continued)

9 Intangible assets (continued)

SIGNIFICANT JUDGEMENTS AND ESTIMATES

Impairment tests for goodwill

Goodwill of $50 million (2022: $27 million) is allocated to CGUs within the Bulk segment and is a result of business acquisitions.

Long-term financial impacts of climate change

The Group has a net zero operational emissions target (Scope 1 & 2) by 2050. In addition, the Group is one of the companies within the transport industry captured by the Australian Government's Safeguard Mechanism policy. The Safeguard Mechanism baseline commences from 1 July 2023 and requires a decline in the rate of 4.9% each year to be applied to all safeguard facilities to 2030. Decarbonising of the Group's operations are being pursued through a range of initiatives and investments set out in the Group's Climate Strategy and Action Plan (CSAP), including:

- leveraging existing energy efficiency capabilities and assets, such as electrified rail in the CQCN
- investing in the development and adoption of low-carbon technologies through the Group's $50 million Future Fleet Fund
- integrating renewable energy into the Group's current energy mix
- using carbon offsets through project development/investment and/or purchase where required to meet decarbonsation goals.

The potential long-term financial impacts of climate change, including the cost of reaching the Group's net zero operational emissions target by 2050, are continuing to be assessed. At this stage, based on the potential to recover or pass on these costs in customer contracts, we do not consider the potential impacts of climate change to present a risk of impairment of the carrying value of any CGU.

There are risks, including factors outside of Aurizon's control which may impact assumptions. These are outlined in the Risk section of the Directors' Report.

Bulk NSW CGU

The Bulk NSW CGU provides integrated supply chain services, including rail and road transportation, port services and material handling for a range of products. The Bulk NSW CGU has a carrying amount of $151 million and includes property, plant and equipment, goodwill, software and working capital. The recoverable amount of the Bulk NSW CGU has been determined based on a fair value less costs of disposal calculation. The estimate uses a 10-year cash flow projection (2022: 20-year) based on a pipeline of known opportunities and estimated volume growth rates between nil and 1.2% per annum, a long-term growth rate of 2.5% (2022: 2.5%) and a post-tax discount rate of 8.1% (2022: 8.0%). The cash flow projections are developed using the Group's own information with benchmarking to external sources and are therefore Level 3 inputs in the fair value hierarchy.

The recoverable amount of the CGU supports the carrying amount, therefore no impairment has been recognised.

Bulk QLD CGU

The Bulk QLD CGU provides integrated supply chain services, including rail and road transportation, port services and material handling for a range of products and has previously been impaired. The Bulk QLD CGU has a carrying amount of $212 million and includes property, plant and equipment, goodwill, software and working capital. The recoverable amount of the Bulk QLD CGU has been determined based on a fair value less costs of disposal calculation (2022: value-in-use calculation). The estimate uses a four-year cash flow projection (2022: four-year) including expected volume growth relating to existing contractual arrangements and anticipated cost savings, a long-term growth rate of 2.5% (2022: 2.5%) and a post-tax discount rate of 8.1% (2022: pre-tax discount rate of 11.5%). The cash flow projections are developed using the Group's own information and are therefore Level 3 inputs in the fair value hierarchy.

The recoverable amount of the Bulk QLD CGU is sensitive to changes in customer contractual arrangements, growth in volumes and realisation of anticipated cost savings. Any reasonably possible change in these assumptions could lead to a further impairment or impairment reversal.

Bulk Central CGU

The Bulk Central CGU provides integrated supply chain services including rail transportation and material handling for a range of products. This CGU also manages the Tarcoola-to-Darwin rail infrastructure, the intrastate rail freight network in South Australia, and containerised freight services between Adelaide and Darwin. The Bulk Central CGU has a carrying amount of $1,423 million and includes property, plant and equipment, goodwill and working capital.

The recoverable amount of the Bulk Central CGU has been estimated on a fair value less costs of disposal basis. The estimate uses a 10-year cash flow projection based on a pipeline of known opportunities and estimated volume growth rates, a long term growth rate of 2.5% and a post-tax discount rate of 8.1%. The cash flow projections are developed using the Group's own information with benchmarking to external sources and are therefore Level 3 inputs in the fair value hierarchy.

As the Bulk Central CGU was recently acquired, the carrying amount approximates the recoverable amount. Goodwill of $23 million solely arose from a net deferred tax liability recognised on acquisition in accordance with accounting standards (refer to note 22 for further information). If the timing of future growth opportunities is delayed or forecast growth in volumes is not achieved, it may lead to a future impairment of the Bulk Central CGU.

9 Intangible assets (continued)

(b) Accounting policies

(i) Goodwill

The goodwill recognised by the Group is a result of business combinations and generally represents the future economic benefits that arise from assets that are not capable of being individually identified and separately recognised. Goodwill may also arise as a result of temporary differences recognised in a business combination. 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. No amounts were capitalised in the year.

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 15 years (2022: three to 11 years).

10 Other assets

	2023 $m	2022 $m
Current		
Contract assets (a)	**11**	9
Lease receivable (b)	**8**	8
Other current assets	**13**	7
	32	24
Non-current		
Contract assets (a)	**64**	41
Lease receivable (b)	**22**	34
	86	75

(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 (2022: $nil).

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

	2023 $m	2022 $m
Within one year	**9**	9
Later than one year but not later than five years	**17**	24
Later than five years	**7**	14
	33	47
Less: Unearned interest income	**(3)**	(5)
Total lease receivables	**30**	42
Interest income relating to sub-lease arrangements	**1**	2
Income relating to variable lease payments received	**11**	5

The total cash inflow for sub-leases in the financial year was $20 million (2022: $14 million).

11 Trade and other payables

	2023 $m	2022 $m
Current		
Trade payables	**307**	254
Other payables	**55**	40
	362	294

(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.

Notes to the consolidated financial statements
30 June 2023 (continued)

12 Provisions

	2023 $m	2022 $m
Current		
Employee benefits (a)	**239**	236
Provision for insurance claims	**21**	12
Litigation and workers compensation provision	**26**	31
Other provisions	**1**	2
	287	281
Non-current		
Employee benefits (a)	**16**	13
Litigation and workers compensation provision	**12**	13
Land rehabilitation	**21**	20
Make good and other provisions	**3**	3
	52	49
Total provisions	**339**	330

(a) Employee benefits

	2023 $m	2022 $m
Annual leave	**85**	73
Long service leave	**123**	105
Other	**47**	71
	255	249

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 $120 million (2022: $100 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.

(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 482 employees (2022: 546):

- 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 million (2022: $8 million) relating to the QSuper defined benefit plan.

(iii) Provision for insurance claims

The Group Insurance Program includes certain placements with a wholly owned captive insurance company, Iron Horse Insurance Company Pte Ltd (incorporated in the Republic of Singapore). The captive insurance company underwrites the Company and its subsidiaries for property and liability insurance. A provision is recognised for the estimated liability of known claims and an allowance for Incurred But Not Reported claims for property and liability. Estimates are based on expected claim costs.

(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.

12 Provisions (continued)

(b) Accounting policies (continued)

(v) Land rehabilitation

A provision is recognised for the present value of estimated costs of land rehabilitation and make good where the Group has a legal or constructive obligation to restore a site. The present value of estimated costs is calculated by inflating estimated costs at 2.9% (2022: 2.6%) and discounting at a weighted average discount rate of 4.1% (2022: 3.8%). 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.

CQCN

The Group is the below rail operator and economic owner of the 2,670km CQCN under long-term infrastructure and land leases as described in note 8. The CQCN is required to be managed and maintained in accordance with good operating practice. At expiry of the long-term leases, the Group has the right to remove the infrastructure (or parts of it) by agreement with the lessor or to be paid the fair market value of the infrastructure that is not removed. Therefore, no land rehabilitation provision is recognised in respect of the CQCN.

Tarcoola-to-Darwin railway and intrastate rail freight network in South Australia

The Group is the below rail operator and economic owner of the 2,245km Tarcoola-to-Darwin railway line and 215km of intrastate rail freight network in South Australia under long-term infrastructure (the Concession Deed) and land leases as described in note 8. At expiry of the Concession Deed, the Tarcoola-to-Darwin railway is required to be returned in a condition which is capable of continued operations. The Concession Deed does not require the removal of track infrastructure. At expiry of the land lease for the intrastate rail freight network in South Australia, the lessor may elect to acquire all or any part of the track infrastructure for fair market value. For any unacquired track infrastructure, the Group may remove that part of the track infrastructure or return it to the lessor. Therefore, no land rehabilitation provision is recognised in respect of the Tarcoola-to-Darwin railway or the intrastate rail freight network in South Australia.

13 Other liabilities

	2023 $m	2022 $m
Current		
Contract liabilities (a)	**64**	48
Lease liabilities (b)	**20**	16
Other current liabilities	**11**	5
	95	69
Non-current		
Contract liabilities (a)	**80**	109
Lease liabilities (b)	**114**	107
Other non-current liabilities	**2**	2
	196	218

(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:

	2023 $m	2022 $m
Within one year	**26**	20
Later than one year but not later than five years	**77**	68
Later than five years	**78**	57
	181	145
Less: Discounted using the Group's incremental borrowing rate	**(47)**	(22)
Total lease liabilities	**134**	123

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.

Notes to the consolidated financial statements
30 June 2023 (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 119.

	Notes	2023 $m	2022 $m
Total borrowings	17	**5,142**	3,221
Less: cash and cash equivalents		**(92)**	(172)
Net debt		**5,050**	3,049
Total equity		**4,353**	4,412
Total capital		**9,403**	7,461
Net gearing ratio		**53.7%**	40.9%
Alternative net gearing ratio		**54.4%**	42.5%

15 Dividends

	Cents per share	$m
Declared and paid during the period		
For the year ended 30 June 2023		
Final dividend for 2022 (100% franked)	**10.9**	**201**
Interim dividend for 2023 (100% franked)	**7.0**	**128**
		329
For the year ended 30 June 2022		
Final dividend for 2021 (70% franked)	14.4	265
Interim dividend for 2022 (95% franked)	10.5	194
		459
Proposed and unrecognised at period end		
For the year ended 30 June 2023		
Final dividend for 2023 (60% franked)	**8.0**	**147**
For the year ended 30 June 2022		
Final dividend for 2022 (100% franked)	10.9	201

Franked dividends

Franking credits are available to shareholders of the Company at the 30% (2022: 30%) corporate tax rate. The franking credit account balance as at 30 June 2023 was $58 million (2022: $nil). The balance of franking credits available as at the reporting date, adjusted for franking credit impact that arises from the refund of current tax receivables or the payment of current tax liabilities, is a deficit of $34 million (2022: surplus of $63 million).

16 Equity

(a) Contributed equity

(i) Issued capital

	Number of shares '000	$m
At 1 July 2021	1,840,704	207
At 30 June 2022	1,840,704	207
At 30 June 2023	**1,840,704**	**207**

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.

(ii) Other contributed equity

	2023 $m	2022 $m
Balance at 1 July	**3,467**	3,467
Balance 30 June	**3,467**	3,467

Prior to the Initial Public Offering in 2010, the Queensland Government (the State) made an equity contribution to the Company. 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. The capital distribution account is treated as share capital for tax purposes.

16 Equity (continued)

(b) Reserves

	Notes	Cash flow hedges $m	Share-based payments $m	Foreign currency translation $m	Total $m
Balance at 1 July 2022		**18**	**9**	**(1)**	**26**
Fair value gains/(losses) taken to equity		**26**	**–**	**–**	**26**
Fair value (gains)/losses transferred to property, plant and equipment		**3**	**–**	**–**	**3**
Fair value (gains)/losses taken to profit or loss		**(42)**	**–**	**–**	**(42)**
Tax expense/(benefit) relating to items of other comprehensive income		**4**	**–**	**–**	**4**
Other currency translation differences		**–**	**–**	**4**	**4**
Other comprehensive income		**(9)**	**–**	**4**	**(5)**
Transactions with owners in their capacity as owners:					
Share-based payments expense	27	**–**	**7**	**–**	**7**
Purchase of shares for performance rights plans		**–**	**(7)**	**–**	**(7)**
Aggregate deferred tax debited/(credited) to equity		**–**	**(1)**	**–**	**(1)**
Balance at 30 June 2023		**9**	**8**	**3**	**20**
Balance at 1 July 2021		(57)	–	–	(57)
Fair value gains/(losses) taken to equity		107	–	–	107
Tax expense/(benefit) relating to items of other comprehensive income		(32)	–	–	(32)
Other currency translation differences		–	–	(1)	(1)
Other comprehensive income		75	–	(1)	74
Transactions with owners in their capacity as owners:					
Share-based payments expense	27	–	9	–	9
Balance at 30 June 2022		18	9	(1)	26

(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.

Notes to the consolidated financial statements
30 June 2023 (continued)

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:

	2023 $m	2022 $m
Current — Unsecured		
Medium-Term Notes	**427**	–
Bank debt facilities	**139**	255
	566	255
Non-current — Unsecured		
Medium-Term Notes	**2,600**	2,853
US Private Placement Notes	**305**	–
Bank debt facilities	**1,680**	120
Other borrowings[1]	**6**	–
Capitalised borrowing costs	**(15)**	(7)
	4,576	2,966
Total borrowings	**5,142**	3,221

1 Other borrowings includes the Term Loan Facility with The AustralAsia Railway Corporation in connection with the Tarcoola-to-Darwin Concession Deed.

The Group's bank debt facilities contain financial covenants. The bank debt facilities, Medium-Term Notes, and US Private Placement 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. At reporting date, the Group has a net current liability position of $117 million due to the classification of Network AMTN 2 with a notional amount of $425 million maturing June 2024 as a current liability. The proceeds from the Network US Private Placement, along with Network AMTN 6 and Network AMTN 7, will be used to repay Network AMTN 2 and replace this capacity.

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, Medium-Term Notes, and US Private Placement 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.

18 Financial risk management

Financial risks, including market risk, liquidity and funding risk and credit risk, are managed through policies that have been approved by the Board. The policies outline 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. The Group typically uses derivative financial instruments to hedge underlying exposures arising from operational activities relating to changes in foreign exchange rates and interest rates.

Aurizon Operations Limited (via a wholly owned subsidiary Aurizon Finance Pty Ltd) relies on an annually reviewed duration based hedging strategy to minimise any negative impact to its financial position that may arise as a result of movements in underlying interest rates.

Under the QCA approved regulatory regime, Network receives compensation for its cost of debt through the WACC. The risk-free rate and debt risk premium used to determine WACC are based on observed market data in the 20 business days prior to a WACC reset date. This interest rate risk is managed through the establishment of financial derivatives to fix the underlying interest rate of forecast debt over this period.

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) and US dollar (US$) denominated Private Placement Notes (USPP).	To mitigate the risk of adverse movements in interest rates and foreign exchange in respect of foreign currency denominated borrowings, the Group enters into cross-currency interest rate swaps (CCIRS) to replace foreign currency 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 and option 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 assets and lease receivables.

Notes to the consolidated financial statements
30 June 2023 (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
2023		
Variable rate exposure	**4.0**	**4,871**
Interest rate swaps (including debt credit margins)	**1.2**	**(4,450)**
Net exposure to interest rate risk		**421**
2022		
Variable rate exposure	1.7	3,021
Interest rate swaps (including debt credit margins)	1.0	(2,300)
Net exposure to interest rate risk		721

Interest rate derivatives used for hedging
The Group currently has interest rate swaps in place to cover 91% (2022: 76%) 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 4.8 years (2022: less than one year).

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
2023		
Effect on profit	**(4)**	**4**
Effect on equity	**140**	**(149)**
2022		
Effect on profit	(7)	7
Effect on equity	18	(19)

Amounts recognised in profit or loss
The Group recognised a net gain on interest rate swaps of $22 million (2022: net loss of $14 million), as a result of market interest rates (i.e. floating rates) closing higher than the fixed interest rates hedged, resulting in a gain on the floating-to-fixed interest rate swaps, partly offset by a loss on the fixed-to-floating interest rate swaps. The net gain 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:

	2023 $m	2022 $m
Current assets		
Foreign exchange contracts	**2**	2
Interest rate swaps	**–**	42
	2	44
Non-current assets		
Interest rate swaps	**41**	–
CCIRS — Network EMTN 1	**78**	38
	119	38
Total derivative financial instrument assets	**121**	82
Non-current liabilities		
Interest rate swaps	**1**	–
Interest rate swaps — Finance AMTN 1	**63**	66
Interest rate swaps — Network AMTN 3	**12**	11
Interest rate swaps — Network AMTN 4	**104**	105
Interest rate swaps — Network AMTN 5	**13**	13
Interest rate swaps — Network AMTN 6	**3**	–
Interest rate swaps — Network AMTN 7	**1**	–
Interest rate swaps — Network USPP	**4**	–
CCIRS — Network EMTN 2	**39**	71
CCIRS — Network USPP	**5**	–
CCIRS — Finance USPP	**7**	–
Total derivative financial instrument liabilities	**252**	266

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

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[1]	
	2023	2022	2023 $m	2022 $m	2023 $m	2022 $m
Cash flow hedges						
Foreign exchange risk						
Forward contracts[2]	**US$65m**	US$19m	**2**	2	**–**	2
Forward contracts[2]	**€10m**	€2m	**–**	–	**–**	–
Interest rate risk						
Interest rate swaps (current)[3]	**A$3,880m**	A$2,300m	**38**	42	**(4)**	83
Interest rate swaps (forward dated)[3]	**A$570m**	–	**2**	–	**2**	–
Foreign exchange and interest rate risks						
CCIRS — Network EMTN 1[4]	**€500m**	€500m	**–**	(1)	**1**	–
CCIRS — Network EMTN 2[4]	**€500m**	€500m	**(6)**	(11)	**5**	–
CCIRS — Network USPP[6]	**US$132m**	–	**(5)**	–	**(5)**	–
CCIRS — Finance USPP[7]	**US$273m**	–	**(9)**	–	**(9)**	–
Fair value hedges						
Interest rate risk						
Interest rate swaps — Finance AMTN 1[5]	**A$500m**	A$500m	**(63)**	(66)	**4**	(69)
Interest rate swaps — Network AMTN 3[5]	**A$82m**	A$82m	**(12)**	(11)	**(1)**	(11)
Interest rate swaps — Network AMTN 4[5]	**A$500m**	A$500m	**(104)**	(105)	**5**	(82)
Interest rate swaps — Network AMTN 5[5]	**A$75m**	A$75m	**(13)**	(13)	**–**	(14)
Interest rate swaps — Network AMTN 6[5]	**A$80m**	–	**(3)**	–	**(3)**	–
Interest rate swaps — Network AMTN 7[5]	**A$20m**	–	**(1)**	–	**(1)**	–
Interest rate swaps — Network USPP[6]	**A$111m**	–	**(4)**	–	**(3)**	–
Interest rate swaps — Finance USPP[7]	**A$50m**	–	**–**	–	**–**	–
Foreign exchange and interest rate risks						
CCIRS — Network EMTN 1[4]	**€500m**	€500m	**78**	39	**41**	(80)
CCIRS — Network EMTN 2[4]	**€500m**	€500m	**(33)**	(60)	**30**	(102)
CCIRS – Network USPP[6]	**US$132m**	–	**–**	–	**–**	–
CCIRS – Finance USPP[7]	**US$273m**	–	**2**	–	**2**	–

1 The change in fair value for fair value hedges excludes the impact of ineffectiveness.

2 Forward contracts have an average AUD:USD exchange rate of 0.6745 (2022: 0.7299) and AUD:EUR exchange rate of 0.6129 (2022: 0.6566) related to capital commitments.

3 Floating-to-fixed interest rate swaps have an average fixed interest rate of 4.47% (2022: 0.96%) and receive floating BBSW. Forward dated interest rate swaps entered include $145 million commencing July 2023 and $425 million commencing June 2024.

4 CCIRS have an average fixed EUR interest rate of 2.56% (2022: 2.56%), an average floating AUD interest rate of BBSW + 2.93% spread (2022: BBSW + 2.93% spread), and an average AUD:EUR exchange rate of 0.6730 (2022: 0.6730), over the same term as the EMTNs.

5 Fixed-to-floating interest rate swaps have an average floating BBSW + 1.91% spread (2022: BBSW + 1.86% spread) and an average fixed interest rate of 3.24% (2022: 2.97%), over the same term as the AMTNs.

6 The Network USPP has four tranches maturing June 2033 and maturing June 2035. The CCIRS have an average fixed USD interest rate of 6.56%, an average floating AUD interest rate of BBSW + 3.68% spread, and an average AUD:USD exchange rate of 0.6748. The fixed-to-floating interest rate swaps have an average floating BBSW + 3.79% spread and an average fixed rate of 7.66%.

7 The Finance USPP has five tranches maturing July 2030, July 2033 and July 2035. The CCIRS have an average fixed USD interest rate of 6.79%, an average floating AUD interest rate of BBSW + 3.58% spread, and an average AUD:USD exchange rate of 0.6770. The fixed-to-floating interest rate swaps have an average floating BBSW + 3.61% spread and an average fixed rate of 7.82%. The Finance USPP settled subsequent to reporting date on 26 July 2023.

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 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]	
	2023 $m	2022 $m	2023 $m	2022 $m	2023 $m	2022 $m
Cash flow hedges (before tax)						
Foreign exchange risk						
Capital commitments	**(2)**	(2)	**–**	(2)	**–**	2
Interest rate risk						
Forecast floating interest payments[2]	**(39)**	(42)	**2**	(83)	**(2)**	83
Foreign exchange and interest rate risks						
Network EMTN 1	**4**	3	**(1)**	–	**(1)**	9
Network EMTN 2	**11**	14	**(5)**	–	**4**	14
Network USPP	**6**	–	**5**	–	**(6)**	–
Finance USPP[3]	**8**	–	**9**	–	**(8)**	–

1 Cash flow hedge reserve includes the cumulative impact of cross-currency basis relating to EMTN 1 and EMTN 2 of $9 million (2022: $33 million) and relating to the USPP of $6 million (2022: $nil). The hedging loss recognised in other comprehensive income includes the cross-currency basis relating to EMTN 1 and EMTN 2 of $4 million (2022: hedging gain of $22 million) and relating to the USPP of $6 million (2022: $nil).

2 The Group undertook a restructure of its interest rate swaps, resulting in the hedge being discontinued. The effective portion of $6 million has been deferred in the cash flow hedge reserve with no immediate impact on the profit or loss upon restructuring and will be reclassified to the finance cost over the maturity of the original swap subject to the existence of the hedged item.

3 The Group successfully priced the Finance USPP in June 2023 which settled subsequent to reporting date on 26 July 2023. Interest rate swaps and cross-currency interest rate swaps have been executed in June 2023 to swap fixed rate debt to floating rate debt.

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	
	2023 $m	2022 $m	2023 $m	2022 $m	2023 $m	2022 $m
Fair value hedges (before tax)						
Interest rate risk						
Finance AMTN 1	**(437)**	(433)	**63**	67	**(4)**	69
Network AMTN 2[2]	**-**	–	**(2)**	(5)	**-**	–
Network AMTN 3	**(70)**	(71)	**12**	11	**1**	11
Network AMTN 4	**(395)**	(390)	**105**	110	**(5)**	82
Network AMTN 5	**(61)**	(61)	**14**	14	**-**	14
Network AMTN 6	**(78)**	–	**3**	–	**3**	–
Network AMTN 7	**(19)**	–	**1**	–	**1**	–
Network USPP	**(108)**	–	**3**	–	**3**	–
	(1,168)	(955)	**199**	197	**(1)**	176
Foreign exchange and interest rate risks						
Network EMTN 1	**(793)**	(753)	**(83)**	(42)	**(41)**	80
Network EMTN 2	**(752)**	(722)	**26**	56	**(30)**	102
Network USPP	**(195)**	–	**-**	–	**-**	–
Finance USPP[3]	**-**	–	**(2)**	–	**(2)**	–
	(1,740)	(1,475)	**(59)**	14	**(73)**	182
Total borrowings subject to fair value hedges	**(2,908)**	(2,430)	**140**	211	**(74)**	358

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 FY2023, an amount of $2 million (2022: $2 million) has been recognised in profit or loss in finance costs.

3 The Group successfully priced the Finance USPP in June 2023 which settled subsequent to reporting date on 26 July 2023. Interest rate swaps and cross-currency interest rate swaps have been executed in June 2023 to swap fixed rate debt to floating rate debt.

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.

The Group has access to working capital facilities totalling $200 million (2022: $200 million) which can be utilised for short-term working capital and financial bank guarantees. At 30 June, the Group utilised $25 million (2022: $22 million) for financial bank guarantees.

Refer to key events and transactions for the reporting period for further information on the Group's debt financing activities, including the repayment of the bridge facility and Network AMTN 2.

		Utilised[1]		Facility limit	
	Maturity	2023 $m	2022 $m	2023 $m	2022 $m
Aurizon Finance Pty Ltd					
Working capital facility	Jun-24	**62**	19	**125**	125
Bilateral facility[2]	Jun-23	**–**	–	**–**	50
Bilateral facility[2]	Nov-23	**65**	–	**65**	500
Bilateral facility[2]	Nov-25	**–**	–	**75**	75
Bilateral facility[2]	Jul-26	**195**	–	**415**	–
Bridge loan facility	Jul-24	**350**	–	**350**	–
Revolver loan facility	Jul-25	**25**	–	**400**	–
Term loan facility	Jul-27	**400**	–	**400**	–
Finance AMTN 1[3]	Mar-28	**500**	500	**500**	500
		1,597	519	**2,330**	1,250
Aurizon Network Pty Ltd					
Working capital facility	Jun-24	**36**	3	**75**	75
Bilateral facility[4]	Jun-23	**–**	255	**–**	750
Bilateral facility[4]	Jun-24	**–**	60	**–**	300
Bilateral facility[4]	Jun-25	**–**	60	**–**	150
Bilateral facility[4]	Jan-26	**575**	–	**575**	–
Bilateral facility[4]	Jan-27	**135**	–	**310**	–
Bilateral facility[4]	Jan-28	**–**	–	**205**	–
Network AMTN 2[3]	Jun-24	**425**	425	**425**	425
Network AMTN 3[3]	Mar-30	**82**	82	**82**	82
Network AMTN 4[3]	Sep-30	**500**	500	**500**	500
Network AMTN 5[3]	Dec-31	**75**	75	**75**	75
Network AMTN 6[3]	Dec-32	**80**	–	**80**	–
Network AMTN 7[3]	Dec-34	**20**	–	**20**	–
Network EMTN 1[3]	Sep-24	**711**	711	**711**	711
Network EMTN 2[3]	Jun-26	**778**	778	**778**	778
Network USPP[3]	Jun-33	**184**	–	**184**	–
Network USPP[3]	Jun-35	**122**	–	**122**	–
		3,723	2,949	**4,142**	3,846
Total Group financing arrangements		**5,320**	3,468	**6,472**	5,096

1 Amount utilised includes bank guarantees of $25 million (2022: $21 million) and excludes capitalised borrowing costs of $15 million (2022: $7 million) and discounts on Medium-Term Notes of $5 million (2022: $7 million). The facilities above exclude the Term Loan Facility with The AustralAsia Railway Corporation in connection with the Tarcoola-to-Darwin Concession Deed. The fair value of the Term Loan Facility is $6 million.

2 In June 2023, Aurizon Finance Pty Ltd re-financed the existing floating rate bilateral facility, reducing capacity from $625 million to $605 million (the capacity at reporting date was $555 million, with $50 million capacity added on 3 July 2023). The $50 million bilateral facility that matured June 2023 was extended to July 2026, along with a portion of the $500 million bilateral facility maturing November 2023.

3 Amounts utilised on EMTNs, AMTNs and USPPs excludes accumulated fair value adjustments of $140 million (2022: $211 million). EMTN 1 and EMTN 2 have a notional amount of €500.0 million, converted to AUD at an exchange rate of 0.7036 and 0.6425 respectively. The USD tranches of the Network USPP have a notional amount of US$132 million, converted to AUD at an exchange rate of 0.6748.

4 In January 2023, Aurizon Network Pty Ltd re-financed the existing bilateral facility, reducing the combined facility limit from $1,200 million to $1,090 million. The maturity of the bilateral facility tranches were extended to January 2026 ($575 million), January 2027 ($310 million) and January 2028 ($205 million).

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
2023					
Non-derivative financial instruments					
Trade and other payables	**362**	**–**	**–**	**362**	**362**
Borrowings (excluding the effect of CCIRS)	**789**	**3,956**	**1,272**	**6,017**	**5,142**
Financial guarantees	**25**	**–**	**–**	**25**	**–**
Lease liabilities	**26**	**77**	**78**	**181**	**134**
Total non-derivative financial instruments	**1,202**	**4,033**	**1,350**	**6,585**	**5,638**
Derivatives					
Interest rate swaps	**(23)**	**(15)**	**(5)**	**(43)**	**(40)**
Interest rate swaps — Finance AMTN 1	**17**	**56**	**–**	**73**	**63**
Interest rate swaps — Network AMTN 3	**3**	**9**	**4**	**16**	**12**
Interest rate swaps — Network AMTN 4	**19**	**72**	**39**	**130**	**104**
Interest rate swaps — Network AMTN 5	**2**	**8**	**8**	**18**	**13**
Interest rate swaps — Network AMTN 6	**1**	**2**	**3**	**6**	**3**
Interest rate swaps — Network AMTN 7	**–**	**1**	**1**	**2**	**1**
Interest rate swaps — Network USPP	**1**	**2**	**5**	**8**	**4**
CCIRS — Network EMTN 1	**29**	**(115)**	**–**	**(86)**	**(78)**
CCIRS — Network EMTN 2	**40**	**33**	**–**	**73**	**39**
CCIRS — Network USPP	**3**	**8**	**13**	**24**	**5**
CCIRS — Finance USPP	**21**	**10**	**–**	**31**	**7**
Gross settled forward exchange contracts (inflow)	**2**	**–**	**–**	**2**	**(2)**
Total derivatives	**115**	**71**	**68**	**254**	**131**
2022					
Non-derivative financial instruments					
Trade and other payables	294	–	–	294	294
Borrowings (excluding the effect of CCIRS)	361	2,328	1,240	3,929	3,221
Financial guarantees	22	–	–	22	–
Lease liabilities	20	68	57	145	123
Total non-derivative financial instruments	697	2,396	1,297	4,390	3,638
Derivatives					
Interest rate swaps	(43)	–	–	(43)	(42)
Interest rate swaps — Finance AMTN 1	(6)	1	2	(3)	66
Interest rate swaps — Network AMTN 3	–	2	5	7	11
Interest rate swaps — Network AMTN 4	10	15	50	75	105
Interest rate swaps — Network AMTN 5	1	2	8	11	13
CCIRS — Network EMTN 1	20	(28)	–	(8)	(38)
CCIRS — Network EMTN 2	29	132	–	161	71
Gross settled forward exchange contracts (inflow)	2	–	–	2	(2)
Total derivatives	13	124	65	202	184

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 'mark-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, in the timing of forecast transactions or any off-market derivatives. 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.

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

Notes to the consolidated financial statements
30 June 2023 (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 Master Agreements 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
2023					
Financial assets					
Derivative financial instruments	**121**	**–**	**121**	**(187)**	**(66)**
Financial liabilities					
Derivative financial instruments	**(252)**	**–**	**(252)**	**187**	**(65)**
2022					
Financial assets					
Derivative financial instruments	82	–	82	(143)	(61)
Financial liabilities					
Derivative financial instruments	(266)	–	(266)	143	(123)

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 4.8% and 7.1% (2022: 1.0% and 6.6%) 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 foreign exchange contracts is 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 (2022: Level 2). During the period, there were no transfers between Level 1, Level 2 or Level 3 in the fair value hierarchy (2022: nil).

Notes to the consolidated financial statements
30 June 2023 (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:

		Carrying amount		Fair value	
	Notes	2023 $m	2022 $m	2023 $m	2022 $m
Financial assets carried at fair value					
Foreign exchange contracts		**2**	2	**2**	2
Interest rate swaps		**41**	42	**41**	42
CCIRS — Network EMTN 1		**78**	38	**78**	38
		121	82	**121**	82
Financial assets carried at amortised cost					
Cash and cash equivalents		**92**	172	**92**	172
Trade and other receivables	6	**728**	434	**728**	434
		820	606	**820**	606
Financial liabilities carried at fair value					
Interest rate swaps		**(1)**	–	**(1)**	–
Interest rate swaps — Finance AMTN 1		**(63)**	(66)	**(63)**	(66)
Interest rate swaps — Network AMTN 3		**(12)**	(11)	**(12)**	(11)
Interest rate swaps — Network AMTN 4		**(104)**	(105)	**(104)**	(105)
Interest rate swaps — Network AMTN 5		**(13)**	(13)	**(13)**	(13)
Interest rate swaps — Network AMTN 6		**(3)**	–	**(3)**	–
Interest rate swaps — Network AMTN 7		**(1)**	–	**(1)**	–
Interest rate swaps — Network USPP		**(4)**	–	**(4)**	–
CCIRS — Network EMTN 2		**(39)**	(71)	**(39)**	(71)
CCIRS — Network USPP		**(5)**	–	**(5)**	–
CCIRS — Finance USPP		**(7)**	–	**(7)**	–
		(252)	(266)	**(252)**	(266)
Financial liabilities carried at amortised cost					
Trade and other payables	11	**(362)**	(294)	**(362)**	(294)
Borrowings[1]	17	**(5,142)**	(3,221)	**(5,186)**	(3,243)
		(5,504)	(3,515)	**(5,548)**	(3,537)
Off-balance sheet					
Unrecognised financial assets					
Third party guarantees		**–**	–	**19**	19
Bank guarantees		**–**	–	**447**	309
Insurance company guarantees		**–**	–	**–**	1
Unrecognised financial liabilities					
Bank guarantees		**–**	–	**(25)**	(22)
		–	–	**441**	307

1 Borrowings includes $2,908 million (2022: $2,430 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.

Notes to the consolidated financial statements
30 June 2023 (continued)

19 Joint ventures

The Group has an interest in the following joint ventures:

Name	Country of operation	Ownership interest 2023 %	Ownership interest 2022 %	Principal activity
Coal Network Capacity Co Pty Ltd	Australia	**8**	8	Independent Expert
Ox Mountain Limited[1]	United Kingdom	**69**	42	Software
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 Group's investment in Ox Mountain Limited continues to be classified as a joint venture due to the Group having joint control and is accounted for using the equity method of accounting. Refer to note 22 for further information.

The Group's share of net profit from investments in joint ventures for the period is $1 million (2022: $nil). The Group's share of net assets from investments in joint ventures at reporting date is $56 million (2022: $22 million).

(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.

Consideration transferred to acquire additional shares is added to the existing carrying amount of the investment without remeasurement of the previously held interest and without specific allocation to the underlying assets and liabilities of the investee.

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 2023 %	Ownership interest 2022 %
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
Aurizon Bulk Central Pty Ltd	Australia	**100**	–
Aurizon Bulk Central Network Pty Ltd	Australia	**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 2023 (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

	2023 $m	2022 $m
Current assets	**267**	70
Non-current assets	**3,534**	3,712
Total assets	**3,801**	3,782
Current liabilities	**135**	69
Non-current liabilities	**-**	-
Total liabilities	**135**	69
Net assets	**3,666**	3,713
Equity		
Contributed equity	**3,674**	3,674
Reserves	**(5)**	(5)
Retained earnings	**(3)**	44
Total equity	**3,666**	3,713
Profit for the year	**282**	459
Total comprehensive income	**282**	459

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 $75 million (2022: $95 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 2023 (2022: $nil).

22 Acquisition of businesses and interests in joint ventures

(a) Summary of acquisitions in 2023

(i) One Rail Australia

SIGNIFICANT JUDGEMENTS AND ESTIMATES

Business combination

One Rail Australia comprised two main business segments:

- One Rail Bulk: Integrated rail haulage and general freight assets in South Australia and the Northern Territory and below rail operator and economic owner of 2,460km of rail infrastructure including the 2,245km Tarcoola-to-Darwin railway line; and
- East Coast Rail: Coal haulage in New South Wales and Queensland.

One Rail Bulk has been integrated into the Group's Bulk segment and renamed Aurizon Bulk Central. Aurizon Bulk Central is the only rail freight operator along the South Australia/Northern Territory corridor and products hauled include copper, grain, iron ore, gypsum and containerised freight. Aurizon Bulk Central also manages the Tarcoola-to-Darwin rail infrastructure, and the intrastate rail freight network in South Australia. Provision of access to the below rail infrastructure is regulated by the ESCOSA.

The investments held in the East Coast Rail entities were transferred to ORAH on 29 July 2022 and classified as a discontinued operation held for sale at acquisition measured at fair value less cost of disposal. During the year, the Group completed the divestment of ORAH in accordance with the Company's Undertaking to the ACCC as part of its acquisition of One Rail Australia. Refer to note 23 for further information on the divestment of ORAH.

The allocation of the purchase price to the business segments and the determination of the fair values of net identifiable assets and goodwill involves significant judgement.

Allocation of purchase consideration

The allocation of the purchase consideration to the business segments involved judgement. The Group engaged third-party valuers to advise on the methodology and assumptions applied. The allocation of purchase consideration to the business segments was determined based on fair value methodology.

Determination of the fair value of net identifiable assets

The determination of the fair values of net identifiable assets, including property, plant and equipment and intangible assets involved judgement. The Group engaged third-party valuers to advise on the methodology and assumptions applied to value identifiable assets. The fair value was determined based on commonly adopted methodology for the identifiable assets, including depreciated replacement cost after consideration of economic obsolescence and discounted cash flows.

Notes to the consolidated financial statements
30 June 2023 (continued)

22 Acquisition of businesses and interests in joint ventures (continued)

(a) Summary of acquisitions in 2023 (continued)

(i) One Rail Australia (continued)

The acquisition of One Rail Australia completed on 29 July 2022. Details of the purchase consideration, net assets acquired and goodwill are as follows:

	$m
Total purchase consideration (after working capital and completion adjustments)	**2,404**

	Fair value on acquisition date $m
Cash	**50**
Trade and other receivables	**44**
Inventories	**31**
Other assets	**3**
Property, plant and equipment[1]	**1,409**
Assets held for sale	**984**
Trade and other payables	**(18)**
Borrowings	**(5)**
Provisions	**(31)**
Other current liabilities	**(11)**
Other non-current liabilities	**(18)**
Deferred tax liabilities	**(23)**
Liabilities directly associated with assets classified as held for sale	**(34)**
Fair value of net identifiable assets acquired	**2,381**
Add: Goodwill	**23**
Fair value of net assets acquired	**2,404**

1 Includes Bulk leased assets of $1,100 million and other leased assets of $21 million.

Goodwill of $23 million solely arises from the net deferred tax liability recognised on acquisition, in accordance with accounting standards. The net deferred tax liability arises on leased assets (comprising leasehold interests with below market rental payments) and the face value of the Term Loan Facility, offset by deferred tax assets associated with provisions. None of the goodwill is expected to be deductible for tax purposes.

The gross contractual amount due and fair value of trade receivables acquired is $44 million.

Borrowings acquired includes a $50 million Term Loan Facility with The AustralAsia Railway Corporation in connection with the Tarcoola-to-Darwin Concession Deed issued at below market interest rates. The Term Loan Facility matures in 2054 at the expiry of the Concession Period. The fair value of the loan acquired is $5 million.

Acquisition costs of $49 million, including landholder duty, advisory fees and other costs have been expensed to profit or loss during the period and classified in other expenses. This amount has been classified as a significant item in continuing operations.

Total cash paid of $2,404 million included $1,454 million for continuing operations and $950 million for discontinued operations held for sale. Net cash outflow from investing activities for continuing operations was $1,404 million, representing cash paid net of cash acquired of $50 million.

The acquired business contributed revenue for continuing operations of $247 million for the period 29 July 2022 to 30 June 2023. If the acquisition had occurred on 1 July 2022, consolidated continuing operations pro-forma revenue for the year ended 30 June 2023 would have been $3,533 million. These amounts have been calculated using the subsidiary's results and adjusting them for differences in accounting policies between the Group.

(ii) Ox Mountain Limited

The Group increased its ownership interest in Ox Mountain Limited (UK registered), a maintenance software developer and distributor, from 42% to 69% for consideration of $30 million on 9 January 2023. The investment continues to be classified as a joint venture due to the Group having joint control and is accounted for using the equity method of accounting.

(b) 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 New South Wales, for consideration of $8 million on 1 March 2022.

(ii) Kooregah Pastoral Co Pty Ltd (KPC)

The Group acquired the business of KPC, a trucking and material handling business that operates in and around Hermidale in New South Wales, for consideration of $8 million on 28 October 2021. The acquisition included the assets and workforce associated with the business.

Notes to the consolidated financial statements
30 June 2023 (continued)

23 Discontinued operation

(a) One Rail Australia Holdings Limited (ORAH)

The Group completed the sale of ORAH to Magnetic Rail Group Pty Ltd (Magnetic) on 17 February 2023 for consideration of $438 million including completion adjustments. Total consideration includes $313 million cash proceeds received on completion of the sale and $125 million cash proceeds receivable in February 2024. On completion of the sale, Magnetic assumed ORAH's existing borrowings of $474 million.

(i) Significant items

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

	2023 $m
Significant items	
Impairment of assets held for sale	**(75)**
Sale and divestment costs	**(26)**
Loss on sale of ORAH	**(2)**
	(103)

Impairment expense of $75 million ($57 million post-tax) was recognised to write down the carrying amount of net assets classified as held for sale at 31 December 2022 to the estimated recoverable amount. The reduction in the estimated recoverable amount was a result of changes in market conditions subsequent to acquisition and net assets including property, plant and equipment and intangible assets that are not depreciated or amortised while classified as held for sale, despite realising the benefit of these assets during the period.

Sale and divestment costs of $26 million ($23 million post-tax) recognised in discontinued operations include IT separation costs, advisory fees, legal fees and other costs.

The loss from discontinued operations after tax and significant items is reconciled in the Non-IFRS Financial Information on page 119.

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

(a) Reconciliation of net cash inflow from operating activities to profit from continuing operations

	2023 $m	2022 $m
Profit from continuing operations	**324**	513
Depreciation and amortisation	**666**	592
Impairment of non-current assets	**13**	2
Finance expenses	**233**	127
Share-based payment expense	**7**	9
Net loss/(gain) on disposal of assets	**4**	(23)
Share of net profit of investments accounted for using equity method	**(1)**	–
Net exchange differences	**–**	1
Change in operating assets and liabilities:		
(Increase)/Decrease in trade and other receivables	**(123)**	51
(Increase)/Decrease in inventories	**(22)**	(45)
(Increase)/Decrease in other operating assets	**(22)**	(5)
Increase/(Decrease) in trade and other payables	**15**	37
Increase/(Decrease) in other liabilities	**(15)**	(44)
Increase/(Decrease) in current tax liabilities	**(171)**	77
Increase/(Decrease) in deferred tax liabilities	**126**	60
Increase/(Decrease) in provisions	**(19)**	(32)
Net cash inflow from operating activities from continuing operations	**1,015**	1,320

(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 2022	**(255)**	**(2,966)**	**(266)**	**80**	**(3,407)**
Reclassification	**(237)**	**237**	**–**	**–**	**–**
Financing cash flows[2]	**(74)**	**(1,761)**	**–**	**–**	**(1,835)**
Changes in fair value (including foreign exchange rates)	**–**	**(74)**	**14**	**39**	**(21)**
Other non-cash movements[3]	**–**	**(12)**	**–**	**–**	**(12)**
Balance as at 30 June 2023	**(566)**	**(4,576)**	**(252)**	**119**	**(5,275)**
Balance as at 1 July 2021	(59)	(3,679)	(67)	125	(3,680)
Reclassification	(255)	255	–	–	–
Financing cash flows[2]	59	105	–	–	164
Changes in fair value (including foreign exchange rates)	–	357	(199)	(45)	113
Other non-cash movements[3]	–	(4)	–	–	(4)
Balance as at 30 June 2022	(255)	(2,966)	(266)	80	(3,407)

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 2023 (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 (2022: $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.

	2023 $'000	2022 $'000
Short-term employee benefits	**7,932**	9,082
Long-term employee benefits	**192**	27
Post-employment benefits	**244**	261
Share-based payment expense	**4,707**	4,958
	13,075	14,328

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 (2022: 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
2023					
STIA	**541**	**553**	**(541)**	**–**	**553**
LTIA	**9,916**	**3,764**	**(1,129)**	**(2,076)**	**10,475**
Retention	**146**	**176**	**(92)**	**(29)**	**201**
Total	**10,603**	**4,493**	**(1,762)**	**(2,105)**	**11,229**
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

1 Balance of rights at the end of the year remains unvested.

During the period, the Group recognised a share-based payment expense of $7 million (2022: $9 million).

The weighted average share price at the date performance rights were exercised during the period was $3.98 (2022: $3.71). The weighted average remaining contractual life of unvested rights at 30 June 2023 was 2.0 years (2022: 1.9 years).

Market valuation techniques were used to determine the fair value of performance rights granted and are summarised below:

Scheme	Fair value	2023 $	2022 $
STIA	Share price at grant date	**3.63**	3.73
Retention	Share price at grant date	**3.68**	3.80
LTIA			
– ROIC	Share price at grant date less estimated dividend yield	**2.72**	2.97
– TSR	Monte-Carlo simulation technique	**1.55**	1.97
– Strategic Transformation[1]	Share price at grant date less estimated dividend yield	**2.72**	2.97

1 The 2022 Award (FY2023) is determined by reference to Non-Coal Underlying EBITDA Growth over the performance period. The 2021 Award (FY2022) is determined by reference to Non-Coal Gross Revenue Growth over the performance period.

The table below summarises the inputs to the fair value calculation under the Monte-Carlo simulation technique:

Inputs	2023	2022
Expected dividend yield (%)	**6.60**	6.90
Expected price volatility of the Company's shares (%)	**22.50**	22.00
Share price at grant date ($)	**3.54**	3.92
Risk-free interest rate (%)	**3.60**	0.80
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.

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:

	2023 $'000	2022 $'000
Deloitte Touche Tohmatsu		
Audit and review of financial statements		
Group	**618**	203
Controlled subsidiaries	**967**	767
	1,585	970
Other assurance services	**142**	-
Tax advisory services	**-**	130
Other advisory services	**187**	480
Total remuneration of Deloitte Touche Tohmatsu	**1,914**	1,580

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 amendments for the first time for the reporting period commencing 1 July 2022:

- AASB 2020-3 *Amendments to Australian Accounting Standards — Annual Improvements 2018-2020 and Other Amendments*
- AASB 2021-7 *Amendments to Australian Accounting Standards — Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections.*

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future reporting periods.

In FY2022, the Group adopted AASB 2020-8 *Amendments to Australian Accounting Standards Interest Rate Benchmark Reform — Phase 2.* From 1 July 2023, the treasury management system has been updated to transition to an alternative benchmark rate of Secured Overnight Financing Rate (SOFR) and Euro Short-Term Rate (ESTR). There was no significant impact on the fair value amounts.

(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 2022 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

The Group is currently assessing the impact of AASB 17 *Insurance Contracts* on self-insurance arrangements that is effective for the Group from 1 July 2023.

(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.

29 Summary of other significant accounting policies (continued)

(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 costs 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 costs of disposal. A gain is recognised for any subsequent increases in fair value less costs 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.

(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

(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).

(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 2023, the Group has capital commitments contracted but not provided for in respect of the acquisition of property, plant and equipment of $232 million (2022: $140 million) which are due within one year, $64 million (2022: $nil) which are due between one and five years and $14 million (2022: $nil) which are due after five years.

31 Events occurring after the reporting period

No matter or circumstance, other than the matters disclosed in key events and transactions for the reporting period, has occurred subsequent to the financial period that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group or economic entity in subsequent financial periods.

Directors' Declaration
30 June 2023

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 55 to 109 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 2023 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
14 August 2023

Deloitte.

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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 2023, 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 2023 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
Useful life of Network infrastructure assets At 30 June 2023, the carrying value of the Central Queensland Coal Network infrastructure assets (Network infrastructure assets) was $4,907m. As	To assess the useful economic lives adopted by the Group for the Network infrastructure assets, we performed the following procedures amongst others:

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter

disclosed in note 8, the Group estimates the useful lives of the Network infrastructure assets based on the expected engineering life of these assets, capped at the remaining term of the applicable leases. In adopting this basis, the Group assumes that the Network infrastructure assets will remain economically viable throughout the lease term.
 	
These assets are primarily used to transport coal from mines to port for subsequent export. 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.
 	
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 Network infrastructure assets should be reduced resulting in an increase in the future depreciation expense.
 	
Given the significant carrying value of the Network infrastructure assets and the uncertainty associated with the impact of climate change, the estimate of useful economic lives of the Network infrastructure assets is considered to be a key audit matter.
	• Obtained and evaluated relevant information which estimates the future demand for, and supply of, coal from Queensland. This included publicly available global and regional energy and coal forecasts and outlooks from industry specialists
	
	• 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 reserves 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 to assess future supply of coal
	
	• As most publicly available information does not forecast coal demand beyond 2050, management undertook an analysis to assess the economic viability of the Network infrastructure assets beyond 2050. Our procedures on management's analysis included:
	  o Understanding the methodology adopted
	  o Together with our internal specialists, testing the integrity and mechanical accuracy of management's calculations
	  o Comparing key assumptions used by management to existing benchmarks and publicly available information.
	
	• Evaluated the disclosures in the financial statements including the sensitivity analysis outlining the impact on depreciation expense of changes in useful lives of assets (see note 8).

One Rail acquisition and East Coast Rail disposal As disclosed in note 22, on 29 July 2022 the Group acquired One Rail Australia (ORA), for total consideration of \$2,404m. The transaction has been accounted for as a business combination in accordance with AASB 3 *Business Combinations* (AASB 3), requiring the Group to recognise the fair value of ORA's assets acquired and liabilities assumed in the Consolidated Statement of Financial Position from the date of acquisition. ORA comprised two main business units being Aurizon Bulk Central (ABC) and East Coast Rail (ECR). In approving the acquisition of ORA, the	In conjunction with our valuation and taxation specialists, our procedures included but were not limited to: • Reviewing the terms and conditions in the key acquisition agreements including the Partnership Interest Sale Agreement (PISA) and Undertaking to the ACCC (Undertaking) • Evaluating management's accounting position papers, including the conclusion that the acquisition represents a business combination in accordance with AASB 3

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter

Australian Competition and Consumer Commission (ACCC) accepted the Group's undertaking to dispose of ECR by way of trade sale or demerger. As a consequence, ECR was classified as a discontinued operation held for sale at the date of acquisition. ECR was disposed of on 17 February 2023, resulting in a loss on disposal of $2m after recording an impairment expense of $75m (see note 23).
 	
The acquisition accounting for ORA is complex and involves a high level of judgement in determining the fair value of assets acquired and liabilities assumed.
 	
Due to the complexity and judgements involved in the acquisition accounting, we determined this to be a key audit matter.
	• Evaluating the competency, qualifications and objectivity of management's external valuation experts and performing a detailed review of their valuation report to understand the scope of their work and any limitations in the report
	• Challenging the allocation of the consideration between ABC and ECR by comparing the respective implied internal rates of return to independently calculated weighted average costs of capital and the implied Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) multiples to comparable companies.
	• Challenging management as to whether information obtained during the measurement period reflected the facts and circumstances that existed at acquisition date
	• Challenging management's determination of the fair value of assets acquired and liabilities assumed, including:
	  o Engaging a non-Deloitte component audit firm to undertake specific audit procedures over the purchase price accounting for ECR. We obtained and reviewed their conclusions and held discussions with them, as necessary
	  o Reviewing key ABC contractual agreements
	  o Evaluating and challenging the methodologies adopted to value identified assets and liabilities of ABC
	  o Evaluating the valuation model and assessing the mathematical accuracy of significant calculations
	  o Reviewing the methodology and recalculating the entry allocable cost amount (ACA) calculations and related deferred tax balances arising on acquisition
	• Assessing the adequacy of the disclosures setting out the nature and basis of the business combination accounting and the assumptions applied by management in accounting for the acquisition (see note 22).

Assessment of the carrying value of the Western Australia, Bulk Queensland (Bulk QLD), Bulk New South Wales (Bulk NSW) and Bulk Central cash-generating units (CGU)	To evaluate the estimated recoverable value of the Western Australian, Bulk QLD, Bulk NSW and Bulk Central CGUs, we performed the following procedures amongst others:

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<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the Key Audit Matter</th></tr>
<tr><td>At 30 June 2023, as disclosed in notes 8 and 9, management has undertaken an estimate of the recoverable value of the following CGUs:

• The Western Australia CGU, which has a carrying value of $333m. The carrying value of depreciable assets within this CGU had previously been impaired. Management has identified potential impairment reversal indicators

• The Bulk QLD CGU, which has a carrying value of $212m including goodwill of $5m. The carrying value of depreciable assets within this CGU had previously been impaired

• The Bulk NSW CGU, which has a carrying value of $151m including goodwill of $22m

• The Bulk Central CGU, which was established on 29 July 2022 as part of the One Rail acquisition and has a carrying value of $1,423m including goodwill of $23m

As disclosed in notes 8 and 9, the recoverable values of these CGUs have been estimated using a value in use discounted cash flow model for the Western Australia CGU and a fair value less costs of disposal (FVLCD) discounted cash flow model for the Bulk QLD, Bulk NSW and Bulk Central CGUs. The key assumptions included in these models relate to cash flows from customers, discrete period growth rates, discount rates and forecast capital expenditure. As these assumptions require management to exercise significant judgement, the assessment of the recoverable value of the Western Australia CGU, Bulk QLD CGU, Bulk NSW CGU and Bulk Central CGU is a key audit matter.</td><td>• Assessed the design and implementation of key controls over management's process for determining the recoverable value of the CGUs

• Reconciled the assets and liabilities of the respective CGUs to the Group balance sheet and ensured that corporate assets were appropriately allocated to CGUs

• Agreed the cash flows included in management's models to the latest board approved budgets

• 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. This included, where relevant, a comparison of management's assumptions to publicly available information and evaluating the competency, qualifications and objectivity of management's expert and assessing the adequacy of their work

• Assessed the treatment of forecast expenditure in respect of the Group's decarbonisation strategy and the Safeguard Mechanism

• Evaluated the Group's ability to forecast future cash flows by comparing the current year and historical results to budget

• 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 (see notes 8 and 9).</td></tr>
</table>

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 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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

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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.

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.

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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 31 to 46 of the Directors' Report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Aurizon Holdings Limited, for the year ended 30 June 2023, 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

DELOITTE TOUCHE TOHMATSU

Matthew Donaldson
Partner
Chartered Accountants

Brisbane, 14 August 2023

Non-IFRS Financial Information in the FY2023 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 relevant 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 items.

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, and assets and liabilities held for sale). 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.

	2023		2022	
	Continuing operations $m	Discontinued operations $m	Continuing operations $m	Discontinued operations $m
NPAT — Underlying	**367**	**34**	525	–
Significant items, net of tax[1]	**(43)**	**(82)**	(12)	–
NPAT — Statutory	**324**	**(48)**	513	–
Income tax expense	**159**	**(6)**	223	–
Profit before income tax	**483**	**(54)**	736	–
Net finance costs	**230**	**27**	125	–
EBIT — Statutory	**713**	**(27)**	861	–
Add back significant items:				
– Acquisition costs	**49**	**-**	14	–
– Impairment of assets held for sale	**-**	**75**	–	–
– Sale and divestment costs	**-**	**26**	–	–
– Loss on disposal	**-**	**2**	–	–
EBIT — Underlying	**762**	**76**	875	–
Depreciation and amortisation	**666**	**-**	592	–
EBITDA — Underlying	**1,428**	**76**	1,467	–
Average invested capital (continuing operations)	**10,111**		8,464	
ROIC (continuing operations)	**7.5%**		10.3%	

Net Gearing Ratio	2023 $m	2022 $m
Total borrowings	**5,142**	3,221
Less: cash and cash equivalents	**(92)**	(172)
Net debt	**5,050**	3,049
Total equity	**4,353**	4,412
Total capital	**9,403**	7,461
Net Gearing Ratio	**53.7%**	40.9%

Alternative Net Gearing Ratio	2023 $m	2022 $m
Net debt	**5,050**	3,049
Accumulated fair value adjustments[2]	**140**	211
Alternative Net Debt	**5,190**	3,260
Total equity	**4,353**	4,412
Total capital	**9,543**	7,672
Alternative Net Gearing Ratio	**54.4%**	42.5%

1 Significant items for continuing operations includes acquisition costs for One Rail Australia of $49 million ($43 million post tax). Significant items for discontinued operations includes impairment expense of $75 million ($57 million post tax), sale and divestment costs of $26 million ($23 million post tax) and loss on disposal $2 million ($2 million post tax).

2 Refer to note 18(a)(ii).

Shareholder Information

RANGE OF FULLY PAID ORDINARY SHARES AS AT 1 AUGUST 2023

RANGE	TOTAL HOLDERS	UNITS	% OF ISSUED CAPITAL
1 – 1,000	22,766	13,415,521	0.73
1,001 – 5,000	31,329	75,077,266	4.08
5,001 – 10,000	7,677	56,423,581	3.07
10,001 – 100,000	6,001	130,523,795	7.09
100,001 Over	195	1,565,263,819	85.04
Total	**67,968**	1,840,703,982	**100.00**

UNMARKETABLE PARCELS AS AT 1 AUGUST 2023

	MINIMUM PARCEL SIZE	HOLDERS	UNITS
Minimum $500.00 parcel at $3.81 per unit	132	1,346	89,485

The number of shareholders holding less than the marketable parcel of shares is 1,346 (shares: 89,485).

Substantial holders of 5% or more of fully paid ordinary shares as at 1 August 2023*

NAME	NOTICE DATE	SHARES
State Street Corporation and subsidiaries	01/08/2022	112,656,938
The Vanguard Group Inc.	01/08/2022	92,070,702
Mondrian Investment Partners Limited	01/08/2023	111,283,294
BlackRock Group	02/09/2022	114,082,981

* As disclosed in substantial shareholder notices received by the Company.

INVESTOR CALENDAR

2024 DATES	DETAILS
12 February 2024	Half Year results and interim dividend announcement
27 March 2024	Interim dividend payment date
12 August 2024	Full Year results and final dividend announcement
25 September 2024	Final dividend payment date
10 October 2024	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 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 2023

NAME	UNITS	% OF UNITS
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	651,691,519	35.40
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	320,662,418	17.42
CITICORP NOMINEES PTY LIMITED	265,365,103	14.42
NATIONAL NOMINEES LIMITED	84,931,037	4.61
BNP PARIBAS NOMS PTY LTD <DRP>	47,393,007	2.57
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	31,662,894	1.72
ARGO INVESTMENTS LTD	21,559,826	1.17
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	18,803,003	1.02
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	13,120,626	0.71
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	12,339,043	0.67
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	7,030,519	0.38
BKI INVESTMENT COMPANY LIMITED	5,245,000	0.28
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,078,750	0.28
CITICORP NOMINEES PTY LIMITED <143212 NMMT LTD A/C>	4,261,644	0.23
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	4,236,818	0.23
BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	3,168,530	0.17
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	2,912,989	0.16
BNP PARIBAS NOMS (NZ) LTD <DRP>	2,900,183	0.16
NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	2,737,741	0.15
NAVIGATOR AUSTRALIA LTD <SMA ANTARES INV DV BUILD A/C>	2,378,987	0.13
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)	**1,507,479,637**	**81.90**
Total Remaining Holders Balance	**333,224,345**	**18.10**

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, Containerised Freight and Other of Aurizon Holdings Limited

ACN
Australian Company Number

AGRMC
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

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

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

DSTIA
Deferred STI Award

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

EFP
Enterprise Fleet Plan

EMTN
Euro Medium-Term Note

EPA
Environment Protection Agency

EPL
Environment Protection Licence

EPS
Earnings Per Share

FSB
Financial Stability Board

FY
Financial Year ended 30 June, as the context requires

GAAP
Generally Accepted Accounting Principles

GAPE
Goonyella to Abbot Point Expansion

Group Executives
Direct report to the MD & CEO and are either responsible for a Business Unit (Bulk, Coal, Network, Containerised Freight) 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

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

SIFR(a+p)
Serious Injury and Fatality Rate, including both actual and potential events

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

USPP
United States Private Placement Note

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
Tim Longstaff
Sarah Ryan
Lyell Strambi

Company Secretaries
David Wenck
Nicole Allder

Registered Office
Level 8, 900 Ann Street
Fortitude Valley QLD 4006

Auditors
Deloitte Touche Tohmatsu (Deloitte)

Share Registry
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